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please
house**Part 1 Corporate company name**Corporate name of
overseas company ①

CHINA MINSHENG BANKING CORP., LTD

REPRESENTATIVE OFFICE

UK establishment
number

B R 0 1 8 7 9 5

→ **Filling in this form**Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *① This is the name of the company in
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Legislation ②

COMPANY LAW OF THE P.R. CHINA

② This means the relevant rules or
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preparation of accounts.**A2****Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
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Please tick the appropriate box.

☐ **No. Go to Section A3.**☒ **Yes. Please enter the name of the organisation or other
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China Accounting Standards of Business Enterprise

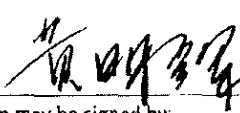
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A3**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ No. Go to Part 3 'Signature'. ☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	1 Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body 1	CICPA IFS	

Part 3**Signature**

Signature	I am signing this form on behalf of the overseas company.	
	Signature X  X	
	This form may be signed by: Director, Secretary, Permanent representative.	

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中國民生銀行股份有限公司

CHINA MINSHENG BANKING CORP., LTD.

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

(Stock Code: 01988)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**”) of China Minsheng Banking Corp., Ltd. (the “**Bank**”) hereby announces the audited results of the Bank and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) in relation to information to accompany preliminary announcements of annual results.

Publication of Annual Results Announcement and Annual Report

This results announcement will be published on the HKEXnews website of SEHK (www.hkexnews.hk) and the Bank’s website (www.cmbc.com.cn). This results announcement is prepared in Chinese and English, respectively. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

The 2022 Annual Report of the Bank will be dispatched to holders of H shares of the Bank and published on the website of the Bank and the HKEXnews website of the SEHK in due course.

Profit Distribution

On 27 March 2023, the 34th meeting of the eighth session of the Board of the Bank approved the profit distribution plan to declare to holders of A shares and H shares whose names appear on the registers as at the record dates as indicated in the notice of the 2022 Annual General Meeting of the Bank to be published by the Bank in due course, a cash dividend of RMB2.14 (tax inclusive) for every 10 shares being held. The above profit distribution plan is subject to the approval of the 2022 Annual General Meeting of the Bank. The cash dividend is expected to be paid to holders of H shares on 14 July 2023. Notice of 2022 Annual General Meeting of the Bank will announce the date of the 2022 Annual General Meeting of the Bank and details of its book closure, as well as the arrangement of book closure for profit distribution.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
Gao Yingxin
Chairman

Beijing, PRC
27 March 2023

As at the date of this announcement, the Executive Directors of the Bank are Mr. Gao Yingxin, Mr. Zheng Wanchun and Mr. Yuan Guijun; the Non-Executive Directors are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Song Chunfeng, Mr. Yang Xiaoling and Mr. Zhao Peng; and the Independent Non-Executive Directors are Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Peng Xuefeng, Mr. Liu Ningyu and Mr. Qu Xinjiu.

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and Senior Management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this Annual Report and there are no misstatements, misleading representations or material omissions in this Annual Report, and shall assume several and joint liability.

This Annual Report was considered and approved on 27 March 2023 at the 34th meeting of the eighth session of the Board of Directors of the Bank. Of the 18 Directors who were entitled to attend the meeting, 8 Directors attended the meeting in person. 10 Directors, being the Vice Chairmen ZHANG Hongwei, LU Zhiqiang and LIU Yonghao, and Directors SHI Yuzhu, WU Di, SONG Chunfeng, WENG Zhenjie, XIE Zhichun, PENG Xuefeng, and QU Xinjiu, participated in the meeting by teleconference or video conference. 8 Supervisors of the Bank attended the meeting as non-voting delegates.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, auditors of the Bank, have audited the financial reports of 2022 prepared in accordance with the Chinese Accounting Standards (“CAS”) and the International Financial Reporting Standards (“IFRSs”), respectively, and issued standard and unqualified auditors’ reports, respectively.

GAO Yingxin (Chairman), ZHENG Wanchun (President), LI Bin (person in charge of finance and accounting), and YIN Xuwen (person in charge of the accounting department) declare to warrant the truthfulness, accuracy and completeness of the financial reports included in this Annual Report.

The profit distribution plan for 2022 was approved by the Board of Directors, pursuant to which, on the basis of the total number of shares of the Bank as at the record dates of profit distribution, a cash dividend of RMB2.14 (tax inclusive) will be distributed to all shareholders of the Bank for every 10 shares held. The above profit distribution plan is subject to approval by the Shareholders’ General Meeting of the Bank.

The financial data and indicators contained in this Annual Report are prepared according to the rules of the IFRSs. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

The forward-looking statements about matters such as future plans in this Annual Report do not constitute substantive commitments of the Bank to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Material Risk Warning: the Bank has no foreseeable material risks. For potential risks, please refer to the section headed “XIII. Prospects – (II) Potential risks” under “Chapter 3 Management Discussion and Analysis” of this Report.

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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	the Bank and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
Minsheng Royal Asset Management	Minsheng Royal Asset Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CMBC Wealth Management	CMBC Wealth Management Co., Ltd.
CPPCC National Committee	The National Committee of the Chinese People' s Political Consultative Conference
ACFIC	All-China Federation of Industry and Commerce
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange

SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on SEHK
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2022 to 31 December 2022

MESSAGE FROM CHAIRMAN

The year 2022 was a milestone in the history of the Communist Party of China (CPC) and the country. We were honored to witness the successful convocation of the 20th National Congress of the CPC, jointly embarking on the new journey of building a modern socialist country in all respects. During the year, under the strong leadership of the CPC Central Committee with Xi Jinping at the core, the Chinese economy tackled the difficulties head on and gained steady progress in development quality. China Minsheng Bank deeply implemented the decisions and arrangements of the CPC Central Committee and the State Council, and strictly met the requirements of regulatory authorities. The Bank adhered to the corporate mission of “serving the public, caring about people’s livelihood”, upheld the original aspiration of serving the real economy, integrated itself into the great picture of economic and social development, and consolidated development foundation while preventing and defusing risks. The Bank strengthened distinctive advantages while advancing strategic arrangements, and maintained the development momentum of making progress in stability.

In 2022, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,300 million, representing an increase of 2.58%. As at the end of 2022, total shareholders’ equity amounted to RMB599.9 billion, representing an increase of 4.47%. Total assets amounted to RMB7.26 trillion, representing an increase of 4.36%. The Group constantly deepened the comprehensive management of customer groups, and saw a continuous increase in effective customers and profound changes in the underlying logic of transformation and development. The asset business returned to basics, the basic business achieved steady income growth, and the new development momentum became more accumulative. The internal risk control system was improved continuously, the asset quality tended to be better, and the foundation for high-quality development was further consolidated.

We are deeply aware that as a systematically important bank in China, China Minsheng Bank shoulders the new mission endowed by the new era in terms of facilitating high-quality development and advancing the new journey of Chinese path to modernisation. We resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council for “implementing the strategy of building China into a leading manufacturer”, proactively seized the opportunities in the development of green manufacturing and smart manufacturing industries, enhanced plan guidance and forward-looking arrangement, and tilted more resources in favor of the high-quality development of the manufacturing industry. We resolutely implemented national low-carbon transformation strategy, actively fulfilled ESG responsibilities, and continuously improved the quality and efficiency of green financial services. In 2022, the green credit grew by 68%. We proactively implemented the national strategy for rural revitalisation, provided financial support to comprehensively advance rural revitalisation, and continuously enhanced financial capability in serving rural areas. We proactively executed the national major regional strategies, adopted distinctive models for regional development, and increased support for key regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, and the Chengdu-Chongqing economic zone. The proportion of loans to the four key regions increased steadily.

We focused on customer demands, capitalised on opportunities and trends, and continuously innovated service models, so as to meet the diversified and differentiated financial demands of customers and serve the aspirations of the people to live a better life. We worked to improve the coverage, availability and satisfaction of financial services, and constantly enriched life scenarios covering clothing, food, housing and transportation. We continuously enhanced services for new citizens and the elderly, launched personal pension services, rolled out new pension financial products, and released new versions of mobile bank focusing on “the elderly and the youngster” groups to eliminate the “digital gap”. We further adopted the distinctive business model of “integration of micro, small, medium and large retail customers” by taking strategic clients as the pivot and the key, enabled the coordination of “points, chains, ecosystems and parks”, in order to provide more precise, convenient and considerate services to the non-state-owned enterprises (NSOEs), micro, small and medium enterprises, as well as the general financial consumers. We reshaped the system and mechanism to “empower customers by the whole bank, empower front office by middle and back offices, and empower branches by the Head Office (全行賦能客戶，中後台賦能前台，總行賦能分行)”, transformed credit approval, loan placement, post-loan and other business processes and working mechanisms, and constantly improved the customer response capability and service quality and efficiency of front-line personnel. Every little effort counts. In 2022, the number of effective corporate customers and the number of retail and private banking customers increased by 31% and 25%, respectively, as compared with the end of 2020, while the amount of small business loans and the number of small business customers with loan balances grew by 14% and 81%, respectively, as compared with the end of the previous year.

We held on to the strategic positioning of “an agile and open bank”, firmly grasped the opportunity of the digital era, and accelerated the comprehensive digital transformation. We advanced in a coordinated way in terms of systems and mechanisms, team building, technology empowerment, ecosystem development, and intelligent transformation, and focused on building an “eco-bank” and “intelligent bank”. We promoted rapid connection between finance and ecosystem, and developed the capability for providing full-chain digital services. For example, in cooperating with a new energy vehicle OEM, we utilised the distinctive product of “Minsheng E-Chain (民生E鏈)” to realise cooperation with the upstream suppliers and downstream distributors, effectively supporting the growth of micro, small and medium enterprises and the stable development of the industry chain and supply chain of the new energy vehicles sector. We released the open bank brand of “Minsheng Cloud (民生雲)” to deliver integrated and comprehensive services and facilitate the digital transformation of micro, small and medium enterprises. For example, the service of “Minsheng Cloud • Agency Book Keeping (民生雲•代賬)” has “one-click withdrawal, automatic book keeping, smart vouchers” and other functions, greatly improving the book keeping efficiency of financial personnel by reducing their visits to the outlets, manual input of accounting information and other complex operations. For another example, the service of “Minsheng Cloud • Freight (民生雲•貨運)” not only supports the collection of transportation fees, but also provides cash withdrawal services and customised financial products, offering more convenience for both cargo owners and drivers. The comprehensive digital transformation has changed the “fundamentals” of development. We achieved “all-member coordination, full-journey connection and all-channel data connectivity” from the starting point of business chains, and constantly elevated the capabilities of digital products and service levels.

We adhered to the belief of long-termism, strictly guarded against the bottom line of risk compliance, and took compliance and risk control as the lifeline of the Bank. We enhanced comprehensive risk management, strengthened operational risk control, and fought against and defused risks in relation to non-performing assets. We tightened antecedent management of risks, and reformed the credit approval system and mechanism across the whole bank. We made great efforts to build the three lines of defense. We established dedicated credit officer teams, and enhanced the performance management of main accountable person for operation to further fulfill the responsibilities of the first line of defense. In the meantime, we sped up the optimisation of post-loan and post-investment management system, evidently improved the quality and efficiency of credit approval of the whole bank. By optimising customer management and service model, we standardised the business marketing order, transformed resource allocation and evaluation orientation, and reshaped the core competitiveness of compliant operation. In 2022, total non-performing loans (NPLs), the NPL ratio, total overdue loans and the overdue loan ratio all decreased as compared with the end of the previous year. The formation rate of NPLs decreased for two consecutive years and the NPL ratio of new corporate loans in recent three years was only 0.42%, making a solid step to high-quality development.

We advocated “respecting professional competence, value creation and hard work” to fully stimulate the cohesive force, fighting capability and innovative strength of staff of the whole bank. We steadily advanced a series of human resources reforms in terms of professional sequence, position-based remuneration, and salary incentives, motivated the whole bank with a long-term mechanism, established the evaluation orientation and appointment orientation of “valuing solid work, actual performance and responsibilities”, and put in place a professional, dedicated and striving staff team, creating a working environment that was “simple, practical and efficient”. Not only as the consensus of all staff of the Bank, the philosophy of “customer first and considerate services” has been integrated into product design and business processes, in a bid to deliver better experience and create greater value for customers.

All experiences are gifts. Each and every achievement and progress we have made would have been impossible without the unremitting and diligent efforts made by the staff of the Bank, and without the care and support of our customers, shareholders and the people from all walks of life. I hereby would like to, on behalf of the Board of China Minsheng Bank, express my sincere gratitude to them all!

High-quality development is the distinctive feature of the Chinese economy in this new era. In 2023, we will continue to keep abreast with the time and the country, focus on strategic advantages, maintain focus on reform, and march steadily towards high-quality development.

We aim to improve the quality and efficiency when serving the real economy, and will focus on serving the NSOEs and developing distinctive features and advantages. The Report of the 20th National Congress of the CPC reiterated that “we must unswervingly consolidate and develop the public sector and unswervingly encourage, support, and guide the development of the non-public sector (兩個毫不動搖)”, and explicitly called to “facilitate the growth of the private sector”, declaring China’s steadfast determination to promote the development of the private economy. China Minsheng Bank shares the same origin with the NSOEs, and enjoys unique advantages such as market-oriented systems and mechanisms, which determines that we should adhere to the strategic positioning of “a bank for the NSOEs”, and meet market and customer demands with better products and services and higher efficiency. We will continuously optimise financial products and services, serve the optimisation and upgrading of industrial structure, make sustainable efforts in serving the key fields, such as the manufacturing industry, micro and small enterprises, green finance and rural revitalisation, and constantly elevate market image and brand reputation.

We will take digital transformation as the driving force, reshape business and management models, and provide even better service experience for customers. The purpose of innovation is to deliver simplicity and convenience to customers while leaving complexity and problems to ourselves. We will face up to customer appeal and market demands, continue to enhance the philosophy of “the whole bank serving customers, the Head Office serving branches, and the middle and back offices serving the front office”, and closely follow the market, customers and the front-line. We will continue to perfect the agile and open model by optimising key processes, strive to make breakthroughs in eco-bank through technology, and scale new heights in intelligent bank based on data, in an aim to provide customers with agile, efficient and comprehensive services with ultimate experiences.

We will take system and mechanism reform as the effective means to enhance refined management and continuously improve the capability and level of comprehensive risk management. We will strike a dynamic balance between development and risk level according to market changes, fulfill the responsibilities of the “three lines of defense”, especially the first line of defense, and handle the relationship of the two from the source. We will make risk management more forward-looking and initiative through professional and concentrated operation, smart risk control and smart operation, among other efforts. We will firmly bear in mind the philosophy of “prioritising internal control and ensuring compliance” as we strive to constantly improve the internal control and compliance management system.

We will take improving the “warm power” as our target, proactively fulfill social responsibilities, and deliver our warmth and power with actions. We will adhere to the philosophy of sharing development achievements with the society, closely combine our development with social progress, and innovatively carry out practices related to social responsibility, such as paired assistance, congenital heart disease treatment, AIDS prevention and control, donations to schools, environmental protection, emergency relief, and cultural public welfare. We will continuously improve ESG management, release series of green finance products, and develop Minsheng public welfare platforms, so as to make greater contributions to the balanced development of the society and the building of a beautiful homeland.

No matter how far the destination is, we will get to it eventually when we keep walking. On the new journey in the new era, we will take the spirit of the 20th National Congress of the CPC as the guidance, thoroughly implement the new development philosophy, comprehensively integrate into the new development pattern, and press ahead with unwavering commitment and perseverance. We will seize opportunities while tackling challenges, break new ground while assuming responsibilities and taking actions, and create greater value for our customers, shareholders and employees through high-quality development, thereby contribute greater financial strength to the all-round advancement of the Chinese path to modernisation and the great rejuvenation of the Chinese nation!

MESSAGE FROM PRESIDENT

In 2022, the 20th National Congress of the CPC drew up an inspiring blueprint for building China into a modern socialist country in all respects. During the year, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China Minsheng Bank forged ahead by focusing on the strategic positionings of “a bank for the NSOEs, an agile and open bank, and a bank with considerate services”. The Bank made all-round efforts to deepen reform, improve management rules and optimise working processes, and carried out operations from the perspectives of “stabilising growth, expanding customer groups, consolidating foundation, adjusting structure, optimising evaluation, controlling risks, enhancing technology, and promoting reform”. As a result, the whole bank achieved progress in stability in business development, and enhanced the overall competitiveness at a steady pace. The Group recorded an operating income of RMB139,219 million, and a net profit attributable to holders of equity shares of the Bank of RMB35,269 million throughout the year. Total assets and total liabilities as at the end of the year increased to RMB7.26 trillion and RMB6.64 trillion, respectively. Total equity attributable to holders of equity shares of the Bank amounted to RMB599,928 million, and the net assets per share attributable to holders of ordinary shares of the Bank amounted to RMB11.53. The numbers of corporate and retail customers both achieved “increases as compared with the corresponding period of the previous year”, and the NPL ratio and overdue loan ratio continued the trend of “double decreases”. The Bank was 22nd in the Top 1000 World Banks ranking released by The Banker and stood at No. 273 in the Fortune Global 500 published by Fortune.

The year 2022 marked the conclusion of the “period to consolidate foundation” according to the Five-Year Development Plan of the Bank. Over the past year, **we strove to serve the NSOEs, and maintained our own distinctive characteristics**. Adhering to the strategic positioning of “a bank for the NSOEs”, the Bank developed and promoted financial products for sci-tech innovation enterprises, and increased the placement of credit loans and first loans with focus on new and high-tech enterprises, the “dedicated, refined, distinctive and innovative (專精特新)” small and medium-sized enterprises (SMEs), sci-tech-based SMEs and other market entities. The growth rate of loans to “dedicated, refined, distinctive and innovative” enterprises continued to improve throughout the year. We promoted the transformation of new small business models in line with the standards of “true micro and small enterprises, practical use, online operation and credit loans”, studied and perfected the guarantee measures to support the development of micro and small enterprises, and launched four major product systems of “Commercial Loan Express (商貸通)”, “Industrial Loan Express (工貸通)”, “Agricultural Loan Express (農貸通)” and “Online Loan Express (網貸通)”, so as to fully support micro and small enterprises to become stronger and better. During the year, the Bank continued to overfulfill the target of “double increases” in inclusive small business loans.

We strove to offer considerate and heartfelt services to customers and continued to create value for them. By centring on the strategic positioning of “a bank with considerate services”, the whole bank took “customer satisfaction” as an important criterion of work, and conscientiously implemented the measures of “the Head Office serving branches, the middle and back offices serving the front office, and the whole bank serving customers”, so as to manage customers wholeheartedly. Starting with the optimisation of customer experience, we solved the pain points and difficulties of retail customers in their life journey and banking experience in an end-to-end and one-by-one manner to improve customer experience. By taking the improvement of internal efficiency as the basic management requirement for serving customers, we strove to build a coordinated system of “One Minsheng”, and pooled the strengths of commercial banking, investment banking, private banking, research, technology and subsidiaries, to provide corporate customers with customised comprehensive solutions in the fields of industry chains, supply chains, sales chains, investment chains and innovation chains. We insisted on becoming customers of each other and creating value with customers, earnestly expanded strategic customer groups, consolidated basic customer groups, and sought for more business opportunities with retail customers. We made solid efforts in improving basic products including account opening, payment, settlement and others, and optimised service models of wealth management, custody and others, in a bid to integrate with customers and actively create values for them. During the year, the numbers of effective corporate and retail customers as well as those with loan balances of the Bank maintained rapid growth as compared with the previous year, which contributed RMB1.1 trillion annual daily average settlement-based general deposits. The assets under management (AUM) of retail customers and the assets under custody of the Bank approximated to RMB2.2 trillion and RMB12 trillion, respectively. The comprehensive contributions of customers significantly increased, and the Bank realised stable growth in quantity and steady improvement in quality in customer management.

We strove to build strong lines of defense for financial security and lay a solid groundwork for risk control. The whole bank solidly established the philosophy that “compliant operation is the core competitiveness”, built the internal risk control and management system with “four beams and eight pillars (四樑八柱)” in a coordinated manner, adopted antecedent and compliant risk prevention and control, improved the risk control and management mechanism for domestic systemically important bank, and strengthened the compliant risk control in key areas by means of strict governance. We took the initiative to prevent new risks, reinforce source management and control, strengthen full-coverage risk management, and carry out joint prevention and control. We effectively put in place the “three lines of defense”, accelerated the establishment of the smart risk control system, and firmly guarded against the bottom line of zero occurrence of systematic risks. We thoroughly implemented the decisions and arrangements made by the CPC Central Committee on preventing and defusing financial risks, worked harder to defuse existing risks, and expedited the collection and disposal of non-performing and problem assets. As a result, the overall asset quality of the whole bank kept improving. We further enhanced the risk resilience capability of the whole bank by strengthening the management and control of capital consumption, enhancing capital efficiency, and effectively supplementing exogenous capital. As various measures were solidly implemented, as at the end of 2022, the NPL ratio of the Group dropped 0.11 percentage points as compared with the end of the previous year to 1.68%, and the overdue loan ratio declined 0.18 percentage points to 1.99%, showing stable and controllable loan quality.

We strove to carry out independent fintech innovation and speed up innovation-driven development. With focus on the strategic positioning of “an agile and open bank”, the Bank defined digital transformation as the optimal solution to break multiple constraints of operation and achieve high-quality development. By separately listing technological resources input, expanding IT talent teams, setting up innovation research laboratories and other means, we pooled advantageous resources and practised the self-reliance and self-improvement in fintech at full stretch. We pushed forward the alignment of financial innovation with the needs of the real economy and the public in a vigorous and orderly manner, and innovated the business model of eco-bank by focusing on the four major scenarios of “supply chain ecosystems of enterprises, personal life journey, institutional platform ecosystems, and capital transaction of financial institutions”. Relying on the two engines of “technology + data”, we enhanced the service quality and efficiency of intelligent bank. The whole bank significantly improved the “integration of digital technology and the real economy”, and pushed forward the digital transformation at a faster pace and with better quality. In 2022, the IT input of the Bank amounted to RMB4,707 million, representing an increase of 22.48% as compared with the corresponding period of the previous year¹, and accounted for 3.58% of operating income, representing an increase of 1.16 percentage points as compared with the corresponding period of the previous year².

We strove to serve the overall endeavours of national development and proactively performed social responsibilities. We resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council, and continued to expand the scale of medium – to long-term loans and credit loans to the manufacturing industry. We enriched the green product series of “Peak and Neutrality (峰和)”, and launched the carbon emission reduction product series of “E Carbon Loan (碳e贷)”, “Emission Reduction Loan (减排贷)” and “Photovoltaic Loan (光伏贷)”. The growth rates of loans to the manufacturing industry and the green and clean energy sectors of the whole bank were all higher than the average loan growth rate of the whole bank. We continued to provide paired assistance based on the philosophy of “staying coupled after poverty alleviation (脱贫不脱钩)”, and built and improved the distinctive rural revitalisation product systems including “Agricultural Loan Express (农贷通)”, “Cotton Grower Loan (棉农贷)” and “Revitalisation Loan (振兴贷)”. We implemented the development strategies for the four key regions, and spared no efforts to serve the rural revitalisation and the coordinated development of urban and rural areas and regions. We cared about the public, served their livelihood and firmly provided financial support for ensuring energy supply and expanding domestic demand. We accelerated the development of financial services for communities, launched product series for personal elderly care, and enriched the comprehensive financial services for new citizens in such fields as skill training, housing decoration, and children education. By taking various beneficial and heart-warming measures such as paired assistance, congenital heart disease treatment, cultural public welfare, we continued to deliver more “warm power” of financial services. In 2022, the Bank was selected in the “2022 ESG 50” released by Forbes China, and the social image as a responsible bank continued to improve.

¹⁻² Since 2022, the Bank calculated the investment in technology with cash flows and calculated the increase over the corresponding period of the previous year with the restated data of the comparison period.

We are deeply aware that we cannot make the achievements today without the trust and support of all sectors of the society. I hereby, on behalf of the management team, extend my heart-felt gratitude to all sectors of the society for their care and kindness to the Bank, to all the investors for their strong support and to the staff of the whole bank for their diligent work.

According to the Bank's Five-Year Development Plan, 2023 marks the beginning of the second stage of "continuous growth period". All staff of the Bank will thoroughly learn and implement the spirits of the 20th National Congress of the CPC under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Maintaining strategic focus, we will adhere to creating values for customers through reform and innovation, truly transform the service model and growth pattern, and continue to improve the supply and quality of products and services. We will speed up efforts to promote digital transformation, continue to strengthen risk management, compliance and internal control, comprehensively reinforce brand and corporate culture cultivation, keep enhancing market competitiveness, profitability and sustainability, and make unremitting efforts to realise the targets of the second stage on schedule.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

I. Development Strategies of the Bank

(I) Development goals

A first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation

(II) Strategic goals

2021-2025 is the strategic period for the Bank, which is divided into two development stages. The first stage (2021-2022) is the period to consolidate foundation, during which, the Bank will transform the growth pattern by laying sound foundation and consolidating the origins of businesses. The second stage (2023-2025) is the period of continuous growth, during which, the Bank will enhance its market competitiveness and achieve high-quality and sustainable development by strengthening capabilities and improving quality and effectiveness.

(III) Strategic positionings

A bank for the NSOEs. The Bank sticks to the customer positioning and strategic choice it has followed over the past 27 years, and keeps its distinctive features unchanged. The Bank continues to leverage the advantages of market-oriented system and mechanism, wholeheartedly supports the development of the real economy, and strives to become a bank with the best services for the NSOEs and build a golden brand of China Minsheng Bank in the field of financial services to micro, small and medium customers, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.

An agile and open bank. Following the development trend of digital economy, the Bank promotes continuous innovation and seeks for breakthroughs in technology-driven eco-bank to optimise comprehensive services such as scenario integration and ecosystem co-construction. The Bank creates value for customers and grows together with them by empowering the whole production process and life journey of small, medium and large customers as well as individual customers. The Bank strives to push the data-driven intelligent banking to a new level and elevate the digital intelligence level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with the ultimate customer experience.

A bank with considerate services. The Bank stays customer-centric and puts special emphasis on its original services, business origins and steady compliance. Based on the deep understanding of customer needs, the Bank strives to build up trust through professional services, enhance customer experience through optimised procedures, strengthen customer stickiness through value creation, and maintain security through risk management and control, so as to unite with customers and partners, become customers of each other, grow together and achieve common prosperity.

(IV) Development strategies

2023 marks the end of the first stage and the beginning of the second stage (“period of continuous growth”) of the Bank’s Five-Year Development Plan (2021-2025). The Bank will insist on prioritising high-quality development and thoroughly implement the “12345” management and development strategies. Further focusing on customers, industries, products and resource allocation, the Bank will highlight key points, create characteristics, and build differentiated strategic competitive advantages. The Bank will also carry out in-depth development of existing businesses, seize opportunities to expand new businesses, speed up asset placement, and further improve customer services, in a bid to achieve high-quality development of the whole bank.

“One” main target: The Bank will stick to three strategic positionings of “a bank for the NSOEs, an agile and open bank and a bank with considerate services”, and fully implement the “customer-centric” philosophy, so as to realise the main operating target of “high-quality income growth”.

“Two” breakthroughs: The Bank will make breakthroughs in two aspects, namely high-quality asset placement and liability quality improvement. In the process of strengthening management of customer groups and creating value for customers, the Bank will realise structure optimisation, scale expansion and revenue increase on the asset side. It will maintain coordinated development of deposits and loans, enhance support for core liabilities, optimise maturity term structure and customer structure of liabilities, and strengthen cost control.

“Three” pillars: The Bank will enhance scale expansion and profitability improvement of retail business, comprehensive development of corporate business, and specialised management of financial markets business, so as to facilitate income growth. Focusing on the general retail customers, wealth management customers and private banking customers, the Bank will deploy financial products and benefits system in a differentiated manner, carry out in-depth operations of scenario-based finance such as travel, e-commerce, automobile consumption, etc., strengthen the coordination with branches in terms of credit card business, and expand the scale of transaction settlement, so as to improve the operating results of retail business. The Bank will accelerate the growth of strategic clients, become the “host bank” for scenario-based small and medium enterprises in the ecosystems and industry chains of core enterprises and featured industrial parks, and strengthen the chain-based corporate-retail synergy and coordinated marketing, in a bid to realise integrated and comprehensive development of micro, small, medium and large enterprises and retail customers in corporate ecosystems. The Bank also will improve the integrated marketing model for financial institution customer group, expand interbank settlement and custody funds, and seize market opportunities to increase income from financial markets business.

“Four” drivers: The Bank strives to achieve high-quality development through in-depth management of key customer groups, forward-looking arrangement of key businesses, empowerment by antecedent risk compliance, and agile innovation of digital ecosystems. The Bank will deepen the segmented and classified management of customer groups, facilitate breakthroughs in six major customer groups including strategic clients, small and medium enterprises, micro and small enterprises, institutional customers, retail customers and financial institution customers, and enhance the effectiveness of integrated and comprehensive management of micro, small, medium and large enterprises and retail customers. With the application of comprehensive transaction banking products and key eco-finance projects as breakthroughs, the Bank will accelerate the deployment and innovation of eight major businesses, including bonds, bills, supply chains, agency business, wealth management, consumer loans, credit card and international business. The Bank will integrate customer experience into compliance, stay close to the market and customers, and further integrate credit approval reform and marketing system reform, in a bid to coordinate compliance management and steady business development. In addition, the Bank will accelerate digital transformation, continuously innovate eco-bank business models around scenario-based finance, constantly enhance the quality and effectiveness of intelligent banking services around data empowerment, and promote empowerment of sci-tech data to business innovation and development.

“Five”-in-one system: The Bank will build a supporting and guarantee system for resource allocation, process optimisation, evaluation and incentive, coordination culture, and supervision and inspection, to ensure effective connection and coordination of various policies, and to facilitate a sound and steady start for the second stage of the Five-Year Development Plan. The Bank will adhere to the principle of “quality first, priority in efficiency, appropriate scale, and matching capital and assets”, closely link risk, capital, scale and revenue, and ensure smooth transmission among business expansion, income growth and value-added chain. Based on the problem-oriented approach and customer perspective, the Bank will establish a regular process management mechanism to conduct end-to-end inspection of key processes. Focusing on basic customer development, business structure optimisation and business profitability enhancement, the Bank will give full play to the guiding role of comprehensive performance evaluation. The Bank will strengthen the agile coordination mechanism of the whole bank to promote integrated business coordination, and create efficient comprehensive service model based on customer needs. The Bank also will perfect the closed-loop management mechanism for whole-process strategies, and reinforce strategy execution and supervision.

II. Core Competitiveness

The Bank improves efficiency by implementing strategies. The Bank unswervingly practises the new development philosophy and thoroughly implements the Five-Year Development Plan. Consistently consolidating the positioning of “a bank for the NSOEs” and truly implementing the corporate mission of “serving the public, caring about people’s livelihood”, the Bank deploys business presence in high-quality sectors of the real economy, and increases financial support for the NSOEs, micro and small enterprises and retail customer group. Expediting the building of “an agile and open bank”, the Bank comprehensively improves its digital capabilities, reshapes its value creation systems, and transforms from expanding outlets to developing scenarios, from expanding deposit and loan scales to focusing on pain points, and from relying on human wave tactics to relying on technologies, for the purpose of creating a “second growth curve”. Practicing the positioning of “a bank with considerate services”, the Bank deeply understands customer needs, continuously improves business models, management processes and supporting systems and mechanisms, and constantly improves the “warmth” of customer services, so as to integrate and grow with customers and create values together.

The Bank forges new drivers through model transformation. Thoroughly implementing national strategies, the Bank enhances its capabilities in serving the manufacturing industry and green finance, speeds up its deployment in such sectors as new energy, and dedicated, refined, distinctive and innovative fields, vigorously develops inclusive finance, supports rural revitalisation, and strengthens services for ensuring smooth supply, services for new citizens, elderly-friendly services and others, in a bid to build new development dynamics. The Bank deepens segmented and classified management of customer groups, intensifies customer group development and product coordination within the Group, and improves the effectiveness of integrated and comprehensive management of micro, small, medium and large enterprises and retail customers by focusing on strategic clients’ ecosystems, as well as retail and wealth management ecosystems. The Bank also enhances the effectiveness and efficiency of risk management and control, and strengthens early-warning management and capital flow monitoring through differentiated authorisation and process optimisation, so as to continuously enhance risk management effectiveness and efficiency. In addition, the Bank accelerates the construction of smart risk control system to improve its digitalised, online-based and smart risk management.

The Bank makes new improvements in management efficiency. The Bank devotes more efforts to the coordination of various reform tasks and relevant supporting policies, in order to create the multiplier effect of bonus from reform. The Bank reshapes end-to-end customer journeys, establishes a regular process management mechanism, and emphasises all-member coordination, full-journey connection and all-channel data connectivity from the starting point of business chains, so as to realise integrated development of customers, products and channels. The Bank optimises operation and management systems and mechanisms, strengthens top-level decision-making, makes consistent efforts in various supporting policies, and constantly boosts resource support for reform and transformation as well as key strategic fields and regions. The Bank also improves coordination, launches agile organisational mechanisms, strengthens the synergy effect of supporting mechanisms of reform, and pushes forward the implementation of key projects of key businesses and key regions.

The Bank offers new experiences in customer services. The Bank strengthens the construction of the eco-bank, applies agile and open models, and builds pan-life public scenarios and personalised featured scenarios to provide customers with convenient online credit products and comprehensive financial services. The Bank deepens the construction of intelligent bank, and fully leverages digital technologies and tools to build intelligent marketing brains, develop monitoring and early-warning systems for retail quality control and build automatic assessment systems for small business to effectively prevent financial risks. The Bank comprehensively promotes the transformation and upgrading of business outlets, strives to build the service model of all-rounder staff, and improves remote empowerment and intelligent lobby transformation in a coordinated manner, in order to provide high-quality services in business outlets. The Bank enhances comprehensive service capabilities of “One Minsheng (一個民生)” strategy, continuously deepens integrated innovation of products and services, optimises key business processes, and strengthens the management of centralised operation service platforms, so as to effectively improve customer experiences.

The Bank creates new cultures for reform and development. The Bank continuously boosts strategic confidence and leads new development with new philosophy and new culture. Staying orientated around customer needs, taking customer experience as the priority, and being driven by customer value, the Bank integrates the “customer-centric” philosophy into all links of its operation and management. Embracing long-termism development concept, the Bank deeply changes the short-term performance-oriented linear incentive mechanism, continues to promote the reform of human resource and financial resource management mechanisms, and motivates employees with long-acting mechanisms. Moreover, the Bank builds a “simple, pragmatic and efficient” corporate culture, and promotes the integration of such culture into business development and management, so as to enhance the cohesion for high-quality development.

ANNUAL AWARDS

“Typical Cases in Briefing on Targeted Assistance for Rural Revitalisation (《鄉村振興定點幫扶簡報》典型案例)” by the PBOC

“Advanced Unit in Green Bank Evaluation (綠色銀行評價先進單位)” by China Banking Association

“Wealth Management Bank Golden Bull Awards (理財銀行金牛獎)” and “Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)” in the “3rd Wealth Management Golden Bull Awards of the Banking Industry in China (第三屆中國銀行業理財金牛獎)” by China Securities Journal

“2022 Best Open Bank of Digital Finance (2022年數字金融最佳開放銀行獎)” by China Financial Certification Authority (CFCA) and cebnet.com.cn

“2022 Award for Open Bank Technological Cooperation Contribution (2022年開放銀行技術合作貢獻獎)” by China UnionPay

“Excellent Case in “Jinxintong” Fintech Innovation & Application Awards (“金信通”金融科技創新應用卓越案例獎)” by China Academy of Information and Communications Technology

“2022 ESG 50 (2022中國ESG 50榜單)” by Forbes China

“Bank of Excellent Competitiveness in Small Business Financial Services (卓越競爭力小微金融服務銀行)” in the “Selected Cases of Excellent Financial Institutions of 2022 (2022卓越金融機構案例精選)” by China Business Journal

“2022 Evergreen Award – The Most Digitally Innovative Bank (2022年長青獎•年度最具數字創新力銀行)” by CAIJING

“Listed Company with Best Investor Relations (最佳投資者關係管理上市公司)” in the “China Securities Golden Bauhinia Awards (中國證券金紫荊獎)”

“Outstanding Financial Institution of the Year (年度優秀金融機構)” in the “20th China’s Financial Annual Champion Awards (第二十屆中國財經風雲榜)” by Hexun.com

“Top Ten Banks for Fintech Innovation (十佳金融科技創新獎)” at the “2022 China Financial Innovation Forum (2022中國金融創新論壇)” by The Chinese Banker

“Best Bank for Serving Micro and Small Enterprises (最佳服務小微企業銀行)” by China Business Times

“Top Ten NSOEs (民企十強)” in the “Social Responsibility Development Index of Chinese Enterprises 2022 (2022中國企業社會責任發展指數)” by Chinese Academy of Social Sciences

“Gold Award of Banking Industry (銀行業金獎)”, “Top 100 Global Annual Reports (全球最佳年報100強)” and “Technical Achievement Award (技術成就獎)” in the “2021 International ARC Awards (2021年國際年報大賽)” by League of American Communications Professionals LLC (LACP)

“2022 Best Employer in China (2022中國年度最佳僱主)” by Zhaopin.com

CHAPTER 1 BANK PROFILE

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司 (Abbreviation: “中國民生銀行”)
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: “CMBC”)
2. Legal Representative of the Company: GAO Yingxin
3. Authorised Representatives of the Company: XIE Zhichun, WONG Wai Yee, Ella
4. Board Secretary: BAI Dan
Joint Company Secretaries: BAI Dan, WONG Wai Yee, Ella
Representative of Securities Affairs: WANG Honggang
5. Mailing Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Telephone: 86-10-58560975; 86-10-58560824
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn
Hotline for Service Supervision: 86-95568
Hotline for Credit Card Service Supervision: 86-400 66 95568
6. Registered and Office Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
7. Branch Office and Place of Business in Hong Kong: 3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
8. Newspapers and Websites for Publishing Annual Report of the Company: China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com) and Securities Times (www.stcn.com)
www.sse.com.cn
Stock Exchange Website for Publishing A Share Annual Report of the Company: www.hkexnews.hk
Stock Exchange Website for Publishing H Share Annual Report of the Company:
Place for Collection of the Annual Reports: Office of the Board of the Bank
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
Legal Adviser as to Hong Kong Law: Clifford Chance

10. Domestic Accounting Firm: PricewaterhouseCoopers Zhong Tian LLP
Office Address: 42/F, New Bund Centre, No. 588 Dongyu Road, Pudong New Area, Shanghai, China
Signing Accountants: YAN Lin, ZHANG Honglei
International Accounting Firm: PricewaterhouseCoopers
Office Address: 22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
Office Address: No. 188 Yanggao Nan Road, Pudong New Area, Shanghai
H Share Registrar: Computershare Hong Kong Investor Services Limited
Office Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Domestic Preference Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
12. Places of Listing, Stock Names and Stock Codes:
A Shares: SSE Stock Name: MINSHENG BANK;
Stock Code: 600016
H Shares: SEHK Stock Name: MINSHENG BANK;
Stock Code: 01988
Domestic Preference Shares: SSE Stock Name: Minsheng Preference 1;
Stock Code: 360037
13. Initial Date of Registration: 7 February 1996
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F
16. Business Summary of the Company
Formally established in Beijing in 1996, the Bank is the first national joint-stock commercial bank in China primarily initiated and founded by the NSOEs.

Upon the approval of relevant regulatory authorities, the Bank operates the following commercial banking businesses: taking deposits from the public, granting short-, mid- to long-term loans, handling domestic and foreign settlements; accepting and discounting negotiable instruments, and issuing financial bonds; issuing, settling and underwriting government bonds as an agent; buying and selling government bonds and financial bonds; operating interbank borrowing and lending; buying and selling foreign exchange, and buying and selling foreign exchange as an agent; settling and selling foreign exchange; operating bank card business; providing letter of credit services and guaranty; receiving and paying funds as an agent; providing safe deposit box service; operating other businesses approved by the banking regulatory authority of the State Council; operating insurance business as a sideline agent; selling securities investment funds and providing custody services for securities investment funds. (The market entity independently chooses and operates businesses in accordance with laws. Operations of sideline insurance agency, sales of securities investment funds, custody of securities investment funds, and businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities and within the approved scopes. It is not allowed to operate businesses prohibited or restricted by national and municipal industry policies.)

For the main changes of the Bank's business philosophy during the Reporting Period, please refer to "Development Strategies and Core Competitiveness of the Bank".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

	2022	2021	Changes of the Reporting Period over the corresponding period of the previous year	2020	2019	2018
			Increase/ decrease (%)			
Operating results (RMB million)						
Operating income	139,219	165,554	-15.91	181,807	177,745	154,161
Net interest income	107,463	125,775	-14.56	135,224	122,034	96,276
Net non-interest income	31,756	39,779	-20.17	46,583	55,711	57,885
Operating expenses	52,602	51,181	2.78	50,485	50,016	49,056
Impairment losses on credit	48,762	77,398	-37.00	92,988	62,807	46,274
Profit before income tax	37,170	35,600	4.41	36,706	64,738	58,785
Net profit attributable to holders of equity shares of the Bank	35,269	34,381	2.58	34,309	53,819	50,327
Net cash flow from operating activities	166,273	155,417	6.99	-82,402	-84,927	-395,498
Data per share (RMB)						
Basic earnings per share	0.71	0.71	-	0.71	1.22	1.14
Diluted earnings per share	0.71	0.71	-	0.71	1.22	1.14
Net cash flow per share from operating activities	3.80	3.55	7.04	-1.88	-1.94	-9.03
			Changes in percentage points			
Profitability indicators (%)						
Return on average assets	0.50	0.50	-	0.51	0.87	0.85
Return on weighted average equity	6.31	6.59	-0.28	6.81	12.40	12.94
Cost-to-income ratio	36.44	29.74	6.70	26.64	27.14	30.58
Net fee and commission income to operating income ratio	14.56	16.65	-2.09	15.22	15.87	18.51
Net interest spread	1.51	1.81	-0.30	2.12	2.14	1.81
Net interest margin	1.60	1.91	-0.31	2.14	2.14	1.77

	31 December 2022	31 December 2021	Changes from the end of the previous year to the end of the Reporting Period	31 December 2020	31 December 2019	31 December 2018
			Increase/ decrease (%)			
Scale indicators (RMB million)						
Total assets	7,255,673	6,952,786	4.36	6,950,233	6,681,841	5,994,822
Total loans and advances to customers	4,141,144	4,045,692	2.36	3,853,931	3,487,601	3,056,746
Of which: Corporate loans and advances	2,399,276	2,304,361	4.12	2,257,290	2,080,024	1,828,173
Personal loans and advances	1,741,868	1,741,331	0.03	1,596,641	1,407,577	1,228,573
Allowance for impairment losses on loans	98,868	105,108	-5.94	97,637	84,647	72,208
Total liabilities	6,642,859	6,366,247	4.34	6,408,985	6,151,012	5,563,821
Total deposits from customers	3,993,527	3,775,761	5.77	3,728,174	3,604,088	3,167,292
Of which: Corporate deposits	2,966,375	2,944,013	0.76	2,961,617	2,878,931	2,578,613
Personal deposits	1,020,544	825,423	23.64	758,712	718,363	575,289
Other deposits	6,608	6,325	4.47	7,845	6,794	13,390
Share capital	43,782	43,782	–	43,782	43,782	43,782
Total equity attributable to holders of equity shares of the Bank	599,928	574,280	4.47	529,537	518,845	420,074
Total equity attributable to holders of ordinary shares of the Bank	504,966	484,316	4.26	459,677	448,985	410,182
Net assets per share attributable to holders of ordinary shares of the Bank (RMB)	11.53	11.06	4.25	10.50	10.26	9.37
			Changes in percentage points			
Asset quality indicators (%)						
NPL ratio	1.68	1.79	-0.11	1.82	1.56	1.76
Allowance to NPLs	142.49	145.30	-2.81	139.38	155.50	134.05
Allowance to total loans	2.39	2.60	-0.21	2.53	2.43	2.36
			Increase/ decrease (%)			
Capital adequacy ratio indicators (RMB million)						
Net capital base	725,136	733,703	-1.17	707,472	673,741	547,281
Of which: Net core tier-1 capital	505,978	486,552	3.99	461,921	455,088	415,726
Net other tier-1 capital	96,021	90,527	6.07	70,427	70,871	10,824
Net tier-2 capital	123,137	156,624	-21.38	175,124	147,782	120,731
Risk-weighted assets	5,517,289	5,379,458	2.56	5,425,856	5,117,026	4,656,286
			Changes in percentage points			
Core tier-1 capital adequacy ratio (%)	9.17	9.04	0.13	8.51	8.89	8.93
Tier-1 capital adequacy ratio (%)	10.91	10.73	0.18	9.81	10.28	9.16
Capital adequacy ratio (%)	13.14	13.64	-0.50	13.04	13.17	11.75
Total equity to total assets ratio (%)	8.45	8.44	0.01	7.79	7.94	7.19

Notes:

1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
2. Earnings per share and return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號——淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC and other regulations. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.
3. Cost-to-income ratio = (operating expenses and other operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = net interest income/average balance of interest-earning assets.
6. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.
7. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.
8. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.
9. NPL ratio = total NPLs/total loans and advances to customers.
10. Allowance to NPLs and allowance to total loans were calculated according to the Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No.7) (《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7號)) promulgated by the CBIRC. As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

Important indicators (%)	Benchmark	31 December 2022	31 December 2021	31 December 2020
Liquidity ratio	≥25	50.21	46.11	49.72
Liquidity coverage ratio	≥100	134.89	133.42	128.37
Net stable funding ratio	≥100	104.55	104.11	104.57
Leverage ratio	≥4	7.46	7.60	6.93
Percentage of loans to the single largest loan customer	≤10	2.17	1.57	1.63
Percentage of loans to the top ten loan customers	≤50	11.17	9.76	9.73

Notes:

1. The above data were calculated based on the relevant regulations of the CBIRC. Except for the liquidity ratio, which was information of the Bank, all other indicators were information of the Group.
2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	31 December 2022	31 December 2021	31 December 2020
Pass	3.66	4.08	4.94
Special-mentioned	19.38	25.38	30.60
Substandard	61.68	58.95	89.49
Doubtful	28.47	44.17	56.75

Note: The migration ratio of loans was the information of the Bank and calculated in accordance with relevant regulations of the CBIRC.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview of Operations

During the Reporting Period, the Bank conscientiously implemented the decisions and arrangements made by the CPC Central Committee and the State Council, insisted on prioritising stability and seeking progress in stability, and proactively served national strategies. Following the philosophy of long-termism and with a focus on the three strategic positionings of “a bank for the NSOEs, an agile and open bank, and a bank with considerate services”, the Bank made forward-looking deployments, strove to stay in the forefront of the economic cycle curve and pushed forward the implementation of the strategy of differentiated management. It proactively responded to the economic recovery, industry competition and other complicated environment, and gave full play to the advantages of market-oriented system and mechanism and the innovation gene. Following the customer-centric philosophy, the Bank returned to its original service aspirations and business origins, met the demands of the market and customers with faster response, higher efficiency and better services, and constantly consolidated the customer and product foundation. It constantly released the bonus from transformation through implementing reforms, and achieved steady and sound development.

The scale of assets and liabilities expanded steadily, and the asset-liability structure was constantly optimised. During the Reporting Period, the Group continued to deepen reform and transformation, promote its return to the origins of banking business, and facilitate the optimisation of business structure. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,255,673 million, representing an increase of RMB302,887 million, or 4.36%, as compared with the end of the previous year. Total liabilities amounted to RMB6,642,859 million, representing an increase of RMB276,612 million, or 4.34%, as compared with the end of the previous year. The Group strengthened resource guarantee, optimised credit layout, increased credit placement to key areas and weak links of the national economy, and maintained relatively rapid growth in the loans to key areas. As at the end of the Reporting Period, total loans and advances to customers amounted to RMB4,141,144 million, representing an increase of RMB95,452 million, or 2.36%, as compared with the end of the previous year. The growth rates of green credit, loans to the manufacturing industry, and inclusive small business loans of the Bank were 67.65%, 13.79% and 8.76%, respectively, higher than the average growth rate of all loans. The loans to key areas accounted for 60.26%, representing an increase of 1.27 percentage points as compared with the end of the previous year. The Group constantly consolidated the cultivation of basic customer groups, strengthened liabilities management, continued to improve products and services, and realised continuous deposits growth. As at the end of the Reporting Period, total deposits from customers reached RMB3,993,527 million, representing an increase of RMB217,766 million, or 5.77%, as compared with the end of the previous year, and accounted for 60.12% of total liabilities, representing an increase of 0.81 percentage points as compared with the end of the previous year. Of which, personal deposits accounted for 25.55% of total deposits from customers, representing an increase of 3.69 percentage points as compared with the end of the previous year.

The risk management and internal control system was perfected and the asset quality was constantly improved. During the Reporting Period, the Group coordinated development and safety, continuously strengthened comprehensive risk management, intensified asset quality control, and strengthened the collection and disposal of non-performing assets. As a result, the asset quality of the Group was constantly improved, and total NPLs, NPL ratio, total overdue loans and overdue loan ratio all decreased as compared with the end of the previous year. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB69,387 million, representing a decrease of RMB2,951 million as compared with the end of the previous year. The NPL ratio was 1.68%, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB82,361 million, representing a decrease of RMB5,364 million as compared with the end of the previous year. The overdue loan ratio was 1.99%, representing a decrease of 0.18 percentage points as compared with the end of the previous year. The ratios of loans overdue for over 90 days and 60 days to NPLs were both less than 100%. The allowances to NPLs and to total loans were 142.49% and 2.39%, respectively, representing decreases of 2.81 percentage points and 0.21 percentage points, respectively, as compared with the end of the previous year.

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,269 million, representing an increase of RMB888 million, or 2.58%, as compared with the corresponding period of the previous year. The Group recorded an operating income of RMB139,219 million, representing a decrease of RMB26,335 million, or 15.91%, as compared with the corresponding period of the previous year. In terms of net interest income, the Group actively responded to the changes in the external business environment, increased the placement of credit assets to high-quality customers, and maintained a more stable asset structure. During the Reporting Period, the average return ratio of loans and advances to customers of the Group decreased by 43BP as compared with the corresponding period of the previous year, which led to a decrease of RMB17,362 million in net interest income as compared with the corresponding period of the previous year. Due to the impact of the trend of growing RMB time deposits and the US Federal Reserve's interest rate hikes, the cost ratio of deposits increased by 11BP as compared with the corresponding period of the previous year, which led to a decrease of RMB4,763 million in net interest income as compared with the corresponding period of the previous year. In terms of net non-interest income, the investment valuation decreased under the impact of price fluctuations in the capital market. During the Reporting Period, losses/(gains) from changes in valuation of the Group decreased by RMB6,617 million as compared with the corresponding period of the previous year.

II. Conditions of the Industry

In 2022, China's economy ran smoothly as a whole, but faced more risks and challenges both internally and externally. From the international perspective, the world economy was confronted with stagflation due to the unoptimistic global trade situation, and high price fluctuations of bulk commodities. From the domestic perspective, market entities encountered notably more difficulties, great challenges were posed against stabilising growth and employment, and economic and social risk points increased, as a result of the "triple pressures" of shrinking demands, supply shock and weakening expectation. In order to stabilise the overall situation of macro economy, a basket of policies to stabilise growth were constantly intensified and implemented. Infrastructure construction was strengthened to stabilise investment, various measures were taken to stimulate consumption, and policies to stabilise the real estate sector were successively introduced. As a result, China's economy showed signs of stabilisation and an upward trend.

Facing multiple internal and external challenges, coordinated efforts were made in fiscal and monetary policies to comprehensively facilitate the stability of overall economic situation. Proactive fiscal policies were implemented antecedently, and large-scale tax and fee cuts as well as tax rebates and deferrals were simultaneously conducted to effectively improve cash flows of enterprises. More than RMB one trillion surplus profits were turned in to the central bank to greatly increase actual available financial resources of government finance. "Quasi-finance" and other increment tools were continuously rolled out to vigorously stimulate investment demands. Prudent monetary policies were implemented on both the aggregate and structural fronts with a focus on independence and internal and external balance. The government lowered reserve requirement ratio and interest rate at an appropriate time, created a wide range of structural monetary policy tools, accelerated the reform of the interest rate liberalisation mechanism, supplied sufficient base currency with falling cost, and continuously facilitated the ease of credit on the basis of guaranteeing adequate liquidity. Regulatory policies were pushed forward in an orderly manner to actively promote steady and healthy development of the real estate market, and provide financial guarantee for "ensuring housing project delivery and stabilising people's livelihood". Intensified efforts were devoted in terms of the third pillar to launch personal pension services, roll out new pension financial products at a steady pace, and facilitate the construction of the elderly security system. Additionally, the government advanced risk mitigation in key areas, strove to promote disposal of NPLs, and made solid progress in risk defusing of small and medium-sized institutions through reforms, in a bid to forestall and defuse financial risks in a prudent and orderly manner.

During the Reporting Period, the banking industry closely followed the policies of the Party and the State, continued to increase support for the real economy, and realised multiple goals of "stabilising total amount, adjusting structure and reducing cost". The scale of asset and credit maintained steady growth. In 2022, RMB loans cumulatively increased by RMB21.31 trillion, RMB1.36 trillion higher as compared with the growth of the corresponding period of the previous year. At the end of December, the balance of RMB loans increased by 11.1% as compared with the end of the previous year. The credit structure was continuously optimised while supporting the key areas and weak links such as infrastructure, the manufacturing industry, SMEs, green development, sci-tech innovation, new citizens and inclusive elderly care. The strategies of serving rural revitalisation and building China into a manufacturing powerhouse by finance were pushed forward in an all-round manner, and strong financial support was given to key areas in stabilising overall economic situation. Interest rates of various new loans continued to fall to historic lows, thus helping stimulate the vitality of micro entities. The liability quality management was further strengthened and the pricing of

interest rates of deposits were optimised. The liability costs were kept stable, and the pressure of narrowing net interest margin was relieved. The asset quality management and control were continuously reinforced, great importance was attached to preventing and mitigating financial risks, and the credit asset quality of commercial banks remained basically stable. As digital transformation entered a new stage of standardised development, the banking industry accelerated innovation of products and services by dint of fintech, continuously expanded and extended the radius of financial services, and facilitated improvement of quality and effectiveness of financial services.

III. Analysis of Major Items of Statement of Profit or Loss

(I) *Changes of major items of statement of profit or loss*

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,269 million, representing an increase of RMB888 million, or 2.58%, as compared with the corresponding period of the previous year.

Item (RMB million)	2022	2021	Change (%)
Operating income	139,219	165,554	-15.91
Of which: Net interest income	107,463	125,775	-14.56
Net non-interest income	31,756	39,779	-20.17
Operating expenses	52,602	51,181	2.78
Impairment losses on credit	48,762	77,398	-37.00
Impairment losses on other assets	685	1,375	-50.18
Profit before income tax	37,170	35,600	4.41
Less: Income tax expenses	1,393	747	86.48
Net profit	35,777	34,853	2.65
Of which: Net profit attributable to holders of equity shares of the Bank	35,269	34,381	2.58
Profit or loss attributable to non-controlling interests	508	472	7.63

(II) Operating income

During the Reporting Period, the operating income of the Group amounted to RMB139,219 million, representing a decrease of RMB26,335 million, or 15.91%, as compared with the corresponding period of the previous year.

The amounts, percentages and changes of major items of the Group's operating income are as follows:

Item (RMB million)	2022		2021		Change (%)
	Amount	% of total	Amount	% of total	
Net interest income	107,463	77.19	125,775	75.97	-14.56
Interest income	262,937	188.87	277,679	167.72	-5.31
Of which: Interest income from loans and advances to customers	186,386	133.88	197,251	119.14	-5.51
Interest income from financial investments	56,447	40.55	58,529	35.35	-3.56
Interest income from placements with banks and other financial institutions	5,742	4.12	6,868	4.15	-16.39
Interest income from long-term receivables	6,799	4.88	7,902	4.77	-13.96
Interest income from balances with central bank	5,034	3.62	5,150	3.11	-2.25
Interest income from financial assets held under resale agreements	1,970	1.42	1,616	0.98	21.91
Interest income from balances with banks and other financial institutions	559	0.40	363	0.22	53.99
Interest expenses	-155,474	-111.68	-151,904	-91.75	2.35
Net non-interest income	31,756	22.81	39,779	24.03	-20.17
Net fee and commission income	20,274	14.56	27,566	16.65	-26.45
Other net non-interest income	11,482	8.25	12,213	7.38	-5.99
Total	139,219	100.00	165,554	100.00	-15.91

(III) Net interest income and net interest margin

During the Reporting Period, the net interest income of the Group amounted to RMB107,463 million, representing a decrease of RMB18,312 million, or 14.56%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.60%, representing a decrease of 0.31 percentage points as compared with the corresponding period of the previous year.

Item (RMB million)	Average balance	2022 Interest income	Average return (%)	Average balance	2021 Interest income	Average return (%)
Interest-earning assets						
Total loans and advances to customers	4,111,246	186,386	4.53	3,980,156	197,251	4.96
Of which: Corporate loans and advances	2,373,128	93,325	3.93	2,307,647	101,387	4.39
Personal loans and advances	1,738,118	93,061	5.35	1,672,509	95,864	5.73
Financial investments	1,780,428	56,447	3.17	1,728,164	58,529	3.39
Balances with central bank	339,336	5,034	1.48	348,864	5,150	1.48
Placements with banks and other financial institutions	205,071	5,742	2.80	255,355	6,868	2.69
Long-term receivables	116,314	6,799	5.85	132,490	7,902	5.96
Financial assets held under resale agreements	114,555	1,970	1.72	76,861	1,616	2.10
Balances with banks and other financial institutions	62,826	559	0.89	73,991	363	0.49
Total	<u>6,729,776</u>	<u>262,937</u>	3.91	<u>6,595,881</u>	<u>277,679</u>	4.21

Item (RMB million)	Average balance	2022 Interest expenses	Average cost (%)	Average balance	2021 Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	4,065,038	93,254	2.29	3,833,771	83,457	2.18
Of which: Corporate deposits	3,153,083	72,277	2.29	3,060,358	65,650	2.15
Demand	1,149,334	15,617	1.36	1,302,112	17,781	1.37
Time	2,003,749	56,660	2.83	1,758,246	47,869	2.72
Personal deposits	911,955	20,977	2.30	773,413	17,807	2.30
Demand	258,276	856	0.33	234,099	833	0.36
Time	653,679	20,121	3.08	539,314	16,974	3.15
Balances from banks and other financial institutions	1,238,580	28,953	2.34	1,184,169	29,774	2.51
Debt securities issued	709,281	20,118	2.84	749,680	23,352	3.11
Borrowings from central bank and other financial institutions and others	326,472	10,428	3.19	413,951	12,853	3.10
Placements from banks and other financial institutions	73,812	1,255	1.70	87,510	1,107	1.26
Financial assets sold under repurchase agreements	70,367	1,466	2.08	70,052	1,361	1.94
Total	6,483,550	155,474	2.40	6,339,133	151,904	2.40
Net interest income		107,463			125,775	
Net interest spread			1.51			1.81
Net interest margin			1.60			1.91

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

The impacts of changes in scale and changes in interest rate on interest income and interest expenses of the Group are as follow:

Item (RMB million)	Changes in scale from the corresponding period of the previous year to 2022	Changes in interest rate from the corresponding period of the previous year to 2022	Net Increase/ decrease
Changes in interest income:			
Total loans and advances to customers	6,497	-17,362	-10,865
Financial investments	1,770	-3,852	-2,082
Balances with central bank	-141	25	-116
Placements with banks and other financial institutions	-1,352	226	-1,126
Long-term receivables	-965	-138	-1,103
Balances with banks and other financial institutions	-55	251	196
Financial assets held under resale agreements	793	-439	354
Subtotal	<u>6,547</u>	<u>-21,289</u>	<u>-14,742</u>
Changes in interest expenses:			
Deposits from customers	5,034	4,763	9,797
Balances from banks and other financial institutions	1,368	-2,189	-821
Debt securities issued	-1,258	-1,976	-3,234
Borrowings from central bank and other financial institutions and others	-2,716	291	-2,425
Placements from banks and other financial institutions	-173	321	148
Financial assets sold under repurchase agreements	6	99	105
Subtotal	<u>2,261</u>	<u>1,309</u>	<u>3,570</u>
Changes in net interest income	<u>4,286</u>	<u>-22,598</u>	<u>-18,312</u>

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

1. Interest income

During the Reporting Period, the interest income of the Group amounted to RMB262,937 million, representing a decrease of RMB14,742 million, or 5.31%, as compared with the corresponding period of the previous year, mainly due to the decrease in interest income from loans and advances to customers of the Group.

(1) Interest income from loans and advances to customers

During the Reporting Period, the interest income from loans and advances to customers of the Group amounted to RMB186,386 million, representing a decrease of RMB10,865 million, or 5.51%, as compared with the corresponding period of the previous year, mainly due to that the average return ratio of loans and advances to customers decreased by 0.43 percentage points as compared with the corresponding period of the previous year, which led to a decrease of RMB17,362 million in interest income as compared with the corresponding period of the previous year. Such decreases offset the contribution of increase in the daily average scale.

(2) Interest income from financial investments

During the Reporting Period, the interest income from financial investments of the Group amounted to RMB56,447 million, representing a decrease of RMB2,082 million, or 3.56%, as compared with the corresponding period of the previous year, mainly due to that the average return ratio of financial investments decreased by 0.22 percentage points, which led to a decrease of RMB3,852 million in interest income as compared with the corresponding period of the previous year. Such decreases offset the contribution of increase in the daily average scale.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, the interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB8,271 million, representing a decrease of RMB576 million, or 6.51%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of placements with banks and other financial institutions, which led to a decrease of RMB1,352 million in interest income as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, the interest income from long-term receivables of the Group amounted to RMB6,799 million, representing a decrease of RMB1,103 million, or 13.96%, as compared with the corresponding period of the previous year, mainly due to the combined impact of decreases in the daily average scale and average return ratio of long-term receivables.

(5) Interest income from balances with central bank

During the Reporting Period, the interest income from balances with central bank of the Group amounted to RMB5,034 million, representing a decrease of RMB116 million, or 2.25%, as compared with the corresponding period of the previous year.

2. *Interest expenses*

During the Reporting Period, the interest expenses of the Group amounted to RMB155,474 million, representing an increase of RMB3,570 million, or 2.35%, as compared with the corresponding period of the previous year, mainly due to the increase in interest expenses on deposits from customers.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB93,254 million, representing an increase of RMB9,797 million, or 11.74%, as compared with the corresponding period of the previous year, mainly due to the combined impact of increases in deposit scale and average cost ratio of the Group.

- (2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB31,674 million, representing a decrease of RMB568 million, or 1.76%, as compared with the corresponding period of the previous year, mainly due to that the average cost ratio of balances from banks and other financial institutions decreased by 0.17 percentage points, which led to a decrease of RMB2,189 million in relevant interest expenses.

- (3) Interest expenses on debt securities issued

During the Reporting Period, the interest expenses on debt securities issued of the Group amounted to RMB20,118 million, representing a decrease of RMB3,234 million, or 13.85%, as compared with the corresponding period of the previous year, mainly due to the combined impact of decreases in the daily average scale and the average cost ratio of debt securities issued.

- (4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, the interest expenses on borrowings from the central bank and other financial institutions and other interest expenses of the Group amounted to RMB10,428 million, representing a decrease of RMB2,425 million, or 18.87%, as compared with the corresponding period of the previous year, mainly due to the decrease in the daily average scale of borrowings from central bank and other financial institutions, which led to a decrease of RMB2,716 million in the relevant interest expenses.

(IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB31,756 million, representing a decrease of RMB8,023 million, or 20.17%, as compared with the corresponding period of the previous year.

Item (RMB million)	2022	2021	Change (%)
Net fee and commission income	20,274	27,566	-26.45
Other net non-interest income	11,482	12,213	-5.99
Total	31,756	39,779	-20.17

1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB20,274 million, representing a decrease of RMB7,292 million, or 26.45%, as compared with the corresponding period of the previous year, mainly due to the decreases in both sales volume and rate of agency and fiduciary services as compared with the corresponding period of the previous year under the impact of price fluctuations in the equity market.

Item (RMB million)	2022	2021	Change (%)
Fee and commission income	25,470	33,135	-23.13
Of which: Bank card services	10,909	11,473	-4.92
Trust and other			
fiduciary services	5,960	10,476	-43.11
Agency services	5,469	6,422	-14.84
Settlement services	1,619	2,001	-19.09
Credit commitments	1,207	1,773	-31.92
Others	306	990	-69.09
Fee and commission expense	5,196	5,569	-6.70
Net fee and commission income	20,274	27,566	-26.45

2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB11,482 million, representing a decrease of RMB731 million, or 5.99%, as compared with the corresponding period of the previous year, mainly due to the fluctuations of market price and exchange rate.

Item (RMB million)	2022	2021	Change (%)
Net trading gain	4,690	3,110	50.80
Net gain from financial investments	4,357	7,346	-40.69
Other operating income	2,435	1,757	38.59
Total	11,482	12,213	-5.99

(V) Operating expenses

During the Reporting Period, the Group continued to deepen strategic transformation and consolidate business fundamentals, constantly intensified investment in the fields including IT and digital finance, marketing and development of customer groups and strategic key businesses, strengthened the capability of refined management of financial resources, and precisely allocated financial resources, so as to enhance service capabilities and management quality and effectiveness. The operating expenses of the Group amounted to RMB52,602 million, representing an increase of RMB1,421 million, or 2.78%, as compared with the corresponding period of the previous year.

Item (RMB million)	2022	2021	Change (%)
Staff costs (including Directors' emoluments)	31,455	31,015	1.42
Business expenses/office expenses and others	12,466	11,709	6.47
Depreciation and amortisation	5,896	5,665	4.08
Tax and surcharges	1,873	1,949	-3.90
Short-term lease expenses, low-value lease expenses and property management expenses	912	843	8.19
Total	52,602	51,181	2.78

(VI) Impairment losses on credit

During the Reporting Period, the impairment losses on credit of the Group amounted to RMB48,762 million, representing a decrease of RMB28,636 million, or 37.00%, as compared with the corresponding period of the previous year, mainly due to the decreases in impairment losses on loans and advances to customers and financial investments measured at amortised cost.

Item (RMB million)	2022	2021	Change (%)
Loans and advances to customers	41,695	58,660	-28.92
Financial assets measured at amortised cost	4,038	14,115	-71.39
Long-term receivables	1,900	2,845	-33.22
Financial assets at fair value through other comprehensive income	370	577	-35.88
Others	759	1,201	-36.80
Total	<u>48,762</u>	<u>77,398</u>	-37.00

(VII) Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB1,393 million, representing an increase of RMB646 million, or 86.48%, as compared with the corresponding period of the previous year, mainly due to the increase in income tax expenses of subsidiaries.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,255,673 million, representing an increase of RMB302,887 million, or 4.36%, as compared with the end of the previous year.

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Total loans and advances to customers	4,141,144	57.07	4,045,692	58.19
Add: Accrued interests on loans	29,477	0.41	25,793	0.37
Less: Allowance for impairment losses on loans at amortised cost	97,639	1.35	103,806	1.49
Net loans and advances to customers	4,072,982	56.13	3,967,679	57.07
Net financial investments	2,225,870	30.68	2,034,433	29.26
Cash and balances with central bank	338,552	4.67	361,302	5.20
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	274,149	3.78	252,676	3.63
Long-term receivables	111,456	1.54	122,716	1.76
Property and equipment	58,896	0.81	56,786	0.82
Others	173,768	2.39	157,194	2.26
Total	7,255,673	100.00	6,952,786	100.00

1. *Loans and advances to customers*

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,141,144 million, representing an increase of RMB95,452 million, or 2.36%, as compared with the end of the previous year, and accounted for 57.07% of total assets, representing a decrease of 1.12 percentage points as compared with the end of the previous year.

2. *Financial investments*

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,214,192 million, representing an increase of RMB186,704 million, or 9.21%, as compared with the end of the previous year, and accounted for 30.52% of total assets, representing an increase of 1.36 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Financial assets measured at amortised cost	1,357,029	61.29	1,296,604	63.95
Of which: Bonds	1,293,134	58.40	1,193,745	58.88
Trust and asset management plans	49,789	2.25	87,596	4.32
Other investments	14,106	0.64	15,263	0.75
Financial assets at fair value through profit and loss	389,070	17.57	300,684	14.83
Of which: Bonds	112,641	5.09	68,443	3.38
Trust and asset management plans	14,185	0.64	12,860	0.63
Investment funds	235,452	10.63	191,011	9.42
Equity instruments	21,427	0.97	27,279	1.35
Other investments	5,365	0.24	1,091	0.05
Financial assets at fair value through other comprehensive income	468,093	21.14	430,200	21.22
Of which: Bonds	457,501	20.66	421,875	20.81
Equity instruments	10,592	0.48	8,325	0.41
Total	2,214,192	100.00	2,027,488	100.00

Note: Other investments include debt financing plan and others.

The bonds held by the Group in terms of issuers are as follows:

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Government	1,131,818	60.74	1,003,403	59.58
Policy banks	106,132	5.70	113,096	6.72
Banks and non-banking financial institutions	219,898	11.80	187,770	11.15
Corporates	405,428	21.76	379,794	22.55
Total	1,863,276	100.00	1,684,063	100.00

Financial bonds held by the Group were mainly policy financial bonds and financial bonds of commercial banks. The top ten financial bonds in terms of par value are as follows:

Item (RMB million)	Par value	Coupon rate (%)	Maturity	Allowance for impairment losses
2021 financial bonds	6,650	3.00	17 June 2024	1.17
2020 financial bonds	6,580	3.23	10 January 2025	1.32
2021 financial bonds	6,460	2.73	11 November 2024	1.06
2020 financial bonds	6,250	3.34	14 July 2025	1.07
2021 financial bonds	5,990	3.30	3 March 2026	1.15
2021 financial bonds	5,640	2.83	10 September 2026	0.98
2021 financial bonds ^(Note)	4,010	2.91	4 March 2024	0.68
2020 financial bonds	3,940	2.20	1 April 2023	0.23
2020 financial bonds	3,490	1.86	9 April 2023	0.21
2021 financial bonds	3,470	2.98	8 January 2024	0.68
Total	52,480			8.55

Note: The bonds adopt floating interest rates. The interest rate disclosed herein is the interest rate as at the end of the Reporting Period.

3. *Balances and placements with banks and other financial institutions and financial assets held under resale agreements*

As at the end of the Reporting Period, the balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB274,149 million, representing an increase of RMB21,473 million, or 8.50%, as compared with the end of the previous year, and accounted for 3.78% of total assets, representing an increase of 0.15 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

Item (RMB million)	31 December 2022			31 December 2021		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives	2,311,820	29,129	26,883	2,611,330	24,790	21,468
Interest rate derivatives	1,428,101	2,889	589	1,422,507	1,047	903
Precious metal derivatives	70,434	1,836	5,186	59,693	1,521	3,641
Others	1,456	24	17	6,467	103	102
Total		33,878	32,675		27,461	26,114

(II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,642,859 million, representing an increase of RMB276,612 million, or 4.34%, as compared with the end of the previous year.

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Deposits from customers	4,051,592	60.99	3,825,693	60.09
Of which: Total deposits from customers (excluding accrued interest)	3,993,527	60.12	3,775,761	59.31
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,583,181	23.83	1,330,843	20.91
Debt securities issued	648,107	9.76	711,024	11.17
Borrowings from central bank and other financial institutions	250,030	3.76	394,248	6.19
Others	109,949	1.66	104,439	1.64
Total	6,642,859	100.00	6,366,247	100.00

1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB3,993,527 million, representing an increase of RMB217,766 million, or 5.77%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 74.28% and 25.55%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 32.64% and 67.19%, respectively.

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Corporate deposits	2,966,375	74.28	2,944,013	77.97
Of which: Demand deposits	1,014,133	25.39	1,215,239	32.19
Time deposits	1,952,242	48.89	1,728,774	45.78
Personal deposits	1,020,544	25.55	825,423	21.86
Of which: Demand deposits	289,671	7.25	248,459	6.58
Time deposits	730,873	18.30	576,964	15.28
Certificates of deposit	4,159	0.10	3,365	0.09
Outward remittance and remittance payables	2,449	0.07	2,960	0.08
Total	3,993,527	100.00	3,775,761	100.00

2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,583,181 million, representing an increase of RMB252,338 million, or 18.96%, as compared with the end of the previous year, mainly due to the increase in balances from banks and other financial institutions.

3. Debt securities issued

As at the end of the Reporting Period, debt securities issued by the Group amounted to RMB648,107 million, representing a decrease of RMB62,917 million, or 8.85%, as compared with the end of the previous year, mainly due to the decreased scale of interbank negotiable certificates of deposit and tier-2 capital bonds.

(III) Analysis of liability quality

The Bank attached great importance to liability quality management, established and improved the liability quality management and governance system, and formulated the Measures on Liability Management of China Minsheng Bank (《中國民生銀行負債質量管理辦法》) pursuant to the Measures on Liability Management of Commercial Banks (《商業銀行負債質量管理辦法》) released by the CBIRC. The Bank established a multi-level organisational structure for liability quality management in line with the scale and complexity of its liabilities. The Board and the Senior Management implemented effective management of and monitoring on liability quality, the Board undertook the ultimate responsibility for liability quality management, and the Senior Management and relevant functional departments of the Head Office took on relevant management responsibilities for liability quality management.

During the Reporting Period, the Bank proactively responded to changes of macro situation, and continued to strengthen liability management and enhance liability quality based on actual operations of the Bank. Firstly, it constantly strengthened customer group management, consolidated customer base, and facilitated continuous deposit growth at full stretch. Secondly, it laid equal emphasis on the scale and price in deposit management, reinforced internal and external deposits pricing management while pushing forward expansion of deposit scale, and constantly improved the appropriateness of liability costs. Thirdly, it strengthened the monitoring on, analysis and management of changes in liability scale and structure, and made dynamic adjustments to liability business management strategies in line with internal and external business situations.

During the Reporting Period, the Group maintained high liability quality with the regulatory indicators for liability quality management consistently conforming to regulatory requirements. As at the end of the Reporting Period, the net stable funding ratio of the Group was 104.55%, and the liquidity coverage ratio was 134.89%. During the Reporting Period, the average cost ratio of interest-bearing liabilities of the Group was 2.40%, the same as that in the corresponding period of the previous year.

(IV) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB612,814 million, representing an increase of RMB26,275 million, or 4.48%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB599,928 million, representing an increase of RMB25,648 million, or 4.47%, as compared with the end of the previous year.

Item (RMB million)	31 December 2022	31 December 2021	Change (%)
Share capital	43,782	43,782	—
Other equity instruments	94,962	89,964	5.56
Of which: Preference shares	19,975	19,975	—
Perpetual bonds	74,987	69,989	7.14
Reserves	203,307	197,390	3.00
Capital reserve	58,149	58,149	—
Surplus reserve	55,276	51,843	6.62
General reserve	90,494	87,013	4.00
Other reserves	-612	385	Negative for the period
Retained earnings	257,877	243,144	6.06
Total equity attributable to holders of equity shares of the Bank	599,928	574,280	4.47
Non-controlling interests	12,886	12,259	5.11
Total	<u>612,814</u>	<u>586,539</u>	4.48

(V) Off-balance sheet items

Item (RMB million)	31 December 2022	31 December 2021	Change (%)
Bank acceptances	495,920	340,726	45.55
Unused credit card commitments	489,137	491,370	-0.45
Guarantees	134,395	146,076	-8.00
Letters of credit	82,175	77,382	6.19
Capital commitments	25,339	22,134	14.48
Irrevocable credit commitments	62,261	25,050	148.55

V. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB69,387 million, representing a decrease of RMB2,951 million as compared with the end of the previous year. The NPL ratio was 1.68%, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total special-mentioned loans amounted to RMB119,720 million, representing an increase of RMB4,423 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.89%, representing an increase of 0.04 percentage points as compared with the end of the previous year. The increase in special-mentioned loans was mainly due to the risk exposures in the real estate industry.

Item (RMB million)	31 December 2022		31 December 2021		Change (%)
	Amount	% of total	Amount	% of total	
Performing loans	4,071,757	98.32	3,973,354	98.21	2.48
Of which: Pass	3,952,037	95.43	3,858,057	95.36	2.44
Special-mentioned	119,720	2.89	115,297	2.85	3.84
NPLs	69,387	1.68	72,338	1.79	-4.08
Of which: Substandard	27,729	0.67	24,198	0.60	14.59
Doubtful	23,107	0.56	26,043	0.64	-11.27
Loss	18,551	0.45	22,097	0.55	-16.05
Total	4,141,144	100.00	4,045,692	100.00	2.36

(II) *Loan distribution by product types*

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,399,276 million, representing an increase of RMB94,915 million as compared with the end of the previous year, accounting for 57.94% of total loans, representing an increase of 0.98 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,741,868 million, representing an increase of RMB537 million as compared with the end of the previous year, accounting for 42.06% of total loans, representing a decrease of 0.98 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB43,276 million, representing a decrease of RMB391 million as compared with the end of the previous year, and the NPL ratio was 1.80%, representing a decrease of 0.09 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB26,111 million, representing a decrease of RMB2,560 million as compared with the end of the previous year, and the NPL ratio was 1.50%, representing a decrease of 0.15 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2022				31 December 2021			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances	2,399,276	57.94	43,276	1.80	2,304,361	56.96	43,667	1.89
Of which: Discounted bills	246,058	5.94	637	0.26	280,874	6.94	703	0.25
Personal loans and advances	1,741,868	42.06	26,111	1.50	1,741,331	43.04	28,671	1.65
Of which: Loans to small and micro enterprises	621,598	15.01	9,986	1.61	577,327	14.27	12,271	2.13
Residential mortgage	573,274	13.84	2,876	0.50	595,468	14.72	1,568	0.26
Credit card overdrafts	462,788	11.18	12,346	2.67	472,077	11.67	13,924	2.95
Others ^(Note)	84,208	2.03	903	1.07	96,459	2.38	908	0.94
Total	4,141,144	100.00	69,387	1.68	4,045,692	100.00	72,338	1.79

Note: Others include comprehensive consumer loans, automobile loans and other personal loans.

(III) Loan distribution by industries

The Group adhered to high-quality development, and actively implemented the guiding opinions of the State on adjusting credit structure. Focusing on the new development pattern of “industrial upgrading, economic development and transition to new from old economic engines”, the Bank increased support for the real economy with focus on the manufacturing industry, inclusive finance, green credit, rural revitalisation, the dedicated, refined, distinctive and innovative sectors and others. It proactively supported the efforts to build China into a leading manufacturer and a manufacturer of quality, maintained rapid growth in the mid- to long-term loans for the manufacturing industry with focus on the development of advanced manufacturing industry and the upgrading and transformation of traditional manufacturing industry, and facilitated the high-quality development of the manufacturing industry. The Group fully implemented the regulatory requirements of “houses are for living in, not for speculation” and the “16 financial measures”, constantly strengthened classified customer management, and continuously promoted the healthy and steady development of the real estate business. As at the end of the Reporting Period, the corporate loan business of the Group was mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB523,343 million, representing an increase of RMB8,489 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB396,308 million, representing an increase of RMB47,766 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB363,344 million, representing an increase of RMB3,042 million as compared with the end of the previous year.

As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated in the real estate and manufacturing industries. Total NPLs of the two major industries amounted to RMB23,052 million, accounting for 53.27% of total corporate NPLs. The increase of NPLs was mainly due to the balances of NPLs of the real estate industry, the manufacturing industry, and the leasing and commercial services industry increased by RMB5,971 million, RMB1,003 million and RMB793 million, respectively, as compared with the end of the previous year, as a result of the impacts of the macro-economic environment, industries and other factors. And this led to the increases in NPL ratios of the above-mentioned industries as compared with the end of the previous year. Total NPLs of other industries decreased by RMB8,158 million as compared with the end of the previous year, and the asset quality remained stable or tended to get better.

Item (RMB million)	31 December 2022				31 December 2021			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances								
Leasing and commercial services	523,343	12.64	3,773	0.72	514,854	12.73	2,980	0.58
Manufacturing	396,308	9.57	7,507	1.89	348,542	8.62	6,504	1.87
Real estate	363,344	8.77	15,545	4.28	360,302	8.91	9,574	2.66
Wholesale and retail	263,607	6.37	5,497	2.09	259,230	6.41	6,606	2.55
Water, environment and public utilities management	167,684	4.05	355	0.21	160,746	3.97	456	0.28
Transportation, storage and postal service	154,492	3.73	1,061	0.69	127,181	3.14	1,950	1.53
Financial services	115,764	2.79	416	0.36	117,470	2.90	365	0.31
Construction	109,689	2.65	884	0.81	112,875	2.79	1,492	1.32
Production and supply of electric power, heat, gas and water	103,403	2.50	351	0.34	86,436	2.14	629	0.73
Mining	72,705	1.76	6,775	9.32	88,396	2.18	8,921	10.09
Information transmission, software and information technology services	41,727	1.01	322	0.77	44,566	1.10	3,418	7.67
Agriculture, forestry, animal husbandry and fishery	20,420	0.49	34	0.17	20,221	0.50	435	2.15
Accommodation and catering	17,578	0.42	577	3.28	13,891	0.34	2	0.01
Others	49,212	1.19	179	0.36	49,651	1.23	335	0.67
Subtotal	2,399,276	57.94	43,276	1.80	2,304,361	56.96	43,667	1.89
Personal loans and advances	1,741,868	42.06	26,111	1.50	1,741,331	43.04	28,671	1.65
Total	4,141,144	100.00	69,387	1.68	4,045,692	100.00	72,338	1.79

(IV) Loan distribution by geographical regions

The Group actively implemented national strategies and major regional strategy, and developed the major regions into important engines for the high-quality business development of the whole bank. The Group explored regional distinctive business opportunities, focused on strategic key businesses, increased credit supports for major regions, and promoted credit structure adjustment in major regions. In the meantime, it also emphasised on the coordinated business development of other regions. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, Bohai Rim and the Western Region ranked top three, being RMB1,045,578 million, RMB644,316 million and RMB630,687 million, respectively, accounting for 25.25%, 15.56% and 15.23%, respectively. In terms of increase in loans, total loans to the Pearl River Delta and Yangtze River Delta increased by RMB43,799 million and RMB41,129 million, respectively, as compared with the end of the previous year. Total increase in loans to the two regions accounted for 88.97% of total increase in loans.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated in the Head Office and the Western Region, total NPLs of which amounted to RMB14,565 million and RMB14,001 million, respectively, accounting for 41.17% of total NPLs. In terms of increase in NPLs, the Pearl River Delta and the Western Region had higher increased amount of RMB3,096 million and RMB2,870 million, respectively, as compared with the end of the previous year, and the NPL ratios both increased by 0.41 percentage points as compared with the end of the previous year, mainly due to the downgrading of certain corporate customers in the regions.

Item (RMB million)	31 December 2022				31 December 2021			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	488,895	11.81	14,565	2.98	506,340	12.52	16,793	3.32
Yangtze River Delta	1,045,578	25.25	7,833	0.75	1,004,449	24.83	11,535	1.15
Pearl River Delta	630,013	15.21	10,101	1.60	586,214	14.49	7,005	1.19
Bohai Rim	644,316	15.56	7,543	1.17	630,297	15.58	10,284	1.63
Northeastern Region	97,380	2.35	2,237	2.30	97,272	2.40	1,763	1.81
Central Region	497,398	12.01	11,756	2.36	508,645	12.57	13,237	2.60
Western Region	630,687	15.23	14,001	2.22	616,229	15.23	11,131	1.81
Offshore institutions and subsidiaries	106,877	2.58	1,351	1.26	96,246	2.38	590	0.61
Total	4,141,144	100.00	69,387	1.68	4,045,692	100.00	72,338	1.79

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 “Segment Information” to the financial statements.

(V) Loan distribution by types of collateral

As at the end of the Reporting Period, total secured loans of the Group amounted to RMB2,338,911, representing a decrease of RMB25,725 million as compared with the end of the previous year, accounting for 56.48% of total loans. Total unsecured loans amounted to RMB1,130,796 million, representing an increase of RMB120,487 million as compared with the end of the previous year, accounting for 27.31% of total loans. Total guaranteed loans amounted to RMB671,437 million, representing an increase of RMB690 million as compared with the end of the previous year, accounting for 16.21% of total loans. Due to the downgrading of certain corporate customers and the shrinking scale of loans led by loan structure adjustments, the NPL ratio of loans secured by monetary assets increased by 0.25 percentage points as compared with the end of the previous year. The NPL ratios of unsecured loans, guaranteed loans and loans secured by tangible assets all decreased.

Item (RMB million)	31 December 2022				31 December 2021			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Unsecured loans	1,130,796	27.31	15,637	1.38	1,010,309	24.97	17,264	1.71
Guaranteed loans	671,437	16.21	14,566	2.17	670,747	16.58	14,814	2.21
Secured loans	2,338,911	56.48	39,184	1.68	2,364,636	58.45	40,260	1.70
Of which: Secured by tangible assets other than monetary assets	1,750,267	42.27	33,471	1.91	1,739,357	42.99	35,731	2.05
Secured by monetary assets	588,644	14.21	5,713	0.97	625,279	15.46	4,529	0.72
Total	4,141,144	100.00	69,387	1.68	4,045,692	100.00	72,338	1.79

(VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group was RMB80,968 million, accounting for 1.96% of total loans and advances to customers and 11.17% of net capital base. The top ten loan customers were as follows:

Item (RMB million)	Amount	% of total loans	% of net capital
Customer A	15,700	0.38	2.17
Customer B	9,336	0.23	1.29
Customer C	9,200	0.22	1.27
Customer D	9,044	0.22	1.25
Customer E	9,000	0.22	1.24
Customer F	6,613	0.16	0.91
Customer G	5,858	0.14	0.81
Customer H	5,580	0.14	0.77
Customer I	5,517	0.13	0.76
Customer J	5,120	0.12	0.70
Total	80,968	1.96	11.17

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB13,554 million, representing a decrease of RMB4,189 million as compared with the end of the previous year, accounting for 0.33% of total loans and advances to customers, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB82,361 million, representing a decrease of RMB5,364 million as compared with the end of the previous year, accounting for 1.99% of total loans and advances to customers, representing a decrease of 0.18 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2022		31 December 2021	
	Amount	% of total	Amount	% of total
Restructured loans ^(Note 1)	13,554	0.33	17,743	0.44
Of which: Restructured loans overdue for more than 90 days	9,895	0.24	11,990	0.30
Overdue loans ^(Note 2)	82,361	1.99	87,725	2.17
Of which: Overdue within 3 months	22,508	0.54	30,395	0.75
Overdue from 3 months up to 1 year	28,480	0.69	34,979	0.87
Overdue from 1 year up to 3 years	27,069	0.66	17,795	0.44
Overdue more than 3 years	4,304	0.10	4,556	0.11

Notes:

1. Restructured loans (full name: loans after restructuring) are loans that the terms of repayment under the loan agreement have been adjusted by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay.
2. Overdue loans are loans that the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

Item (RMB million)	31 December 2022	31 December 2021
Repossession assets	5,479	5,471
Of which: Real estate and land use right	4,551	4,854
Motor vehicles	847	517
Others	81	100
Allowance for impairment losses	959	731

(IX) Changes in allowance for impairment losses on loans

Item (RMB million)	31 December 2022	31 December 2021
Opening balance	105,108	97,637
Charge for the period, net	41,695	58,660
Write-offs and transfer out during the period	-53,919	-54,840
Recoveries	7,221	5,204
Others	-1,237	-1,553
Ending balance	98,868	105,108

Method for assessing allowance for impairment losses on loans:

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (《企業會計準則第22號——金融工具確認和計量》), the Bank calculates the allowance for impairment losses on loans with the expected credit loss model as the basis and the forward-looking information as reference. Of which, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is calculated based on risk parameters such as probability of default of customers and loss given default. For corporate loans in phase 3, the allowance for impairment losses is calculated based on the expected recovery of cash flow. In line with the Implementation Rules for Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10) (《商業銀行預期信用損失法實施管理辦法》(銀保監規[2022]10號)), the Bank reviewed and optimised the expected credit loss model on a regular basis, and updated forward-looking information and relevant parameters in a timely manner.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio (the “CAR”) in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the “Capital Rules”) and other relevant regulatory provisions. The calculation of CAR covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the Capital Rules. During the Reporting Period, the minimum requirements of the CBIRC on the Group and the Bank’s core tier-1 CAR, tier-1 CAR and the CAR were 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, provisions of reserve capital, counter-cyclical capital and additional paid-in capital should also be made at the ratios of 2.5%, 0%, and 0%, respectively. During the Reporting Period, the core tier-1 CAR, tier-1 CAR, and the CAR of the Group and the Bank should be no less than 7.5%, 8.5%, and 10.5%, respectively.

As at the end of the Reporting Period, the core tier-1 CAR, tier-1 CAR and the CAR of the Group were 9.17%、10.91% and 13.14%, respectively, representing an increase of 0.13 percentage points, an increase of 0.18 percentage points, and a decrease of 0.50 percentage points, respectively, as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or the right of control, there was one rural bank with regulatory capital shortfall of RMB200 million. The table below sets out the CAR of the Group and the Bank:

Item (RMB million)	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	505,978	473,481	486,552	456,364
Net tier-1 capital	601,999	568,437	577,079	546,320
Total net capital base	725,136	687,392	733,703	698,418
Core tier-1 capital	512,909	494,518	491,386	474,747
Core tier-1 capital deductions	-6,931	-21,037	-4,834	-18,383
Other tier-1 capital	96,021	94,962	90,907	89,964
Other tier-1 capital deductions	—	-6	-380	-8
Tier-2 capital	123,137	118,966	156,624	152,104
Tier-2 capital deductions	—	-11	—	-6
Total risk-weighted assets	5,517,289	5,223,266	5,379,458	5,094,876
Of which: Credit risk-weighted assets	5,144,232	4,870,020	4,981,119	4,713,703
Market risk-weighted assets	72,760	66,701	71,775	67,007
Operational risk-weighted assets	300,297	286,545	326,564	314,166
Core tier-1 CAR (%)	9.17	9.06	9.04	8.96
Tier-1 CAR (%)	10.91	10.88	10.73	10.72
CAR (%)	13.14	13.16	13.64	13.71

As at the end of the Reporting Period, the leverage ratio of the Group was 7.46%, representing a decrease of 0.08 percentage points as compared with the end of September 2022. The leverage ratio of the Group is as follows:

Item (RMB million)	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Leverage ratio (%)	7.46	7.54	7.28	7.47
Net tier-1 capital	601,999	601,464	593,865	590,823
On-and off-balance sheet assets after adjustment	8,067,379	7,980,689	8,157,324	7,904,655

For details of the regulatory capital, please refer to the section headed “Investors Relations – Announcements and Disclosures – Regulatory Capital” on the Bank’s website (www.cmbc.com.cn).

(II) Evaluation of internal capital adequacy

In accordance with the requirements of the Capital Rules (《資本管理辦法》), the Bank initiated the establishment of a system for evaluating internal capital adequacy. So far, the Bank has established relatively comprehensive evaluation procedures and a governance framework of internal capital adequacy, including risk preference, identification and evaluation of major risks, second pillar capital surcharge, capital plan, and CAR stress testing. The Bank has formulated related policies and systems of internal capital adequacy, which specified the responsibilities of the Board, the Senior Management and related departments in the evaluation procedures of internal capital adequacy. In addition, through continuous establishment and improvement of effective evaluation measures and management procedures, the comprehensiveness and effectiveness of the capital management and risk management of the Bank have been ensured.

(III) Capital plan and CAR management plan

To cope with the complicated economic and financial situation of domestic and international markets, conform to the deepening financial reform, further enhance its capital management to take advantage of the leading role of capital, and to facilitate sustainable and healthy business growth, the Bank formulated the 2021-2023 Capital Management Plan of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司2021-2023年資本管理規劃》) (the “Capital Management Plan”) in accordance with regulatory requirements and development strategy and business plan, which was considered and approved by the Board. In formulating the Capital Management Plan, the Bank considered factors including domestic and foreign economic and financial situations, capital regulatory trends and continuous promotion of strategic transformation, and the principles and targets for capital management were clarified in the Plan. Adhering to the principle of creating values for its shareholders and the society and on the basis of capital management, the Bank formulated reasonable capital plans, enhanced its capital budget and allocation management, strengthened the capital appraisal and constraints, and promoted the optimisation and adjustment of its business structure, so as to support business development with high quality and efficiency as well as improve the capital utilisation efficiency. In addition, the Bank further improved its evaluation system for internal capital adequacy and capital contingency plan so as to continuously improve capital management.

(IV) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the Capital Rules.

Item (RMB million)	31 December 2022	31 December 2021
On-balance sheet credit risk exposure	7,126,634	6,877,333
Of which: Asset-backed securitisation risk exposure	214,549	263,224
Off-balance sheet credit risk exposure	788,714	617,508
Counterparty credit risk exposure	40,189	29,111
Total	<u>7,955,537</u>	<u>7,523,952</u>

(V) Capital requirements for market risks

The Group adopted standardised approach to measure capital requirements for market risks. The following table sets forth capital requirements for different types of market risk of the Group as at the end of the Reporting Period.

Item (RMB million)	31 December 2022	31 December 2021
Interest rate risk	3,645	3,836
Stock risk	302	491
Foreign exchange risk	1,834	1,293
Commodity risk	26	74
Option risk	14	43
Specific risk of asset-backed securitisation risk exposure in the trading books	—	5
Total	<u>5,821</u>	<u>5,742</u>

(VI) Capital requirements for operational risks

As at the end of the Reporting Period, the capital requirements for operational risks of the Group measured according to basic indicator approach amounted to RMB24,024 million.

VII. Liquidity Indicators

(I) *Liquidity coverage ratio*

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 134.89%, exceeding the regulatory requirements by 34.89 percentage points, indicating that the Group had an adequate reserve of high-quality current assets and maintained its liquidity stability.

Item (RMB million)	31 December 2022	31 December 2021
Liquidity coverage ratio (%)	134.89	133.42
High-quality current assets	1,003,957	956,827
Net cash outflow in 30 days	744,278	717,163

(II) *Net stable funding ratio*

As at the end of the Reporting Period, the net stable funding ratio of the Group was 104.55%, exceeding the regulatory requirements by 4.55 percentage points, indicating that the Group had adequate sources of net stable funding that could support sustainable and stable business development.

Item (RMB million)	31 December 2022	30 September 2022	30 June 2022
Net stable funding ratio (%)	104.55	104.67	105.05
Stable funding available	4,001,558	4,040,828	4,126,919
Stable funding required	3,827,439	3,860,441	3,928,380

VIII. Segment Report

The business segments of the Group are categorised as corporate banking business, retail banking business and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into eight including the Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeastern Region, Central Region, Western Region, and the offshore institutions and the subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

Item (RMB million)	31 December	2022	
	2022 Total assets	Operating income	Profit before income tax
Corporate banking	4,406,031	67,966	29,290
Retail banking	1,785,335	64,951	23,030
Others	1,008,606	6,302	-15,150
Total	7,199,972	139,219	37,170

Item (RMB million)	31 December	2021	
	2021 Total assets	Operating income	Profit before income tax
Corporate banking	4,475,982	86,686	16,864
Retail banking	1,765,982	70,391	28,082
Others	658,918	8,477	-9,346
Total	6,900,882	165,554	35,600

Note: Total assets exclude deferred income tax assets.

(II) Segment operating results by geographical region

Item (RMB million)	31 December	2022	
	2022 Total assets	Operating income	Profit before income tax
Head Office	3,245,459	42,044	3,603
Yangtze River Delta	1,231,497	23,163	9,475
Pearl River Delta	684,996	16,357	3,834
Bohai Rim	1,332,535	19,108	8,764
Northeastern Region	169,176	1,950	22
Central Region	545,393	11,121	3,905
Western Region	633,344	15,097	3,334
Offshore institutions and subsidiaries	364,375	10,379	4,233
Inter-region adjustment	-1,006,803	—	—
Total	7,199,972	139,219	37,170

Item (RMB million)	31 December	2021	
	2021 Total assets	Operating income	Profit before income tax
Head Office	3,060,640	54,768	4,438
Yangtze River Delta	1,236,380	28,453	12,634
Pearl River Delta	625,416	18,370	8,708
Bohai Rim	1,207,506	20,256	3,228
Northeastern Region	154,200	2,732	-210
Central Region	502,893	15,696	969
Western Region	616,835	16,278	2,439
Offshore institutions and subsidiaries	365,510	9,001	3,394
Inter-region adjustment	-868,498	—	—
Total	6,900,882	165,554	35,600

Note: Total assets exclude deferred income tax assets.

IX. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk control and protect the legitimate interests of investors and all relevant parties, the Bank has formulated the Administrative Measures Regarding Account Valuation of Financial Instruments at Fair Value of China Minsheng Bank (《中國民生銀行金融工具公允價值入賬估值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities, and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Bank has assigned specific working responsibilities to relevant managing departments for fair value management, so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Bank also gradually optimised the valuation models and systems, and strengthened the verification of prices obtained externally. Moreover, the Bank had implemented corresponding internal control measures over the fair value measurement process, including double-checking on fair value measurement, and adopting a valuation procedure of fair value featuring multiple check and early-warning and monitoring on valuation results, etc. Furthermore, by supervising and checking the range determined and valuation methodology and procedures of fair value, the internal audit departments improved internal control within the Bank.

The Bank has adopted new accounting standards including the International Financial Reporting Standard 9: Financial Instruments (《國際財務報告準則第9號: 金融工具》) (IFRS9) and the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (《企業會計準則第22號——金融工具確認和計量》), Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets (《企業會計準則第23號——金融資產轉移》), Accounting Standards for Business Enterprises No. 24-Hedge Accounting (《企業會計準則第24號——套期會計》) and Accounting Standards for Business Enterprises No. 39-Fair Value Measurements (《企業會計準則第39號——公允價值計量》) promulgated by the Ministry of Finance. During the Reporting Period, the Bank completed the SPPI test, product classification, valuation, and impairment assessment of financial instruments. Fair value measurement has been conducted in accordance with the new accounting standards.

2. *Financial instruments measured at fair value*

The Bank's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. Of which, the valuation methods for bond investment are listed as follows: For RMB bonds, the valuation provided by China Central Depository & Clearing Co., Ltd. applied. For bonds denominated in foreign currencies, market values were determined through a combination of Bloomberg quotes and enquiries. The valuation of derivative financial instruments was obtained from model valuation. The valuation of foreign exchange option was obtained from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers were interested and proprietary instruments in which market risks had been basically hedged, including interest rate swaps as well as forwards, swaps and options of foreign exchanges and precious metals. The investment in publicly offered funds was valued by using market approach. Non-standard investments, such as discounted bills and rediscounted bills, forfeiting, asset management plans, income rights, equity investments, subordinated tranches of asset-backed securities and convertible bonds, were valued by using model valuation approach. The main valuation techniques included discounted cash flow approach and market approach, etc.

(II) *Overdue and outstanding liabilities*

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

(III) *Cash flow*

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB166,273 million, and the net inflow increased by RMB10,856 million as compared with the corresponding period of the previous year, mainly due to the increase in net inflow of deposits from customers and financial assets sold under repurchase agreements, and the decrease in net outflow of loans and advances to customers. The net cash flow from investing activities amounted to -RMB112,327 million, and the net outflow increased by RMB230,235 million as compared with the corresponding period of the previous year, mainly due to the decrease in cash received from recovery of investments and investment income. The net cash flow from financing activities amounted to -RMB96,205 million, and the net outflow decreased by RMB170,515 million as compared with the corresponding period of the previous year, mainly due to the increase in cash received from issuance of debt securities and the decrease in cash for repaying debts.

Item (RMB million)	2022	2021	Change
Net cash flow from operating activities	166,273	155,417	Net inflow increasing by 10,856
Of which: Net cash flow from taking deposits from customers	217,766	47,587	Net inflow increasing by 170,179
Net cash flow from loans and advances to customers	-144,656	-244,767	Net outflow decreasing by 100,111
Net cash flow from financial assets sold under repurchase agreements	67,415	-28,541	Net inflow increasing by 95,956
Net cash flow from investing activities	-112,327	117,908	Net outflow increasing by 230,235
Of which: Cash received from recovery of investments and investment income	1,035,119	1,353,113	Inflow decreasing by 317,994
Cash paid for investments	-1,139,805	-1,228,550	Outflow decreasing by 88,745
Net cash flow from financing activities	-96,205	-266,720	Net outflow decreasing by 170,515
Of which: Cash received from issuance of debt securities	836,972	766,573	Inflow increasing by 70,399
Cash for repaying debts	-910,525	-1,025,490	Outflow decreasing by 114,965

X. Operational Concerns

(I) Deposits from customers

During the Reporting Period, the deposits of the Bank increased rapidly in scale with continuously improved structure. As at the end of the Reporting Period, total deposits from customers of the Bank amounted to RMB3,959,794 million, representing an increase of RMB211,314 million, or 5.64%, as compared with the end of the previous year, accounting for 61.18% of total liabilities, representing an increase of 0.62 percentage points as compared with the end of the previous year. Among them, the daily average balance of personal deposits accounted for 22.15% of that of all deposits, representing an increase of 2.23 percentage points as compared with the previous year.

During the Reporting Period, the Bank continued to strengthen the management of liabilities, controlled the scale of high-cost and long-term deposits, and constantly adjusted the deposit structure. Focusing on key scenarios, the Bank deepened the application of settlement and cash management products, and accelerated the construction of deposit settlement platform. Looking into 2023, the Bank will continue to consolidate customer base, improve products and services, optimise the construction of deposit settlement platform, give full play to the efficiency of cross-business synergy, promote the growth of settlement-based demand deposits, and facilitate the “scale expansion and price decrease” of core liabilities.

(II) Loan placement

During the Reporting Period, the loans of the Bank maintained steady growth in general. As at the end of the Reporting Period, total loans and advances to customers of the Bank amounted to RMB4,118,417 million, representing an increase of RMB95,581 million, or 2.38%, as compared with the end of the previous year. Of which, general loans increased by RMB130,131 million, or 3.48%, as compared with the end of the previous year.

The Bank firmly implemented the decisions and arrangements of the CPC Central Committee and the State Council, earnestly carried out the policies and measures of the regulatory authorities, adhered to “prioritising stability and seeking progress in stability”, and supported the high-quality development of the real economy. Firstly, focusing on the main task of finance serving the real economy, the Bank strengthened guarantees for supporting resources, worked hard to promote loan growth, highlighted support for key areas and weak links in the national economy, and served for high-quality economic and social development. As at the end of the Reporting Period, the growth rates of loans to key areas, including the manufacturing industry, inclusive micro and small enterprises and green sectors were significantly higher than that of other loans. Secondly, the Bank continuously pushed forward differentiated regional development strategies, and provided stronger support to the key regions such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei, and Chengdu-Chongqing. As at the end of the Reporting Period, the proportion of loans to the four key regions increased by 1.27 percentage points as compared with the end of the previous year. Thirdly, the Bank further optimised products and services and continued to reduce fees and surcharges, so as to serve the real economy and boost the development of market entities.

Looking into 2023, the Bank will unswervingly advance reform and transformation, promote credit placement at a faster pace, continue to increase loan support for key areas, increase the proportion of high-quality assets in key areas and retail loans, and deepen the adjustment of credit structure.

(III) Net interest margin

During the Reporting Period, the net interest margin of the Group was 1.60%, representing a decrease of 31BP as compared with the corresponding period of the previous year, mainly due to the decline in pricing in the asset end. In 2022, affected by the complicated and changeable domestic and international environment, downward pressure on China’s economy increased, financing demand weakened, and competition for asset placement intensified. Along with the further implementation of economic stabilisation policies, the return on various assets went down accordingly. As the fixed-term and long-term trend of deposits remained unchanged, the rising costs of deposits also weighed on the net interest margin indicator.

The Group maintained reform focus, and actively implemented the mission of serving the real economy while constantly optimising asset-liability structure to improve interest margin performance. In terms of assets, the Group adhered to the credit-oriented asset allocation strategy with a focus on advancing the growth of various loans. In terms of liabilities, the Group adhered to the management principle of equal emphasis on scale and pricing, and strengthened the management of high-cost liabilities while continuously increasing deposits and its proportion. By optimising the asset-liability structure, the Bank reduced the impact of lower pricing on net interest margin. During the Reporting Period, the daily average loan balance of the Group accounted for 61.09% of interest-earning assets, representing an increase of 0.75 percentage points as compared with the previous year. Of which, the daily average balance of personal loans accounted for 42.28% of total loans, representing an increase of 0.26 percentage points as compared with the previous year. The daily average balance of deposits accounted for 62.70% of interest-bearing liabilities, representing an increase of 2.22 percentage points as compared with the previous year.

Looking into 2023, the Group will continue to focus on the management target of net interest margin, adhere to its return to the origins of banking business and customers, and persevere in building a stable and efficient asset-liability structure. While striving to improve the operation quality and efficiency of credit assets and consolidate the liability structure with deposits in majority, the Bank will vigorously promote the growth of retail loans and strengthen the support for low-cost core liabilities. At the same time, the Bank will actively respond to market changes, flexibly allocate investment and market-oriented assets and liabilities, improve capital efficiency, and strive to ease the downward pressure on net interest margin.

(IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB31,756 million, representing a decrease of RMB8,023 million, or 20.17%, as compared with the corresponding period of the previous year. Impacted by price fluctuations in the capital market, investment valuation decreased, and the losses/ (gains) from changes in the valuation of the Group decreased by RMB6,617 million as compared with the corresponding period of the previous year. Affected by price fluctuations in the equity market, both the sales volume and rate of the agency business and fiduciary business decreased as compared with the corresponding period of the previous year, and the fee income of the Group's agency business and fiduciary business decreased by RMB5,469 million as compared with the corresponding period of the previous year. The Bank actively grasped market opportunities and realised income increase through tradings of foreign exchange and derivatives. During the Reporting Period, the net income from foreign exchanges and exchange rate-based products of the Group amounted to RMB2,228 million, representing an increase of RMB1,767 million as compared with the corresponding period of the previous year.

(V) Formation and collection and disposal of non-performing assets

The Bank continuously strengthened credit risk management and control, improved risk policy system, thoroughly implemented guiding macro policies and regulatory requirements, and constantly optimised asset structure. The Bank comprehensively carried out the reform of credit approval system and mechanism of legal person customers, adopted the new model of “one review and one approval (一次审查, 一次审批)”, and strongly supported the approval of credit to key fields. The Bank reshaped the post-loan and post-investment management system, clarified the main accountable body of the “three lines of defense” of risk management, reinforced risk prevention in key fields, exited from businesses with customers with potential risks, and strictly controlled new NPLs. The formation rate of NPLs of the Bank decreased in two consecutive years. The formation rate of NPLs³ of the Bank in 2022 was 2.01%, representing decreases of 0.25 percentage points and 1.62 percentage points as compared with 2021 and 2020, respectively. In the meantime, the quality of new loans of the Bank in recent years remained good, and the NPL ratio of new loans of the Bank in recent three years was only 0.42%.

The Bank continuously pooled efforts in defusing the risks of non-performing assets, actively conducted coordinated management and centralised collections of non-performing assets, strengthened appraisal constraints, gave play to the supporting systems, and steadily improved asset losses and enhanced disposal efficiency. During the Reporting Period, the Bank disposed non-performing assets of RMB101,044 million in total, representing an increase of 3.66% as compared with the corresponding period of the previous year, of which, NPLs of RMB84,076 million were disposed. Divided by disposal method, NPLs of RMB35,778 million were written off, RMB23,165 million were transferred, RMB11,602 million were collected in cash, RMB8,252 million were securitised, and RMB5,279 million were collected and disposed through repossession and other methods. Non-credit non-performing assets of RMB16,968 million were also collected and disposed. Meanwhile, the Bank strengthened the recovery of written-off assets, adopted segmented and classified disposals, and has achieved good results. During the Reporting Period, the Bank recovered RMB8,259 million written-off loans, representing an increase of 36.97% as compared with the corresponding period of the previous year.

In the next stage, the Bank will continuously prioritise the prevention and control and defusion of risks, constantly advance the construction of risk internal management system, consolidate the three lines of defense of risk management and ensure the full coverage of risk management. On the one hand, the Bank will continuously study risk situations, strengthen risk prevention and anticipation, continue to formulate exit plans from businesses related to high-risk regions, industries and customers, prevent and defuse risks of key fields and customers, and strictly prevented new large-amount credit risk. On the other hand, the Bank will unswervingly adhere to the philosophy of managing non-performing assets, and further enhance the effectiveness of collections and disposals through scientific valuation, comprehensive policies and expanded channels, so as to facilitate continuous improvement in asset quality.

³ Formation rate of NPLs=New NPLs of the period/total loans and advances to customers as at the beginning of the period

(VI) Risk management and control of the real estate industry

The Group attached great importance to the risk prevention in the real estate sector, thoroughly implemented national policies and regulatory requirements in relation to the real estate industry, adhered to the positioning that “houses are for living in, not for speculation”. Following the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”, the Group optimised and improved credit policies for the real estate sector, strictly implemented the access management of regions and customers, accelerated structural optimisation, and strengthened risk tracking and monitoring of major real estate enterprises. The Group also took various measures to manage existing projects in a segmented and classified manner. As at the end of the Reporting Period, the balance of credit business assuming credit risks, such as loans, off-balance sheet credit, standard debt investment, non-standard debt investment and bond investment in relation to corporate real estate business of the Group was RMB447,993 million, representing a decrease of RMB25,451 million, or 5.38%, as compared with the end of the previous year. Of which, the balance of loans to the real estate industry was RMB363,344 million, representing an increase of RMB3,042 million, or 0.84%, as compared with the end of the previous year, and accounted for 81.10%. New loans were mainly granted to high-quality projects of customers with steady operation in high-quality regions. The balance of off-balance-sheet credit businesses, such as letters of guarantee, amounted to RMB3,448 million, representing a decrease of RMB7,073 million as compared with the end of the previous year. The balance of commercial mortgage-backed securitisation, mortgage-backed securitisation and other asset-backed securities businesses amounted to RMB35,507 million, representing a decrease of RMB15,285 million as compared with the end of the previous year. The balance of interbank investments amounted to RMB33,219 million, representing a decrease of RMB6,674 million as compared with the end of the previous year. The balance of real estate corporate debts business amounted to RMB10,384 million, representing an increase of RMB2,123 million as compared with the end of the previous year. As at the end of the Reporting Period, the real estate business assuming credit risks of the Group was mainly project financing, and the projects were mainly concentrated in the tier-1 and tier-2 cities, and were secured by project lands and construction projects in progress as collaterals, and additional equity pledges of the project companies and guarantees of their group companies. As at the end of the Reporting Period, the NPL ratio of corporate real estate business of the Group was 4.28%, representing an increase of 1.62 percentage points as compared with the end of the previous year.

The balance of businesses not assuming credit risks in relation to the real estate industry of the Group, such as net-worth wealth management, entrusted loans, and debt financing instruments with the Bank as the leading underwriter, amounted to RMB62,349 million, representing a decrease of RMB25,236 million, or 28.81%, as compared with the end of the previous year. The business scale was small on the whole and continued to shrink. Of which, the balance of net-worth wealth management business amounted to RMB23,227 million, representing a decrease of RMB17,146 million as compared with the end of the previous year. The balance of bond underwriting business amounted to RMB34,943 million, representing an increase of RMB4,819 million as compared with the end of the previous year. The balance of entrusted loans business amounted to RMB4,179 million, representing a decrease of RMB3,353 million as compared with the end of the previous year.

Going forward, the Group will continue to strictly implement the national decisions and deployments and regulatory requirements related to the real estate industry, actively respond to national policies, and promote the steady and healthy development of its real estate business. On the one hand, the Group will insist on the access management of cities where the real estate projects are located and the namelist management of real estate customer groups, dynamically add eligible cities and real estate enterprises to the namelist, expand businesses in line with the principle of “good customers, good projects and good regions (好客戶、好項目、好區域)” in an orderly manner, constantly optimise customer structure, proactively support high-quality real estate enterprises to acquire high-quality projects from real estate enterprises in difficulties, and assist the business of exchanging letters of guarantee for pre-selling funds under supervision of high-quality real estate enterprises in a prudent and orderly manner. On the other hand, the Group will continue to intensify post-loan management of existing projects in the real estate sector, actively cooperate with local governments in various tasks of “ensuring housing project delivery, safeguarding people’s livelihood and securing stability”, reasonably separate the risk of project subsidiary and the group holding company, and proactively defuse financial risks of existing real estate projects. It is expected that in the context of macroeconomic recovery and stabilisation of real estate market, the risks of the real estate sector of the Group will be generally controllable.

(VII) Capital management

During the Reporting Period, the Group took “enhancing efficiency, creating values, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably” as the principle of capital management, continuously adjusted the asset-liability structure, fully guaranteed credit placement, guided the reasonable and effective allocation of resources, and promoted strategic transformation and value enhancement. As at the end of the Reporting Period, the Group’s core tier-1 CAR, tier-1 CAR and CAR were 9.17%, 10.91% and 13.14%, respectively, remaining stable in general.

In June 2022, the Bank successfully issued undated capital bonds with a total amount of RMB5 billion, and the proceeds effectively replenished other tier-1 capital of the Bank. Going forward, the Bank will reasonably arrange capital replenishment in accordance with regulatory requirements, market environment, business development strategy, and the overall arrangement of assets and liabilities.

With the official implementation of additional regulatory requirements on systemically important banks and the forthcoming implementation of the revised Capital Rules for Commercial Banks, the Bank will deepen the concept of capital conservation, strictly control capital consumption, optimise the structure of capital occupation, and improve capital efficiency. At the same time, the Bank will continue to improve the capital replenishment mechanism, actively expand financing channels, replenish capital in due time and appropriate amount, and improve the capital adequacy level and risk resistance capability of the whole bank.

(VIII) Wealth management business

During the Reporting Period, the bond market experienced substantial adjustments, leading to the retreat in the net worth of wealth management products and large fluctuations in the overall size of wealth management products. In the asset end, on the one hand, the Bank strengthened the capability to acquire assets with stable valuations to reduce the volatility in the net worth of products. On the other hand, the Bank anticipated the interest rate trends with foresight, formulated a unified investment strategy and framework at the level of CMBC Wealth Management, and imposed stringent investment discipline and strictly controlled net worth retreat through segmented asset allocation control and process early-warning management. In the liability end, on the one hand, the Bank optimised after-sales service, effectively communicated and explained in response to customer concerns, and enhanced mutual trust with channels and customers during communications. On the other hand, the Bank issued low-risk products in a timely manner to effectively accept funds redeemed by customers, and the net redemption scale was significantly smaller than that of industry peers. At the same time, the Bank monitored liquidity indicators and performed stress testing at higher frequencies to effectively control liquidity risks.

XI. Review of Main Businesses

(I) Corporate banking business

1. Strategic measures

During the Reporting Period, the Bank continued to deepen the reform of the marketing system of corporate business, constantly optimised the segmented and classified customer management system, and advanced the transformation of the operation model of corporate business, so as to improve the sustainable development capability of corporate business. The Bank further promoted services for strategic customer groups, optimised and upgraded the new service model and specialised management of different industries for strategic clients, and achieved integrated management of strategic clients and customers along the upstream and downstream of their industry chains by relying on digitalised supply chain finance and through the integration of the front, middle and back offices and the coordination between the Head Office, branches and sub-branches, in a bid to expedite the transformation to eco-finance-oriented business model. Furthermore, the Bank expanded basic customer groups. Firstly, the Bank advanced the chain-based marketing by centring on the supply chains and capital chains of strategic clients to achieve high-quality and ecosystem-based batch customer acquisition. Secondly, by relying on industrial parks, factor market platforms and others, the Bank enhanced the development of “online + offline” batch customer acquisition channels. Thirdly, the Bank provided one-stop comprehensive financial services for dedicated, refined, distinctive and innovative sci-tech innovation enterprises through financial innovations, and reinforced the cultivation of and support for sci-tech innovation enterprises. The Bank also refined and optimised the management of institutional customer groups, dedicated itself to providing all-round financial services for governments and public institutions at all levels, deeply participated in the implementation process of economic and social development strategies of central and local governments, continuously expanded the institutional customer groups through diversified products and flexible and efficient technical services, and consolidated the foundation for high-quality liability business.

During the Reporting Period, the Bank proactively integrated itself into national development strategies, thoroughly implemented ESG philosophy, regarded corporate finance as a vital method for facilitating the high-quality development of the real economy, and continued to strengthen financial support for green finance, rural revitalisation, high-end manufacturing and other important fields of the real economy, in an effort to fulfil “Minsheng Bank’s responsibility”.

During the Reporting Period, the Bank continued to improve the product and service system of corporate business, and provided customers with “warm services” and “in-depth management” under various scenarios. In terms of transaction banking, the Bank continued to improve the transaction banking system with account and payment and settlement as the basis, speed up the integration of settlement scenarios, improve online transaction banking platforms providing “non-financial services + financial services”, and advance the digital transformation of products and services, and constantly improved customer service experience. In terms of investment banking, the Bank constantly promoted the application of diversified financing instruments to create a comprehensive and customised investment banking service system.

During the Reporting Period, the Bank promoted development through reform and advanced transformation through development. The assets and liabilities of corporate business grew steadily, and the customer group base was consolidated gradually. During the Reporting Period, the daily average balance of corporate deposits of the Bank amounted to RMB3,143,079 million, representing an increase of 3.20% as compared with the previous year. As at the end of the Reporting Period, the balance of general corporate loans of the Bank amounted to RMB2,149,809 million, representing an increase of 6.46% as compared with the end of the previous year.

2. Customer groups

The marketing and service system for strategic clients was implemented comprehensively, and the bonus from reform was released gradually. During the Reporting Period, the Bank implemented the philosophy of “being customer-centric and creating values for customers”, formed joint service forces of “One Minsheng (一個民生)”, pushed forward the integrated and coordinated development of micro, small, medium, large enterprises and retail customers, and improved service brand. As a result, the Bank witnessed relatively fast business and income growth of strategic customer groups, which fully pushed the growth of scale and efficiency of supply chain-based, ecosystem-based and retail customers.

As at the end of the Reporting Period, the number of strategic clients at the Head Office and branch levels amounted to 1,351. The balance of deposits of strategic clients amounted to RMB1,072,499 million, representing an increase of 7.55% as compared with the end of the previous year. Their daily average balance of deposits amounted to RMB1,198,877 million, representing an increase of 18.48% as compared with the previous year. The balance of loans amounted to RMB1,074,428 million, representing an increase of 19.71% as compared with the end of the previous year.

Feature 1: Building New Business Model for Strategic Clients and Fully Improving Quality and Efficiency of Customer Services

Reforming the marketing and service system for strategic clients and building new business model for strategic clients are the decisive strategic arrangement and directional choice made by the Bank under the background of profound changes in the internal and external environment. In the past two years, the Bank has adhered to the philosophy of “being customer-centric and creating values for customers”, made constant innovations and explorations, and achieved improvement in three aspects of strategic client service model as compared with those before the reform.

Firstly, with the integrated management of micro, small, medium and large enterprises, the Bank had “more” customers. The Bank followed the coordination concept of “One Minsheng”, achieved the integrated operation of the Head Office, branches, sub-branches and subsidiaries, focused on the pain points of difficult and unaffordable financing of micro, small and medium enterprises in the upstream and downstream of the supply chains of strategic clients, and achieved integrated development based on the head office-to-head office marketing of core enterprises of strategic clients and vertical operation of Head Office, branches and sub-branches, so as to boost the growth of micro and small customer groups and basic customer groups and to improve the efficiency through chain-based customer acquisition. As at the end of the Reporting Period, the balance of assets of key online supply chain products of the Bank amounted to RMB73,737 million, representing an increase of RMB42,654 million as compared with the end of the previous year. Of which, the financing balance of micro and small enterprises amounted to RMB24,304 million, representing an increase of RMB16,763 million as compared with the end of the previous year. The number of online financing customers amounted to 7,381, representing an increase of 4,140 as compared with the end of the previous year. The number of core enterprises amounted to 901, representing an increase of 534 as compared with the end of the previous year. The balance of deposits of financing customers amounted to RMB33,070 million.

Secondly, with coordinated development of “points, supply chains, ecosystems and industrial parks”, the Bank had “wider” cooperation scope. Relying on the “point” of strategic clients, the Bank extended industry chains, expanded ecosystems and covered industrial parks, customised comprehensive financial and non-financial service packages to further expand the depth and range of cooperation with strategic clients, thus acquiring high-quality businesses and enormous employee customers, and facilitating the increase in the overall efficiency. During the Reporting Period, the payroll agency business of strategic clients totalled RMB27,439 million. Of which, the number of newly contracted accounts for payroll agency amounted to 277, bringing in 146.5 thousand new individual customers. Over 650 thousand credit cards co-branded with strategic clients were issued.

Thirdly, with the five-in-one team work, the Bank had “better” service quality and efficiency. The Bank selected elite staffs across the Bank to build “five-in-one” teams with coordinated and integrated operation of five functional roles including chief manager, customer manager, product manager, credit manager and post-loan manager, normalised the standards for pre-sales, in-sales and after-sales services, innovated the “OKR Process + KPI Result + CCA Capability” evaluation system, and realised “one-point access, nationwide radiation, multi-point response and full-scenario services”. By adopting proactive credit management, the Bank optimised the process with “one review and one approval” to improve efficiency. As at the end of the Reporting Period, the Bank organised 1,342 “five-in-one” teams, and 2,916 employees left work trace via the “Timely Help (及時雨)” system tool for strategic clients, realising process sharing, promoting operation coordination and comprehensively improving the quality and effectiveness of customer services.

The basic customer group management system was reorganised and implemented in an orderly manner, and the customer group foundation was consolidated constantly. During the Reporting Period, the Bank continued to enhance the development of basic corporate customer groups, advanced the research, design and execution of new management system of basic customer groups in an orderly manner, consolidated key supporting measures, constantly improved comprehensive services for basic customer groups, and further enhanced the productivity of basic customer groups.

Firstly, the Bank advanced the execution of the basic customer group management system. By focusing on the distinctive business model of “points, supply chains, ecosystems and industrial parks” with strategic clients as the “key”, the Bank built the basic customer group marketing model featuring “planning guidance, batch customer acquisition, classified development, paradigmatic standardisation, closed-loop management and digital management”, adopted four major strategies, including “top-down-driven targeted marketing, teamwork with integration of the Head Office, branches and sub-branches, comprehensive development through benefit access and settlement improvement, and standardised operation supported by digital tools”, further optimised team building, product benefits, digital operation and other supporting measures, and promoted branches and sub-branches to implement the management system of basic customer groups in an orderly manner and achieve positive results.

Secondly, the Bank consolidated key supporting measures for basic customer groups. The Bank proactively promoted the connection with and the construction of various key batch customer acquisition platforms, built the basic customer group benefit system 1.0, brought in eco-partners to establish benefit portfolio shelf, and rolled out basic customer group benefits in batches. The Bank put in place the working mechanism for distinctive business models, regularly carried out research and execution of distinctive models of basic customer groups, enhanced digital marketing capability of basic customer groups, deepened the mining and application of internal and external multi-dimensional data, promoted the launching, application and functional iteration of system tools for basic customer groups, sped up the application and popularisation of corporate services of corporate WeChat accounts and other third-party online platforms, and intensified the full-process, online and closed-loop management of marketing.

The Bank continued to enlarge the size of customer groups with differentiated management of institutional customer groups. During the Reporting Period, the Bank adopted differentiated and refined marketing strategies for institutional customer groups and was committed to providing all-round services for customers in finance, government services and fields related to people's livelihood, and to continuously expanding the size of customer groups. As at the end of the Reporting Period, the Bank had 30,406 institutional customers, representing an increase of 2,954, or 10.76%, as compared with the end of the previous year.

Firstly, the Bank strengthened head office-to-head office marketing and built head office-to-head office platform. Following the concept of making the institutional business of the Head Office stronger, the Bank strengthened the leading role of the Head Office in marketing and the building of head office-to-head office platform. As at the end of the Reporting Period, the Bank completed the construction of integrated system for central budget, realised system connection and launching, and successfully passed the acceptance check of the Ministry of Finance. The Bank became one of the supervisory banks of the "National Comprehensive Platform for Supervision and Services of After-school Education and Training (全國校外教育培訓監管與服務綜合平台)", and finished the platform construction and system connection, laying a solid system foundation for the regulated management of after-school education and training institutions of all provinces.

Secondly, the Bank vigorously supported local finance and served the implementation of government strategies. By underwriting local government bonds, promoting the construction of platform projects and others, the Bank supported strategy execution of local governments. During the Reporting Period, the Bank approved and underwrote local government bonds with an amount of RMB63,352 million. The Bank fully supported the issuance of local government special bonds, helped the issuance of 738 local government special bond projects, and invested RMB54,702 million in special bonds. By participating in the construction of platforms for local finance, government administration services, services for people's livelihood and others, the Bank enhanced support for government transformation of "streamlining administration and delegating power, improving regulation, and upgrading services". During the Reporting Period, the Bank accepted 79 platform projects of various types of administrative institutions at all levels, and operated 330 platform projects. The daily average balance of deposits managed by the Bank amounted to RMB86,180 million, representing an increase of RMB10,012 million, or 13.14%, as compared with the previous year.

As at the end of the Reporting Period, the Bank had 300.3 thousand effective corporate customers, representing an increase of 32.9 thousand, or 12.30%, as compared with the end of the previous year. The balance of loans to SMEs of basic customer groups amounted to RMB685,456 million, representing an increase of 11.86% as compared with the end of the previous year. The balance of deposits of the first batch of 5,658 target customers of the Bank, comprising the dedicated, refined, distinctive and innovative "little giant" enterprises accredited by the Ministry of Industry and Information Technology, the enterprises listed on the Beijing Stock Exchange, and the enterprises listed on the New OTC Market (Innovation), amounted to RMB20,203 million, representing an increase of 82.68% as compared with the end of the previous year. The balance of financial assets of these customers amounted to RMB16,447 million, representing an increase of 63.39% as compared with the end of the previous year.

3. *Businesses and products*

Policy finance: comprehensively implementing national strategic arrangements and vigorously supporting the development of the real economy

The green service model was innovated constantly. During the Reporting Period, the Bank resolutely implemented national low-carbon transformation strategy, actively fulfilled ESG responsibilities, proactively integrated itself into the great picture of green development, constantly improved the marketing management system and continuously improved the quality and efficiency of green financial services. Firstly, by focusing on clean energy, low-carbon transformation, clean production, green building and other key fields, the Bank closely followed national industrial development plans, met green development demands of strategic clients and local enterprises with distinctive features, and provided comprehensive services in full industry chains. Secondly, the Bank continued to enrich and iterate the basic product system of “Green Investment Express, Green Finance Express, Green Supply Chain Express and Green Operation Express (綠投通、綠融通、綠鏈通、綠營通)”, enhanced the innovation of product models under segmented scenarios, and vigorously promoted the product of “Emission Reduction Loan (減排貸)” by centring on “carbon emission reduction supporting tools” released by the central bank, to support the development of clean energy, energy conservation and environmental protection, and carbon emission reduction technologies, so as to facilitate the whole society to speed up low-carbon transformation. Based on the characteristics of household distributed photovoltaic energy, the Bank innovatively rolled out the “Photovoltaic Loan (光伏貸)” product featuring “zero down payment by farmers, online operation, long repayment period and high lending quota”, to tackle farmers’ difficulties such as difficult financing and complex business operation. By partnering with a leading power supply enterprise, the Bank innovatively released the “E Carbon Loan (碳e貸)” product to jointly facilitate the green and low-carbon development of micro, small and medium enterprises. Focusing on energy, transportation, infrastructure construction, cultural tourism and other fields, the Bank stepped up innovation and popularisation of green bonds, proactively built investment ecosystem, and provided low-cost capital support for green and low-carbon transformation of high-quality enterprises. Thirdly, the Bank intensified marketing in key regions, successively carried out the promotion of new energy business with the theme of “Enchanting Scenery Tour to the Northwest (風光無限西北行)” in Ningxia, Gansu, Qinghai and other areas, developed customised comprehensive financial solutions for new energy industries featuring “one province one strategy (一省一策)”, and launched ecosystem integration platforms among governments, enterprises and the Bank, so as to jointly facilitate the green and low-carbon development of the Northwest region. Fourthly, the Bank provided precise services for the members of the national carbon market, held special presentation events for them, and formulated and released comprehensive service plans dedicated for them, so as to expand and deepen membership services.

As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB179,912 million, representing an increase of 67.65% as compared with the end of the previous year, with the growth rate higher than the industry average. Thanks to the outstanding performance in green and low-carbon fields, the Bank won many awards, such as the “Advanced Unit in Green Bank Evaluation” by China Banking Association, “Low-carbon Role Model of 2022 (2022年度低碳榜樣)” by China News Service, “ESG Finance Pioneer of the Year (年度ESG金融先鋒獎)” by National Business Daily, “Best Financial Institution Award (最佳金融機構獎)” by Green Finance Forum of 60, and “Green Financial Service Bank of 2022 (2022年度綠色金融服務銀行獎)” by China Times.

Rural revitalisation service system was improved continuously. The Bank proactively implemented national strategy for rural revitalisation, provided financial support to comprehensively advance rural revitalisation, continuously increased input in key fields of rural revitalisation, enhanced financial supply capability related to agriculture, rural areas and farmers, and took agricultural industry, infrastructure construction, green and sustainable development, areas that were lifted out of poverty and counties receiving focused assistance from the State as development priorities. While focusing on leading agricultural enterprises, upstream and downstream supply chains, specialised agricultural cooperatives and other new-type agricultural entities, the Bank advanced integrated development of micro, small, medium and large enterprises, constantly enriched financial products and services for enterprises and farmers, comprehensively applied data-based credit enhancement and other new financial technologies, continued to explore model innovation, constantly improved rural financial product and service system, and enhanced rural financial service capability. According to the rural revitalisation evaluation result of banks released by the CBIRC, the Bank was rated well, one grade better as compared with the previous year and ranked among top of joint-stock banks.

As at the end of the Reporting Period, the balance of loans related to agriculture, rural areas and farmers of the Bank amounted to RMB331,606 million, representing an increase of RMB13,581 million as compared with the end of the previous year. Both loans to the areas that were lifted out of poverty and loans to counties receiving focused assistance from the State in rural revitalisation achieved steady growth.

Feature 2: Facilitating Pasture Construction via Product Innovation and Promoting Rural Industry Revitalisation

Innovation is the strongest impetus that drives development. By utilising cloud computing, data mining, system connection and other advanced technologies, the Bank constantly enriched application scenarios of rural revitalisation products, achieved deep binding and integration with customer demands, and put in place distinctive and differentiated product and service system for rural revitalisation.

To address the funding gap of a dairy group customer in relation to the centralised procurement of silage and cattle, large expenses of equipment, insufficient production of pasture and collection of milk payment in installment, the Bank studied the market and the customer's pain points and difficulties, and joined hands with the customer to develop and innovatively roll out the business model of "Agriculture and Animal Husbandry Loan (農牧貸)" for the two key business scenarios of silage procurement loans and pasture development loans.

This model has, on the one hand, effectively met the customer's financing demands for the construction and expansion of pasture in the upstream and centralised procurement of silage, and served dairy farmers of the pasture and terminal consumers; on the other hand, the Bank thoroughly implemented the national strategy for rural revitalisation, increased financial support for agriculture, rural areas and farmers, and pushed forward inclusive finance. During the Reporting Period, the "Agriculture and Animal Husbandry Loan" model has supported the construction and production of six pastures, effectively promoting pasture construction and the employment and income growth of farmers and herdsmen. It has become a typical example of interest integration and joint development among multiple parties, including the governments, enterprises, the Bank and farmers. Meanwhile, the Bank has replicated and popularised the model with other strategic clients in the dairy industry, and will help more farmers and herdsmen to increase income and get rich, thus facilitating the rural revitalisation by revitalising the dairy industry.

By introducing the "Agriculture and Animal Husbandry Loan", the Bank tackled the pain points of the group's demands and further improved bank-enterprise partnership. During the Reporting Period, the balance of the group's daily average deposits in the Bank increased by 159.04% as compared with the previous year. As at the end of the Reporting Period, the balance of the group's various loans increased by 196.11% as compared with the end of the previous year. Both figures hit record high.

The quality and efficiency of services for the manufacturing industry improved notably. During the Reporting Period, the Bank resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council for “implementing the strategy of building China into a leading manufacturer”, proactively seized the opportunities in the development of green manufacturing and intelligent manufacturing industries, enhanced plan guidance and forward-looking arrangement, and tilted more resources to continuously improve the quality and efficiency in serving the real economy. Firstly, the Bank closely focused on national industrial plans and regional characteristics, deepened research on segmented sectors and regions of the manufacturing industry, studied and estimated market development trends, and continuously developed professional and differentiated credit service capability. Secondly, the Bank mainly focused on the transformation and upgrading of traditional manufacturing industry, as well as the innovative development of high-tech manufacturing industry and strategic emerging industries, and made efforts to provide more precise service support for making up weak links of industry foundation and for making breakthroughs in critical technologies. Thirdly, the Bank improved M&As, syndicated loans and ecosystem-based product and service models to meet diversified financing demands of enterprises. As for the “dedicated, refined, distinctive and innovative” enterprises, and the champion enterprises in certain items in the manufacturing industry, the Bank deepened the application of the product series of “Easy Innovation Loan (易創貸)” to propel enterprises to speed up research, development and innovation of technologies. Fourthly, by focusing on the business scenarios of manufacturers, such as low-carbon transformation, technology upgrading, M&A and reorganisation, and enhancement of the weak links of supply chains, the Bank introduced green service channels, provided more support for mid- to long-term financing, optimised credit extension strategies and customised service plans by centring on the financing demands for equipment replacement and upgrading in the key fields of public health, education and culture, and new infrastructure construction. The Bank also cut fees and surcharges to support enterprises to speed up equipment replacement and upgrading, and facilitated faster growth of production and investment of the manufacturing industry.

As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB394,508 million, representing an increase of 13.79% as compared with the end of the previous year, accounting for 16.47% of total corporate loans of the Bank, representing an increase of 1.40 percentage points as compared with the end of the previous year.

Transaction banking: constantly improving product system and enhancing professional customer service capabilities

The quality and efficiency of products and services for account opening and settlement were continuously improved. During the Reporting Period, the Bank continued to optimise account opening products by centring on electronic license application, customer risk verification, self-service modification of handler and other flaws in the process of account opening of enterprises, realised full coverage of the entries of App, mini programme, online bank, bank-enterprise direct connect and other service models, and fully improved the efficiency of customer reach on a multi-level and batch basis. The Bank has build up the “4+1” brand system for settlement and cash management, which included the “E-Fund Supervision (資金 e 監管), E-Fund Collection and Payment (資金 e 收付), E-Treasury Butler (財資 e 管家), E-Capital Appreciation (資金 e 增值) and E-Connect (e 點通)”. The Bank proactively promoted the income solutions for industries including macro consumption, automobile sales, fund/insurance sales, commercial properties, and flexible employment platforms, served the application scenarios of fund supervision in districts and counties, and constantly expanded the scale of high-quality liabilities. During the Reporting Period, the daily average balance of general deposits of settlement customers of the Bank amounted to RMB1,097,722 million, representing an increase of RMB172,074 million, or 18.59%, as compared with the previous year.

Trade finance products were constantly innovated. During the Reporting Period, the Bank vigorously optimised the “contract centre” function of e-letters of guarantee, realised flexible adaptation and “one-stop” online handling of all types and formats of letters of guarantee, improved customer experiences in handling letters of guarantee, such as long process, slow issuance and inconvenient verification, and thus enhanced letters of guarantee service capability. During the Reporting Period, the business volume of e-letters of guarantee of the Bank amounted to RMB31,578 million, representing an increase of RMB22,199 million, or 236.69%, as compared with the corresponding period of the previous year. 7,837 e-letters of guarantee were handled, representing an increase of 2,480, or 46.29%, as compared with the corresponding period of the previous year. The Bank integrated online factoring service into customers’ daily account receivable management, and realised rapid response to customers’ account receivable financing demand under the sales on credit scenario. The Bank popularised the online bills discounting product of “Easy Bills Discounting (票易貼)”, launched the bills business product of “Acceptance and Discount Express (承貼直通車)”, optimised the discounting process of supply chain-related bills, and served a number of supply chain-related bills platforms. The Bank also upgraded and optimised the Bills Butler 4.0 (票據管家 4.0), and realised comprehensive marketing and batch customer acquisition. During the Reporting Period, the business volume of direct bills discounting of the Bank amounted to RMB419,111 million, representing an increase of RMB54,487 million, or 14.94%, as compared with the corresponding period of the previous year.

The Bank proactively explored the digital transformation of international business and constantly improved comprehensive cross-border services. During the Reporting Period, the Bank focused on building the online product system for international business, and continuously enriched the contents of cross-border financial services. The Bank released the full-landing remittance service of “Single Window (單一窗口)”, and for the first time realised the “business and finance separation (業財分離)” of cross-border payments. The Bank rolled out the “Minsheng Express Loan – Letter of Guarantee for Customs Duties (民生快貸——關稅保函)”, a purely credit-based product with automatic approval, launched the functions of settlement of foreign currencies, forward settlement and sales of foreign currencies and options under capital account for corporate online banking, put into operation the Foreign Currency Legal Person Account Overdraft (外幣法人賬戶透支), E-Account Opening (開戶 e) and other key projects, and implemented financing and settlement facilitation measures, providing precise services for “stabilising foreign trade and foreign investment and promoting growth”. By focusing on the scenarios of offshore bond issuance and offshore listing of customer groups with cross-border business needs, the Bank provided the comprehensive cross-border services of “investment banking + commercial banking” that covered full life cycle for nearly 100 customers. Besides, as the first bank that launched the foreign exchange business system among the four pilot banks designated by the State Administration of Foreign Exchange to conduct foreign exchange business, the Bank realised online, standardised and smart operation of foreign exchange business which expanded its market influence. During the Reporting Period, the Bank proactively responded to the policy of RMB internationalisation, and vigorously promoted cross-border RMB business. The business volume of cross-border RMB settlement of the Bank amounted to RMB105,245 million, representing an increase of 24.40% as compared with the corresponding period of the previous year.

Investment banking: continuously enriching application scenarios and steadily improving customised service capabilities

During the Reporting Period, the Bank continued to enrich application scenarios, optimised operation models and deepened customer group services, so as to meet customers’ financial demands in an all-round and diversified manner. The Bank proactively responded to the policies of the State, enhanced resource allocation in new infrastructure construction investment, enhancement of weak links of supply chains and industry chains, basic industries of the national economy, state-owned enterprise reform and other key fields, supported enterprises and integrated itself into the new landscape of national development. As at the end of the Reporting Period, the balance of M&A loans of the Bank amounted to RMB176,054 million, representing an increase of 19.81% as compared with the end of the previous year. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB112,245 million, representing an increase of 28.10% as compared with the end of the previous year. The Bank focused on serving national key strategies, and innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, and high-growth bonds, etc. During the Reporting Period, the bonds issued amounted to RMB277,917 million, of which, the Bank underwrote 565 non-financial corporate debt financing instruments with an amount of RMB266,747 million.

4. *Risk management*

The Bank reinforced the responsibilities of the first line of defense and improved asset quality continuously. During the Reporting Period, the Bank's corporate banking segment fulfilled its primary responsibilities of the first line of defense, proactively transmitted and implemented various risk preferences and risk strategies, and constantly consolidated the responsibilities in carrying out risk management and business development. Firstly, by comprehensively promoting and upgrading the "Palm Eye (掌中眼)" system and by virtue of real-time positioning, automatic timing, image data collection and other functions, the Bank constantly improved digital risk control capability, and ensured the authenticity of pre-loan, in-loan and post-loan on-site operations. Secondly, the Bank further enhanced pre-loan management, optimised first loan access of corporate customers, and strictly regulated remote customer access and business access. Thirdly, the Bank intensified early-warning guidance, risk warning, special screening and compliance examination of corporate customers, and comprehensively improved the quality and efficiency of post-loan management. During the Reporting Period, the Bank saw continuous improvement in asset quality and constantly enhanced risk defense capability of corporate business. As at the end of the Reporting Period, the total corporate NPLs of the Group amounted to RMB43,276 million, representing a decrease of RMB391 million as compared with the end of the previous year. The NPL ratio was 1.80%, representing a decrease of 0.09 percentage points as compared with the end of the previous year.

(II) Retail banking business

1. *Strategic measures*

During the Reporting Period, the Bank continued to deepen the development strategy of taking retail business as a long-term and fundamental strategic business, further advanced the development of customer groups with the model of "organic growth + external expansion", created more business opportunities through the management of segmented customer groups, continuously upgraded the product and service system, built digital management capabilities, constantly improved customer experience, and achieved the high-quality development of retail business.

In terms of customer acquisition, the Bank advanced integrated development and improved the quality and efficiency of batch customer acquisition. In terms of external expansion-oriented customer acquisition by the means of "ecosystem + payment", the Bank innovatively launched diversified internet scenarios, and became the first bank to create the customer acquisition model in the ecosystem of China UnionPay. With the strategy of deeply integrating distinctive service platforms into residents' life circles, the Bank enriched and expanded the products and benefits under travel scenarios. The Bank also built

the payment service brand of “Preferential Minsheng Day (聚惠民生日)”, and upgraded the benefits of distinctive co-branded cards and operation service supporting system, in a bid to comprehensively improve customer services. **In terms of organic growth-oriented customer acquisition by the means of “integrated development + MGM”**, the Bank constantly improved the payroll agency business system with synergy between corporate banking and private banking, and established the integrated online and offline customer service model. The Bank also strengthened customer acquisition with coordination between debit card and credit card, realised the digital traffic attraction with the MGM model, and expanded the customer group base with stable credit card consumption. During the Reporting Period, the number of new individual customers was 5,695.5 thousand, representing an increase of 28.19% as compared with the corresponding period of the previous year. The number of new effective customers was 360.4 thousand with an effectiveness ratio of 6.33%. Financial assets brought by the new customers increased by RMB100,437 million.

In terms of customer group management, the Bank focused on the management of distinctive customer groups and created advantages in the segmented markets. Firstly, the Bank strove to promote the construction of a segmented management system for customer groups, and continued to enhance the segmented management by carrying out customised management of entrepreneur customer group, personalised management of private banking customer group, professional management of wealth management customer group and standardised management of general customer group from the dimensions of product shelves, service models, main promotion channels and professional teams. The Bank built the standardised service system for outlets, reinforced the sound private banking management brand, rolled out two service systems of “Apex Privileges (非凡禮遇)” and “Minsheng Intelligent Butler (民生慧管家)”, and comprehensively upgraded the “Lighthouse + Satellite (燈塔+衛星)” service model of private banking centres. It also established a remote expert service system, and realised remote face-to-face services for high-end customers. The Bank improved products, platforms and other basic supports, and constantly enhanced the professional service capabilities of the teams, thereby preliminarily forming the advantage of differentiated management. Secondly, by focusing on elderly care, parent-children services, payroll agency, communities, sports and other segmented customer groups, the Bank provided the exclusive service scheme of “scenario + finance”, and explored digitalised and online management models, so as to establish customer group service brands with distinctive features. Thirdly, the Bank devoted further efforts to the distinctive brand of quasi elderly care service. The Bank launched the first batch of individual pension services on 25 November 2022, presenting highlights in system preparation, product shelf, account opening and traffic attraction, brand publicity, service process, and integrated coordination between corporate banking and private banking. More than 30 pension-related publicly-offered funds products were released on the launching day. As the third bank in the industry to launch relevant savings products, the Bank created exclusive deposit products for pension accounts, rapidly initiated the development of agency sales model of individual pension insurance, and introduced five exclusive commercial pension insurance products. The individual pension business was imbedded into the standardised lobby marketing process. As at the end of the Reporting Period, the number of newly-increased individual pension accounts was 395.2 thousand, as a result of the head start in the market.

In terms of products and services, the Bank continuously enhanced customer experience and empowered customer group management. Firstly, the Bank built up the competitiveness of basic product shelves. It created distinctive savings services, added exclusive deposit products, such as individual pension and payroll agency, to segmented customer groups, and introduced structured deposit transfer services on mobile banking. According to the comprehensive ranking of savings treasury bond underwriting groups in 2022 released by the Ministry of Finance, the Bank moved up by 19 places as compared with the previous year. The Bank also facilitated the “Cross-Border Wealth Management Connect (跨境理財通)” through cooperation with financial institutions in Hong Kong, and launched online balance of payments declaration services for cross-border inward remittances, thereby better serving the economy of the Greater Bay Area and the residents’ cross-border financial demands. Secondly, the Bank optimised and upgraded the product shelves of wealth management and private banking. It increased the introduction of products across the whole market, and met the customers’ demands for sound investment with low-volatility wealth management products and the “Minsheng Bedrock (民生磐石)” series as the core. It gave further play to the leading advantages of the product series of Minsheng Bedrock, FOF and Minsheng Wisdom (智遠) for segmented customer groups, continued to launch more multi-strategy private equity products, and provided structured, distinctive and customised services to meet the diversified and all-round demands of wealth management and private banking customer groups. Thirdly, the Bank enhanced electronic payment of credit card. It further promoted the return of credit card business to its payment origin, launched the payment brand activity of “Preferential Minsheng Day”, and expanded the utilities payment business. During the Reporting Period, the transaction volume of electronic payments of credit card reached RMB596,724 million, representing an increase of 18.68% as compared with the corresponding period of the previous year. The Bank also improved the credit card preferential benefit business with joint efforts of debit card business, and upgraded the functions of the Daily Life App (全民生活 APP). Fourthly, the Bank continuously improved the customer experience monitoring system, and developed the mechanisms for improvement in individual customers complaints and retail customer experience officers. By collecting and analysing problems and suggestions related to customer experience through professional tools, the Bank enhanced the capabilities in selecting wealth management and private banking products and provided better online after-sales service experience for mobile banking.

During the Reporting Period, total profit of retail business of the Bank amounted to RMB23,030 million, representing a decrease of 17.99% as compared with the corresponding period of the previous year. The operating income from retail business amounted to RMB64,951 million, representing a decrease of 7.73% as compared with the corresponding period of the previous year, and accounted for 49.38% of the operating income of the Bank, representing an increase of 5.08 percentage points as compared with the corresponding period of the previous year. Of which, net interest income from retail business amounted to RMB52,262 million, representing a decrease of 4.39% as compared with the corresponding period of the previous year, accounting for 80.46% of operating income from retail business. Net non-interest income from retail business amounted to RMB12,689 million, representing a decrease of 19.34% as compared with the corresponding period of the previous year, accounting for 19.54% of operating income from

retail business and 50.57% of net non-interest income from corporate and retail businesses of the Bank. During the Reporting Period, fee and commission income from retail wealth management of the Bank amounted to RMB4,196 million, representing a decrease of 38.64% as compared with the corresponding period of the previous year, accounting for 33.07% of net non-interest income from retail business. Of which, income from agency sales of funds amounted to RMB1,016 million, income from agency sales of insurance amounted to RMB809 million, and income from agency sales of wealth management products amounted to RMB1,719 million.

As at the end of the Reporting Period, total retail AUM of the Bank amounted to RMB2,197,391 million, representing an increase of 5.00% as compared with the end of the previous year. Of which, the financial assets of customers holding gold and higher level cards amounted to RMB1,837,012 million, representing an increase of 6.09% as compared with the end of the previous year, accounting for 83.60% of total retail AUM of the Bank. Retail savings deposits amounted to RMB1,002,061 million, representing an increase of RMB193,317 million, or 23.90%, as compared with the end of the previous year. Of which, structured deposits amounted to RMB29,751 million, accounting for 2.97%.

As at the end of the Reporting Period, total retail loans (including credit card overdraft business) of the Bank amounted to RMB1,799,158 million, representing an increase of RMB39,301 million as compared with the end of the previous year, accounting for 43.69% of total loans of the Bank, representing a decrease of 0.06 percentage points as compared with the end of the previous year. The balance of mortgage loans amounted to RMB570,396 million, representing a decrease of RMB21,795 million, or 3.68%, as compared with the end of the previous year. The balance of non-mortgage consumer loans amounted to RMB82,533 million, representing a decrease of RMB12,307 million, or 12.98%, as compared with the end of the previous year. Credit card overdrafts amounted to RMB462,788 million, representing a decrease of RMB9,289 million as compared with the end of the previous year.

2. Customer groups

As at the end of the Reporting Period, the number of retail customers of the Bank was 121,832.3 thousand, representing an increase of 10.62% as compared with the end of the previous year. Of which, the number of effective and above retail customers was 4,956.4 thousand, representing an increase of 5.68% as compared with the end of the previous year.

The number of high-rating retail customers was 2,441.8 thousand, representing an increase of 15.9 thousand as compared with the end of the previous year. Of which, the retention rate of existing high-rating customers was 76.67%. The number of VIP customers was 3,663.0 thousand, representing an increase of 217.3 thousand as compared with the end of the previous year. The number of retail loan customers was 2,938.8 thousand, representing an increase of 230.0 thousand as compared with the end of the previous year.

The Bank deepened cooperation under internet scenarios and advanced integrated customer acquisition. In terms of customer acquisition from open platforms, the Bank enriched the products and customer benefits of co-branded cards with Walmart, Minsheng Farm, and other shopping centres and supermarkets, and ranked first among domestic banks in terms of the number of regions covered by co-branded cards in the China UnionPay ecosystem. It issued the third-generation social security cards, and continued to push forward the issuance of people's livelihood security-related cards under government administration cooperation. It cooperated with leading e-commerce and short video social platforms and developed credit card business ecosystems, and upgraded the co-branded card products with SF Express, in order to activate the marketing strength of external channels. The Bank established the cooperation system with internet platform ecosystems, covering all accounts and multiple scenarios, and jointly launched the digital gold card with JD.com (京東數字小金卡), the business travel-themed debit card co-branded with Ctrip.com (攜程聯名商旅主題借記卡), electronic accounts for audio-visual platforms and other products. During the Reporting Period, the number of new customers of ecosystem-based projects was 2,821.3 thousand. With the customer acquisition model of credit cards transforming from "scenario-based stationing" to "scenario-based customer gathering", the Bank worked with scenario-based merchants to draw traffic and acquire customers, and convert the target customer groups with stable consumption in batches. In terms of organic customer acquisition, the Bank systematically optimised the "end-to-end" payroll agency customer joinery, launched the new model of batch card issuance for payroll agency, optimised the payroll operation of enterprises through online banking, carried out colourful "Pay Day (發薪日)" marketing activities, and effectively enhanced the service experience of payroll agency customers and their employees. During the Reporting Period, 19,993 new enterprises signed contracts for payroll agency, bringing in 859.5 thousand employee customers. The Bank established the "Acceptance + Merchant with Preferential Benefits (收單+特惠商戶)" system for micro and small merchants, provided services such as the "Master Account of Collection and Payment (收付主賬戶)" based on the business needs of merchants, and introduced the one-stop platform of "Enterprise Payroll Express (企薪通)" for enterprises' personnel services and remuneration management. The Bank also optimised the model of co-issuance of debit card and credit card, and conducted the conversion of customers activating bank cards at the lobbies. During the Reporting Period, the number of new customers holding both credit cards and debit cards of the Bank exceeded 1,709.2 thousand.

The Bank continuously built the segmented management system for retail customer groups, and promoted the management of segmented customer groups. The Bank enhanced the capacities of digital operation platform for retail business, enhanced the application of marketing strategy library, advanced the construction of marketing cloud platform, and reinforced online after-sales services, marketing activities and benefits management. During the Reporting Period, the Bank introduced 3,066 new strategies, covering 18,461.3 thousand customers, and carried out 4,859 online activities, representing an increase of more than 100 as compared with the corresponding period of the previous year, and the number of customers with increased financial assets reached 1,468.6 thousand.

The Bank carried out standardised management of general customer groups. In terms of standardised management system, the Bank built a marketing service strategy system driven by four categories of events, namely “product, service, account balance change and behaviour”, and implemented segmented management of basic customer groups. It reached 138 million customers on a large scale. During the Reporting Period, 715.0 thousand existing basic customers jumped to a higher deposit level. 26.97% of new target customers reached the deposits level of RMB1,000, and 10.19% were effective customers. Focusing on the segmented customer groups such as payroll agency, business travel, the elderly, the young, and sports, etc., the Bank carried out differentiated management based on residents’ life scenarios such as payment, travel, parent-children, cultural and creative services and properties, delivered distinctive services for customer groups, and provided exclusive customer benefits. The Bank also established a standardised management system for lobby traffic and customers managed by the marketing teams, and developed smart recommendation function for scenario-based marketing, so as to help customers enjoy better financial and non-financial services.

In terms of expanding the scaled coverage of management, the Bank continued to deepen the development of corporate WeChat accounts, launched localised applications, implemented refined customer management, and pushed forward the standardised construction of communities. The Bank built anthropomorphic AI-based smart outbound calling channels with “good comprehension and response capabilities” to generate customer portrait in a smart manner and accurately reach and screen out potential customers. By centring on customer journey, the Bank developed five major types of application scenarios and 407 sub-scenarios, covering customer care, event invitation, benefit system, notification and reminder, and product marketing. A total of 23,801.8 thousand customers were reached. As at the end of the Reporting Period, the number of customers who added corporate WeChat accounts of the Bank exceeded 7,405.0 thousand, representing an increase of 3,820.1 thousand as compared with the end of the previous year. Of which, 81.59% were new customers and 15.70% were existing customers managed by the Bank.

The Bank conducted professional management of wealth management customer groups. Firstly, the Bank optimised and improved full-scenario shelves of wealth management products. It strengthened the introduction of products across the whole market, and established steady product shelves with low-volatility wealth management products and “Minsheng Bedrock” series as the core, in a bid to meet customers’ demands for sound investment. Secondly, the Bank upgraded the “Apex Privileges” VIP benefit system. By integrating rare, high-end market

resources and strategic client resources of the Bank, it launched 32 premium benefits in travel, health care, sports and life, coupled with the distinctive and exclusive benefits of branches. It also launched the dual appointment channels of telephone and mobile banking App, and continuously pushed forward the “VIP Customers Experience Plan”. Thirdly, the Bank optimised online after-sales and companion service experience for customers. It upgraded the customer experience of dedicated wealth management section of mobile banking, dedicated private banking version and homepage of wealth management website, popularised the open operation platform of wealth management, accelerated the deployment of online marketing scenarios for wealth management products, and released digital tools such as intelligent wealth management board and customer benefit view to enhance process management. Fourthly, the Bank improved the comprehensive productivity of wealth management teams. It continued to promote the building of wealth management teams, quickly filled the personnel gap, built talent promotion channels, strengthened professional capacity building, integrated and optimised the business system for wealth management teams, and realised clue combination, precise information push and other marketing empowerment.

The Bank carried out personalised management of private banking customer groups. The Bank strove to build the distinctive service system for private banking customer groups and enhanced personalised management capabilities. Firstly, the Bank built customised service shelves for private banking products, and through leading privately-offered products, high-end exclusive wealth management and structured, distinctive and customised services, it satisfied the personalised asset allocation demands of private banking customers. Secondly, the Bank built the “Minsheng Inheritance Family Trust (民生傳世家族信託)” brand, and focused on the introduction of exclusive customised insurance products, to meet the demands of private banking customers for wealth inheritance. During the Reporting Period, the Bank set up 1,365 new family trust and insurance trust products with a size of RMB7,683 million, 7.19 times that of the previous year. As at the end of the Reporting Period, the scale of family trust and insurance trust amounted to RMB10,660 million, 3.5 times that of the end of the previous year. Thirdly, the Bank optimised the “Apex Privileges” system for private banking customers to provide differentiated and advanced service experience. Fourthly, the Bank comprehensively upgraded the service model of private banking centres, accelerated the construction of private banking centres, established the “Lighthouse + Satellite” service structure, and developed the remote expert service model. Regarding the complex product allocations and comprehensive and diversified demands of customers, the Bank established the “consultation-oriented” service scenario with multiple experts’ presence, so as to provide one-stop solutions for customers. As at the end of the Reporting Period, the number of private banking centres doubled to 48. The number of eligible private banking customers was 42,194, representing an increase of 3,649, or 9.47%, as compared with the end of the previous year. The financial AUM of eligible private banking customers amounted to RMB570,089 million, representing an increase of RMB37,921 million, or 7.13%, as compared with the end of the previous year.

The Bank adopted customised management of entrepreneur customer groups. The Bank provided customised services by building the service system of “Minsheng Intelligent Butler”. By focusing on the comprehensive demands of entrepreneur customers for investment, operation, family property management and family inheritance, and through its overall strategic platform, the Bank integrated high-quality resources across the whole market, built open think tank, allocated full-time butler teams for entrepreneurs, upgraded exclusive basic financial services, and enriched the customised and exclusive product system. It provided a wide range of customised expert services covering wealth planning, legal and tax consultation, family inheritance, corporate governance and others through the remote expert service model, to become butler of entrepreneurs. During the Reporting Period, the Bank supported 37 branches in launching more than 600 events related to customised services, and the service system was granted the “Top Ten Banks for Retail Banking Innovation Award (十佳零售銀行創新獎)” by The Chinese Banker.

The Bank conducted refined management of credit card customer groups. Firstly, the Bank set up multi-dimensional high-quality customer portrait, optimised customer tag system, implemented refined and differentiated customer access, strengthened customer group guidance, and optimised asset structure. Secondly, the Bank improved the management system of segmented credit card customer groups based on big data analysis, which covered the full-life cycle of customers. With 12 management nodes and 36 management strategies, the Bank carried out targeted marketing activities to reduce customer churn rate and enhance customer activity. It continuously optimised the strategies for revitalising sleeping customers, activating card renewal customers and increasing the transaction frequencies and transaction volume of customers with churn potential by early-warning, in a bid to effectively mobilise existing sleeping customers and inactive customers. During the Reporting Period, 87.61% of new credit card customers had stable consumption, and the target of refined management of customer groups with “stable consumption” was achieved. As at the end of the Reporting Period, the total number of credit cards issued by the Bank was 68,173.1 thousand, representing an increase of 6.07% as compared with the end of the previous year. The number of credit card customers was 47,825.7 thousand, representing an increase of 6.57% as compared with the end of the previous year. The number of customers holding both credit cards and debit cards was 15,638.6 thousand. During the Reporting Period, the number of new credit cards issued by the Bank was 3,904.3 thousand, representing an increase of 50.32% as compared with the corresponding period of the previous year. The transaction volume of credit card reached RMB2,458,713 million. Of which, the transaction volume of electronic payments⁴ reached RMB596,724 million, representing an increase of 18.68% as compared with the corresponding period of the previous year.

⁴ Electronic payments include fast payments, mobile payments, gateway payments, and Daily Life App payments.

Comprehensive management of micro and small customer groups

The Bank facilitated the development of inclusive finance with professional services. Firstly, the Bank continuously improved the working mechanism for inclusive finance across the whole bank, and established a long-term mechanism of “Being confident, able, willing and skillful to grant loans (敢貸、能貸、願貸、會貸)”. Secondly, the Bank beefed up the supply of credit resources for micro and small customers, expanded the authority of credit in key regions, and delegated the power of loan pricing to regions under greater pressure in economic recovery and growth. Thirdly, the Bank actively supported rural revitalisation by launching inclusive finance products related to agriculture, rural areas and farmers, such as “Harbin Agricultural Loan Express (哈爾濱農貸通)”, “Xinjiang Cotton Grower Loan (新疆棉農貸)” and “Online Photovoltaic Loan (線上光伏貸)”.

As at the end of the Reporting Period, the balance of small business loans of the Bank amounted to RMB683,441 million, representing an increase of RMB82,691 million, or 13.76%, as compared with the end of the previous year. The number of small business customers with balance of loans was 648.7 thousand, representing an increase of 290.5 thousand, or 81.10%, as compared with the end of the previous year. The balance of inclusive small business loans of the Bank amounted to RMB549,051 million, representing an increase of RMB44,236 million, 8.76%, as compared with the end of the previous year. During the Reporting Period, total inclusive small business loans issued by the Bank amounted to RMB625,697 million. The average interest rate of inclusive small business loans was 4.77%, representing a decrease of 47BP as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the NPL ratio of inclusive small business loans was 1.70%, representing a significant decrease of 0.59 percentage points as compared with the end of the previous year. 2,461 business outlets of the Bank provided comprehensive financial services to small business customers.

Scenario-based management enhanced the quality and efficiency in serving the real economy. Firstly, the Bank developed the Minsheng Small Business App (民生小微 APP), which featured loan financing, financial and tax management, industrial and commercial inquiry and other high-frequency services needed by micro and small enterprises, and established the online comprehensive mobile financial platform for micro and small customer groups. During the Reporting Period, the registered users of Minsheng Small Business App exceeded 1,030.0 thousand. Secondly, the Bank built standardised online products including the “Tax-Based Online Loan (納稅網樂貸)” and “Merchant Express Loan (商戶快貸)”, and carried out all-round optimisation and upgrading from process experience and response efficiency, so as to inject new impetus into customer services. Thirdly, the Bank cooperated with high-quality platforms and high-quality core enterprises to launch two distinctive products, namely “Scenario (Platform) Express Loan (場景(平台)快貸)” and “Transaction Express Loan (交易快貸)”, so as to facilitate scenario-based batch customer acquisition.

Digital transformation helped to realise digital inclusive finance. Firstly, the Bank upgraded the digital management capability, included the introduction of new customers, exploration of potential customers, customer journey and others into the development framework of precise marketing strategy library, preliminarily figured out more than 10 data-based marketing strategies such as exploration of effective critical customer groups, and strengthened online customer reach and services. Secondly, the Bank strengthened the building of the whole-process risk management system, agilely iterated risk control systems for key products and projects, established the strategy appraisal mechanism, optimised the quota models, built and launched the exclusive risk control system in line with the characteristics of micro and small customer groups. At the same time, the Bank set up dedicated small business risk management teams in branches, and established the whole-process lines of defense covering the front, middle and back offices, for the purpose of comprehensively controlling small business risks.

Comprehensive management enhanced customer service capabilities. Firstly, the Bank extensively built ecosystem-based scenarios for customer acquisition through settlement business, introduced national application service providers in the education industry to provide customers in this industry with the comprehensive solution of “Intelligent Campus (智慧校園)”, and strengthened the comprehensive management of high-quality customer groups. Secondly, the Bank improved the basic account services for micro and small enterprises, popularised the “Minsheng Cloud -Agency Book Keeping (民生雲•代賬)”, and cultivated core customer groups of micro and small enterprises. Thirdly, the Bank focused on the expansion of payments and settlements, basic corporate accounts, payroll agency and other businesses to deliver better customer service experience. Fourthly, the Bank adhered to the integrated management of micro, small, medium and large customers, strengthened the coordinated service capabilities for micro and small customer groups, and explored coordinated service model and implementation path for micro, small and medium customers across the supply chains and industry chains. The Bank also launched comprehensive service solutions such as “Go with You (與你同行)” and “Small Steps to Big Success (星火燎原)”, to intensify the comprehensive service capabilities for micro and small legal person customer groups.

The Bank proactively supported the development of micro and small enterprises. On the one hand, the Bank actively responded to and fully implemented the package of policies and measures to stabilise the economy issued by the CPC Central Committee and the State Council, and actively offered deferred repayment service to eligible micro and small enterprises. On the other hand, the Bank proactively reduced fees and surcharges for micro and small enterprises, and undertook the valuation fee, mortgage registration fee and notarisation fee for compulsory enforcement they should pay when borrowing money from the Bank. Moreover, the Bank exempted the fees for six services to micro and small enterprises, namely account opening fee, account management fee, fee for online banking transfer of no more than RMB1 million in a single transaction, corporate online banking service fee, as well as the flat cost and annual fee of UKEY.

3. *Businesses and products*

The Bank optimised basic products and services, established payment ecosystem, and consolidated basic services. Firstly, the Bank continued to optimise and refine basic financial services for customer groups. The Bank was among the first batch of banks to release personal pension business, rapidly promoted the execution of cooperation with financial institutions in Hong Kong in Cross-Border Wealth Management Connect, reconstructed procedures of cross-border outward remittances, and the success rate of one-off transaction of customers through electronic channels increased by 25 percentage points. Secondly, the Bank released distinctive deposits products and issuance mechanism, supported flexible issuance in line with customer groups, deposit terms and minimum amount of deposits, and other dimensions, and created exclusive products for high-net-worth customers. Thirdly, the Bank developed comprehensive service solutions for parent-child finance, rolled out the exclusive services of “Little Wealth Butler (財富小管家)”, carried out a series of activities of “Financial Quotient Training Camp (財商訓練營)”, and explored deeply in innovative application, public welfare practise, financial quotient popularisation and other dimensions by taking finance as the engine. Fourthly, the Bank developed payment business in an integrated manner, built cross-industry payment ecosystems, continuously organised marketing activities by centring on fast payment binding, payment scenarios and merchants with preferential benefits, upgraded the Daily Life App 9.0, and developed the “Preferential Minsheng Day”, involving over 20 leading merchants in seven industries, in order to promote fast payment binding and usage. During the Reporting Period, the brand of “Preferential Minsheng Day” was exposed to over 1 billion audiences, and saw an increase of 2.78 million contracted users of fast payment of debit card. Fifthly, the Bank enriched the monitoring coverage of NPS⁵ system, mainly expanded the monitoring of 22 customer journeys of mobile banking, mobile operation and other transaction channels, covered 45 customer journeys in cumulative term, and basically established the integrated online and offline monitoring system. During the Reporting Period, the NPS of the Bank increased by 5.52 percentage points as compared with the corresponding period of the previous year.

⁵ NPS (Net Promoter Score) is an indicator that measures the possibility of a customer in recommending an enterprise or service to others.

Feature 3: Empowering Culture with Finance and Speeding up Soft Power Upgrading

Culture holds in store great social value and spiritual value. Injecting cultural force into the financial ecosystem and supporting consumers' yearning for a better life is an important part in the brand building of the Bank, and also the vision and original aspiration for which the credit card business of the Bank starts the strategic upgrading of brand culture.

Over the years, the Bank has successively rolled out various culture-themed credit cards that are made of special textures and crafts to restore art and aesthetics, such as the national treasure series with such design elements as national treasure, thousand miles of rivers and mountains, and Dunhuang murals, and the artists series which restored the classic paintings of master artists represented by Vincent Van Gogh. The intangible cultural heritage (ICH) series was the third series of culture-themed credit cards. The complete set of ICH series of credit cards were jointly created by the inheritors of China's ICH and modern art craftsmen, and were innovative products that integrate and conform to contemporary aesthetic fashion, with a view to showing strength of traditional arts and crafts of Chinese treasures, giving ancient culture a new look and gathering national culture identity.

In 2022, the God of Fortune Card (財神卡) of Minsheng ICH-themed credit cards won the DFA Design for Asia Awards. As at the end of the Reporting Period, the Bank cumulatively issued 342,900 co-branded credit cards of ICH series.

The brand culture strategy of the Bank for credit card business is not only limited in card design. With more innovative approaches for cultural experience output in a diversified manner, the Bank created a new bridge of communication with the public, and improved consumers' financial life quality. For example, the Bank launched the documentary titled of A Thread (《一根線》) for the ICH series, which focused on and displayed the behind-scenes of the livelihood and inheritance status of ICH. The Bank also organised the offline ticking-off activity of Celebrating Traditions (《鬧傳統》), which increased the opportunities for interactions and exchanges with young people of the new era. Under the wave of derivative and creative products embedding in the Chinese traditional culture, by shaping a brand image with more human touch and cultural features, the credit card of the Bank effectively established emotional connection with customers, thus laying a solid foundation for achieving continuous development.

The Bank upgraded the product shelf for wealth management and private banking and enhanced the steady wealth management brand. Firstly, the Bank upgraded wealth management business system, and set up four products series including “Current Deposit Management (活錢管理)”, “Assured Wealth Management (安心理財)”, “Sound Selection (穩健優選)” and “Yield Advancement (收益進階)” in line with customers’ allocation demands. On the basis of its wealth management products, the Bank introduced short-term low-to medium-risk products with sound returns of leading wealth management subsidiaries of other banks, thus effectively supplemented the Bank’s wealth management products. Secondly, in terms of public funds business, the Bank mainly deployed the “Minsheng Bedrock”, “Minsheng Wisdom (民生智遠)”, “Reverse Selection (逆向優先)” and other series, paid attention to volatility control, and continuously improved long-term wealth planning and daily after-sales companion of customers. Thirdly, in terms of private equity products, on the basis of continuously releasing more abundant multi-strategy products, the Bank developed distinctive and customised services to meet diversified and comprehensive demands of the private banking customer group. Fourthly, in terms of insurance business, the Bank continuously focused on regular premium insurance products. During the Reporting Period, the premium of regular premium products amounted to RMB4,347 million, representing an increase of 6.60% as compared with the corresponding period of the previous year.

The Bank optimised consumer finance system and promoted the development of consumer finance business. Firstly, the “Easy Loan (民易貸)” business achieved full-process online operation and automatic approval, significantly improving business efficiency and customer experience. As at the end of the Reporting Period, the balance of “Easy Loan” amounted to RMB36,955 million, representing an increase of RMB4,432 million as compared with the end of the previous year. During the Reporting Period, the number of newly increased credit customers amounted to 218.9 thousand. Secondly, the Bank implemented national housing financial policies, proactively supported customers’ rigid demands and improvement demands for purchasing houses, and placed RMB70,027 million in personal housing loans throughout the year. Meanwhile, facing the pressure of mortgage loan scale, the Bank adhered to the service philosophy of customer first, and provided convenient repayment services for customers with mortgage loans. During the Reporting Period, the Bank handled early repayments of loans of RMB71,422 million for customers.

The Bank continuously enriched distinctive benefits system and sped up the implementation of benefits system. Firstly, the Bank established the V+ Members (V+會員) and rewards points benefits system. “Minsheng V+ Members (民生 V+會員)” provided four types of exclusive benefits for customers meeting the standards for monthly and daily average financial assets, which covered finance, shopping, entertainment and food. In the rewards points shopping mall, the Bank launched 57 types of physical and virtual products in seven modules to reward the active and value-creating customers, thus continuously providing high-quality, highly-frequent and diversified inclusive benefits. Secondly, the Bank carried out physical examination, rowing and other themed activities by centring on the elderly, parents and children, private banking and other customer groups, and developed VIP service system with distinctive features and leading advantages in the industry. Thirdly, according to the behaviour and consumption preferences of credit card customers, the Bank provided distinctive products and differentiated service solutions for customers. Based on the Car Car Card (車車卡) and PetroChina Card (中石油卡), the Bank upgraded the car service ecosystem. Based on the Centurion Card (百夫長黑金卡), the Bank developed the first proprietary service system of high-end private butler teams in the industry. Fourthly, the Bank focused on core commercial circles of cities to form three-dimensional preferential scenario resource pools with superior chain brands, conducted preferential card payment activities, and continuously improved benefits reach and brand influence. As at the end of the Reporting Period, the preferential merchants system had covered 304 core commercial circles in 102 cities across the country.

Feature 4: Comprehensively Upgrading Customer Benefits System and Improving Core Competitiveness with Considerate Services

The Bank launched the membership growth system of “Minsheng V+ Members” covering all retail customer groups and the “Apex Privileges” VIP benefits system covering VIP customer groups. The Bank comprehensively upgraded debit card rewards points shopping mall services, integrated VIP benefits of debit cards and credit cards, and achieved the unification of benefits brands, customer system, benefits experience and service standards. By focusing on customers’ financial and life service demands, the Bank brought in high-quality partners and built “financial+non-financial” service scenarios. The Bank continuously provided multi-dimensional high-quality services for customers, empowered operation internally, and created the brand of “a bank with considerate services” externally.

The Bank continuously launched new themed activities. The V+ Members benefits and the debit card rewards points shopping mall were updated on a weekly basis. The Bank also developed the “V+ Members Day (V+會員日)” on every Tuesday and the “Super Rewards Redemption Day (超級兌換日)” on every Thursday. As customer level climbed up and the benefits for rewards points tasks enriched, the Bank released the special issues of V+ Better Life (《V+美好生活》) on member benefits on a quarterly basis. As for payroll agency, the elderly and other segmented customer groups, the Bank launched the special benefits section of “Salary-Based Happy Life (薪悦生活)” on mobile bank, and optimised benefits types and redemption process in line with the features of elderly customers. The VIP benefits system of “Apex Privileges” integrated high-end and rare resources of the market and resources of strategic clients of the Bank, and provided 32 high-end benefits in four major segments, namely “Apex Travel (非凡出行)”, “Apex Healthcare (非凡康養)”, “Apex Sports (非凡運動)” and “Apex Life (非凡生活)”, which were coupled with special benefits of branches, and were available for reservation through telephone calls and mobile banking App, creating a leading VIP service system with distinctive features in the industry. Throughout the year, the Bank carried out over 800 physical examinations, rowing and other VIP experience activities by centering on the elderly, parents and children, private banking and other customer groups, thus effectively improving brand influence and facilitating the growth of high-end customers.

The Bank created value through customer experience. During the Reporting Period, the V+ Members provided 27,229.6 thousand services with 5,451.7 thousand benefits redeemed. The rewards points shopping mall provided 30,883.3 thousand services with a total of 1,302.7 thousand rewards redeemed. The V+ Members, rewards points and other customer benefits systems played a stronger role in refining customer management, expanding customer reach, and enhancing customer experience, and have become an important support and measure for retail customer group management. The VIP benefits system of “Apex Privileges” included over 13,000 strategic clients, and directors, supervisors, and chief executives or actual controllers of key micro, small and medium enterprises into the service whitelist, and earnestly provided integrated and coordinated services for customers of the bank.

The Bank sped up transformation and upgrading of outlets and comprehensively upgraded services of community sub-branches. Firstly, according to the three major targets of “diversified business formats and refined layout, intelligent and agile operation, and all-channel management”, the Bank initiated outlet transformation and upgrading projects, and sped up brand image design and function upgrading, to comprehensively enhance operational quality and efficiency and marketing service capabilities of outlets. Secondly, the Bank developed distinctive service model of all-rounder employees, segmented scenarios, refined and summarised business scenarios from customers’ perspective, formulated eight types of standard marketing service procedures and service manuals, rolled out intelligent marketing recommendation function for high-frequency transactions of mobile operation, enhanced account management services for key customer groups, and explored remote empowerment service model. Thirdly, the Bank established intelligent operation platform for outlets, improved outlet infrastructure, monitored resource scheduling, operational risk, and breaking points of services of outlets in an intelligent manner, basically completed the capacity expansion of network and WIFI of 85% of outlets of the Bank, laid 13,362 new intelligent equipment, and developed 379 “showrooms” of new intelligent equipment. Fourthly, the Bank expanded business scope of community sub-branches, comprehensively promoted consumer loans and credit card business, and enhanced the capability of community outlets to undertake services through rating management and other measures. Fifthly, the Bank gradually improved community ecosystem construction, organised and carried out the Property Express (物業通), Convenient Life Circle (便民生活圈) and convenient group purchase projects. As at the end of the Reporting Period, the financial assets of customers of community sub-branches amounted to RMB382,824 million, representing an increase of RMB25,375 million as compared with the end of the previous year. Of which, savings deposits amounted to RMB171,186 million, representing an increase of RMB44,995 million, or 35.66%, as compared with the end of the previous year. The number of effective and above customers amounted to 1,051.2 thousand, representing an increase of 88.4 thousand as compared with the end of the previous year.

Physical distribution channels. The Bank has established an effective domestic distribution network that covered all provinces in the Chinese mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 138 cities in the Chinese mainland and the Hong Kong SAR, including 147 branch-level institutions (including 42 tier-1 branches and 105 tier-2 branches and remote sub-branches), 1,231 business outlets of sub-branches (including business departments), 1,094 community sub-branches, and 136 small business sub-branches.

Feature 5: Building Retail Eco-Bank and Establishing Open and Mutually-Empowered Ecosystems

Based on the strategic positioning of “an agile and open bank”, the Bank rapidly grasped the opportunity of the digital era, made efforts to build itself into an agile and efficient digital bank with value growth and ultimate experience in four dimensions including building “intelligent bank”, enhancing data capability, strengthening platform capability and building “eco-bank”, thus promoting consumption and stabilising economy via open ecosystems. The Bank proactively made deployments according to the philosophy of “building new platforms, exploring greater cooperation with big platforms and accelerating scenario expansion”, developed the “technology + finance” ecosystem-based cooperation model, and made full efforts to develop retail eco-bank.

The Bank enhanced ecosystem-based customer acquisition by aligning with China UnionPay. As the first commercial bank realising cooperation between the Quick Pass online payment platform and bank App, the Bank signed the comprehensive strategic cooperation agreement and strategic cooperation agreement on the Quick Pass business with China UnionPay, engaged in all-round cooperation in payment product innovation, establishment of convenience scenarios, settlements of micro and small customers, cross-border payments, joint marketing and other fields, and developed a new inclusive individual merchant model that provided convenience and benefits for the people, benefited merchants, and promoted their business development. Adhering to the original aspiration of “payment for the people”, the Bank enhanced strategic partnership and gained rich cooperation fruits. As at the end of the Reporting Period, 36 branches launched 38 projects and issued 1,220.3 thousand cards.

The Bank continuously deepened cooperation with internet platforms. Firstly, the Bank deepened cooperation with JD.com, launched products of digital little gold card class III account and shopping mall class II account, established cooperation system with JD.com covering all accounts and multiple scenarios, and proactively promoted channel integration. During the Reporting Period, the Bank acquired 1,704.7 thousand customers cumulatively. Secondly, the Bank achieved breakthroughs in cooperation with internet content platforms, and successfully launched the “Corporate WeChat Account + Electronic Account” products. Thirdly, the Bank constantly enriched the products of pan-travel scenarios. The Bank upgraded Tuhu and Tmall car-care product benefits, and intensified online traffic attraction through platforms. It deployed in business travel scenarios and worked with Ctrip in releasing the industry’s first business travel-themed debit card. It also explored new energy, parking and other service scenarios, and carried out cooperation to acquire customers.

Branded activities delivered noticeable results in enhancing customers' activity. During the "JD 618 Global Shopping Gala" and the Double Eleven Shopping Gala in 2022, the Bank worked with JD.com to conduct special marketing events of "Beneficial Minsheng (惠聚民生)". Both sides brought more interesting, preferential and immersive shopping experience for consumers in a digital, full-channel and open-ended ecosystem model, which has become a constructive exploration of cross-sector integration of "technology + finance" to promote consumption recovery and facilitate economic stability. By virtues of rich scenario ecosystems of JD.com and the Bank's online and offline channels, the Bank provided services for customers covering all scenarios, full journeys and all channels. During the Reporting Period, the brand exposure of the Bank in the events reached over 1,009 million participants, and the number of transactions through fast payment with debit cards amounted to 1,823 million, representing an increase of 4.25% as compared with the corresponding period of the previous year.

4. *Risk management*

The Bank optimised smart monitoring and early-warning system of retail credit business and enhanced early-warning capability. Firstly, the Bank iterated and optimised the risk monitoring system of retail loans, established loan project-level-based monitoring and early-warning system, and achieved full-process online management of credit business partners. Secondly, the Bank optimised monitoring and early-warning system of collaterals of retail business to discover potential risks in collaterals management in a timely way.

The Bank upgraded smart decision-making system of retail credit business and enhanced data model-based decision-making capability. Firstly, the Bank continuously optimised models and strategies of the consumer loans, and precisely identified customer risks. Secondly, the Bank constantly improved anti-fraud strategy system, set up three lines of defense involving "customer-channel-product" from the perspective of in-depth defense to withstand complex attacks, and identified and guarded against a number of fraud incidents.

During the Reporting Period, the quality of retail assets generally remained stable. As at the end of the Reporting Period, the retail (credit card inclusive) NPLs⁶ amounted to RMB26,111 million, representing a decrease of RMB2,560 million as compared with the end of the previous year. The retail NPL ratio was 1.50%, representing a decrease of 0.15 percentage points as compared with the end of the previous year. Total special-mentioned retail (credit card inclusive) loans⁷ amounted to RMB19,636 million, and the special-mentioned loan ratio was 1.13%. The NPLs of credit card business amounted to RMB12,346 million, representing a decrease of RMB1,578 million as compared with the end of the previous year. The NPL ratio of credit card business was 2.67%, representing a decrease of 0.28 percentage points as compared with the end of the previous year. The NPL ratio of mortgage loans was 0.50%, representing an increase of 0.24 percentage points as compared with the end of the previous year. The NPL ratio of non-mortgage consumer loans was 1.08%, representing an increase of 0.14 percentage points as compared with the end of the previous year.

(III) Treasury business

1. Strategic measures

The Bank always adhered to the core concept of “customer-centric”, resolutely advanced reform and transformation by closely centring on strategic arrangements, and promoted the steady and orderly development of all financial markets businesses. Firstly, the Bank continuously deepened the management of financial institution customer groups, improved segmented and classified marketing system for financial institution customers, focused on key customers, and developed differentiated customer group management model, so as to comprehensively implement the integrated marketing coordination. Secondly, the Bank established unified bond management system across the whole bank, enhanced supporting capability in agency products and services, extended business coordination ecosystems by centring on three major customer groups, and improved comprehensive financial service capabilities. Thirdly, the Bank advanced the reshaping of custody business in an all-around manner, focused on professional services, expanded differentiated services and consolidated basic services, and developed itself into a full-scenario custody bank covering all customers, all scenarios and all cycles with all-round digital and intelligent connections.

⁶⁻⁷ The retail (credit card inclusive) NPLs and special-mentioned retail (credit card inclusive) loans were information of the Group.

2. *Customer groups*

Centring on the philosophy of “comprehensive management of financial institution customer groups”, the Bank focused on bank customers, non-bank customers and factor market customers, deepened specialised management of customer groups, continuously improved centralised marketing, centralised credit extension and other working mechanisms, proactively expanded high-quality customer base, constantly enhanced technology empowerment, and made efforts to improve comprehensive services for financial institution customers. Firstly, the Bank strengthened coordinated marketing of financial institution customer groups, formulated marketing plan for each customer, and increased the comprehensive value contributions of key customers.

Secondly, the Bank improved centralised credit extension policy for financial institution customer groups, refined process management, and expanded the credit extension coverage of financial institution customers in major regions and key industries. Thirdly, the Bank strengthened technology empowerment, officially launched the E-Interbank+ Platform (同業 e+ 平台) 3.0, improved the system for agency sales of asset management products for financial institutions, and provided one-stop comprehensive financial services for financial institution customers, including investment and financing, depository and custody, operation, etc.

As at the end of the Reporting Period, the number of contracted institutions for E-Interbank+ Platform reached 1,268, representing an increase of 139 as compared with the end of the previous year. During the Reporting Period, the transaction volume of agency sales business through the platform amounted to RMB44,065 million.

3. *Businesses and products*

(1) Interbank treasury business

In terms of interbank treasury business, the Bank remained customer-centric and market-oriented to promote continuous optimisation of business structure and realise steady development of assets and liabilities. Firstly, the Bank optimised the liability structure. The Bank achieved all-ground growth in the scale of demand deposits from financial institutions business and effectively reduced the cost of liabilities of financial institutions business. The Bank maintained the scale of interbank negotiable certificate of deposits (IBNCD) generally stable and focused on enhancing the stability of liabilities of financial institutions business. As at the end of the Reporting Period, total demand deposits of financial institutions business amounted to RMB449,646 million, representing an increase of 28.62% as compared with the end of the previous year. Secondly, the Bank promoted the asset placement. As at the end of the Reporting Period, total assets of financial institutions business of the Bank amounted to RMB283,409 million, representing an increase of 6.48% as compared with the end of the previous year.

(2) Financial markets business

In terms of fixed-income business, the Bank firmly deepened the reform of its bond investment business and continuously created an integrated Minsheng fixed-income brand covering investment, trading, sales, agency and others. Firstly, the Bank further improved the market-oriented, specialised and standardised management of bond business. Secondly, the Bank firmly implemented national strategies, fulfilled its responsibilities and missions, vigorously supported transformation and upgrading of the real economy, proactively participated in the investments in themed bonds and asset-backed securitisation products related to green finance, “carbon neutrality” and “rural revitalisation”, etc., and implemented green development philosophy. Thirdly, the Bank enhanced market research and prediction and optimised bond business strategies, reasonably planned and adjusted assets maturity terms, enhanced portfolio structure adjustments, flexibly planned and adjusted investment varieties, and vigorously enhanced the liquidity and profitability of bond portfolios. As at the end of the Reporting Period, total bond assets of the Bank amounted to RMB1.85 trillion, of which, the RMB-denominated bond assets amounted to RMB1.74 trillion and the bond assets denominated in foreign currencies amounted to RMB113,068 million (after conversion).

In terms of foreign exchange business, the Bank proactively implemented the requirement of serving the real economy, continuously advocated the philosophy of exchange rate risk neutral, and provided corporate customers with high-quality exchange rate transaction services by strengthening the research and development of foreign exchange risk hedging portfolios, optimising and upgrading agency business system, expanding channels for sharing information with customers and other measures. The Bank newly introduced American option and other transaction instruments for corporate customers, and continued to improve service efficiency in foreign exchange risk hedging of corporate customers. The Bank newly built up a quantitative market-making system for foreign currency pairs for interbank institutions and enhanced the pricing and market-making capabilities of domestic foreign exchange derivatives. During the Reporting Period, the trading volume of derivatives in the interbank foreign exchange market amounted to USD1.37 trillion, and the Bank ranked among the top three in the comprehensive ranking of option market making in the interbank foreign exchange market.

In terms of precious metals business, the Bank proactively established an integrated and comprehensive service platform encompassing “physical entity, stocking, investment, trading, risk hedging, wealth management, and financing”. As for retail business, the Bank applied digital means to promote innovation of products and channels, empowered the full-life journey of individual customers, and grew together with them. As for corporate business, starting from customer demands, the Bank provided gold leasing, price risk hedging, agency trading of precious metals, agency sales of precious metals products, clearing bank and other services, met the production demands of enterprises in the gold industry chain, and supported the development of the real economy. Meanwhile, the Bank proactively fulfilled its responsibilities of a market maker on the interbank gold price asking market of Shanghai Gold Exchange and the market of Shanghai Futures Exchange, and prudently conducted proprietary trading within the risk limits. During the Reporting Period, the trading volume of gold of the Bank amounted to 1,731.98 tons with the trading amount reaching RMB687,352 million. The trading volume of silver amounted to 2,129.73 tons with the trading amount reaching RMB9,922 million. The Bank is one of the top 10 market makers in the interbank price asking market of Shanghai Gold Exchange, and also one of the gold-medal winner market makers of gold futures in Shanghai Futures Exchange.

(3) Asset custody business

The Bank comprehensively promoted the optimisation and reshaping of custody service process, strengthened basic service capabilities, expanded branded and distinctive services, cultivated custody business ecosystem, and strove to develop itself into a full-scenario custodian bank with professional, efficient, agile and open, flexibly customised services that served customer journey, in a bid to promote continuous and high-quality development of asset custody business. Firstly, the Bank achieved steady growth in the size of custody business. As at the end of the Reporting Period, total assets under the custody of the Bank amounted to RMB11.94 trillion, representing an increase of RMB850,172 million, or 7.66%, as compared with the end of the previous year. Secondly, the Bank promoted high-quality development of key custody products. As at the end of the Reporting Period, the size of publicly offered funds under custody amounted to RMB1,093,200 million, and during the Reporting Period, the income from custody fees amounted to RMB898 million, representing an increase of 26.66% as compared with the corresponding period of the previous year. Thirdly, the Bank continuously consolidated capabilities in basic custody services, and constantly improved the professionalism and continuity of custody services. The Bank won the award of “Excellent Asset Custody Institution (優秀資產託管機構)” in the 2022 business development quality evaluation of members of China Central Depository & Clearing Co., Ltd. (CCDC) released by CCDC.

In terms of pension business, following the strategic positioning of pension business, the Bank further optimised and perfected the setting of institutions and functions of pension business department. It set up the pension business department, a tier-1 institution of the Head Office, constantly improved duty performance capabilities for annuity business in strict accordance with laws, regulations and regulatory requirements, continuously improved the integrated service system of the Head Office and branches, and focused on promoting the high-quality development of corporate annuity, occupational annuity and other pension businesses. As at the end of the Reporting Period, the size of corporate annuity under custody of the Bank amounted to RMB50,312 million, representing an increase of 10.46% as compared with the end of the previous year. The number of personal accounts under corporate annuity account management business reached 175.1 thousand, representing an increase of 11.67% as compared with the end of the previous year.

(4) Asset management business

During the Reporting Period, the Bank always fulfilled the “investors’ interest-first” business philosophy, adhered to the investment goals of “long-term stability and absolute returns”, and continuously enhanced its core capabilities, such as investment research, product development, sales services and digital technologies, etc. On 16 June 2022, the wealth management subsidiary of the Bank received the regulatory approval for opening and was officially established on 24 June 2022. In accordance with regulatory requirements, the Bank adopted a variety of ways to promote the transformation and rectifications of existing businesses in a prudent and orderly manner, successfully completed the annual disposal target of certain existing assets, smoothly completed the rectifications of all cash management products, and steadily promoted the compliant migration of existing net-worth products.

As at the end of the Reporting Period, the size of products managed by the Bank and CMBC Wealth Management totaled RMB883,977 million. Due to the impact of sharp shocks of the bond market in the fourth quarter, the size of wealth management products decreased by 12.72% as compared with the end of the previous year. The proportion of net-worth products was 99.52%, among the tops of the joint-stock banks. The Bank was granted the “Wealth Management Bank Golden Bull Award (理財銀行金牛獎)” in the 3rd “Wealth Management Golden Bull Awards of the Banking Industry in China (中國銀行業理財金牛獎)” by China Securities Journal, and Jin Zhu FOF 1-Year Wealth Management Product (金竹 FOF 一年持有期理財產品) won the “Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)”.

4. *Risk management*

(1) Credit granting to financial institution customer groups

The Bank continuously optimised the centralised and unified management model of credit granting to financial institution customer groups, and enhanced risk prevention responsibilities of the first line of defense. Taking system reform of “the main accountable person for operation” of the Bank as an opportunity, the Bank adopted antecedent risk management of financial institution customer groups. Following the principles of “regulatory compliance, refined management, system optimisation and merit-based support”, the Bank enhanced centralised management efficiency in credit granting to financial institution customers, standardised access management of interbank partners, and enhanced post-loan management and risk early-warning of financial institution customers by focusing on such areas as strengthening institutional improvement, optimising management mechanism, firmly holding on to critical links and reinforcing system construction, thus realising effective risk control and promoting continuous and healthy development of financial institutions business.

(2) Financial markets business

According to the risk preferences, business plans and risk forecast of the Board of Directors, the Bank set annual market risk limits and relevant business authorisations, and practised daily monitoring and continuous reporting. During the Reporting Period, the Bank comprehensively considered the impacts of domestic and international political and economic events and macro policies on the real economy, improved the management process and system of bond credit rating library, continuously enhanced risk evaluation and early-warning capabilities concerning unsecured bond issuers, enhanced re-inspection and self-inspection frequency concerning relevant assets of key regions, key industries and key enterprises, and consolidated post-investment risk screening and monitoring of unsecured bonds. During the Reporting Period, the credit qualifications of the proprietary bond investments was generally good. Meanwhile, following the principle of safe and steady bond investment, the Bank continued to invest in government bonds and policy financial bonds, and maintained high-liquidity asset portfolios at a reasonable level.

(IV) Digital transformation

The Bank comprehensively deepened digital transformation, and took proactive actions to build “an agile and open bank”. The Bank advanced in a coordinated way in terms of systems and mechanisms, team building, intelligent transformation, ecosystem construction, etc., and enhanced its digital operation and management capabilities significantly. During the Reporting Period, the Bank invested RMB4,707 million in IT, representing an increase of 22.48% as compared with the corresponding period of the previous year, which accounted for 3.58% of operating income, representing an increase of 1.16 percentage points as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of IT personnel of the Bank was 4,053, representing an increase of 32.36% as compared with the end of the previous year.

1. Strengthening coordinated planning, and establishing agile innovation and customer journey reshaping mechanism

(1) Enhancing top-level design and promoting work in a coordinated way

The Leading Group for Digital Finance with Chairman as the head took charge of making decisions for major digital finance projects and resources input, and the Development Planning Department of the Head Office, the Secretariat of the Leading Group, undertook the duties to organise and push forward the digital transformation of the whole bank. Based on policy orientations and the strategies of the whole bank, the preparation of IT Development Planning (2023-2025) (《信息科技發展規劃(2023-2025年)》) was launched, formulating development blueprints and implementation paths for improving the IT capability and speeding up digital transformation.

(2) Building a cross-functional agile coordination mechanism

The Bank accelerated the construction of eco-bank, enhanced the integration of the cross-functional agile team comprising personnel from business, risk management, IT, data and other departments, and significantly improved the R&D and iteration efficiency of innovative products. Based on the normalised agile coordination mechanism, the Bank made breakthroughs in a series of major transformation projects such as smart decision-making regarding proactive small business credit granting, consumer loan ecosystem cooperation, and digital coordinated office works.

(3) Reshaping end-to-end customer journeys

The Bank selected over ten journeys of high-value customers from the perspective of significance and feasibility, and reshaped such journeys end-to-end with digital means, significantly improving customer experience and the efficiency of internal process. Of which, the payroll agency project realised online marketing opportunities sharing between corporate and retail businesses for the first time, and the card-issuing efficiency under the new batch card-issuing model for the payroll agency was improved by 50%. The VIP benefits project realised the whole-journey reshaping covering the launching, reach, use and conversion of benefits. The time spent on customer reservation and customers' complaints handling process both shrunk by over 50%, and the churn rate of private banking customers decreased by 14%. During the Reporting Period, the number of new customers (enterprises with more than 5 employees) of payroll agency service increased by 28% as compared with the corresponding period of the previous year.

2. *Enhancing technology empowerment to build an “eco-bank” and “intelligent bank”*

- (1) Continuously promoting the connection between finance and ecosystems for integrated management of micro, small, medium and large enterprises and retail customers

In terms of the supply chain finance ecosystem, the Bank continued to innovate data-based credit enhancement products, and developed the capability for providing full-chain digital services. The Bank newly launched the product series of E-Procurement Data-Based Credit Enhancement (採購e——數據增信) serving the financing of downstream distributors, and the product series of E-Order (訂單 e) serving upstream suppliers. The Bank also upgraded the products of E-Bill Finance (票融 e), E-Credit Finance (信融 e), and introduced E-Procurement Strong Credit Enhancement (採購 e 強增信), Cotton Express (全棉通) and other products.

Feature 6: Upgrading the Functions of the Digital Financing Product of “Minsheng E-Chain (民生E鏈)” and Improving Capability of Providing Integrated Services for Micro, Small, Medium, and Large Enterprises and Retail Customers

Leveraging on the agile mechanism of ecosystem finance of the whole bank and based on the transaction data, scenario data and relation graphs of supply chains and industry chains, the Bank put in place the big data-based risk control model and the smart decision-making system, and realised product innovation, function iteration, process optimisation and service upgrading of the comprehensive supply chain financial services under the “Minsheng E-Chain”, and thus improving the capability of the whole bank in providing integrated services for micro, small, medium, and large enterprises.

During the Reporting Period, the Bank newly launched the E-Procurement Data-Based Credit Enhancement and Financing (採購e——數據增信融資), E-Order Data-Based Credit Enhancement and Financing (訂單e——數據增信融資), E-Credit Finance Group Model (信融e集團模式), Cotton Express, Supply Chain Bills (供應鏈票據), Minsheng Express Loan – Letter of Guarantee for Customs Duties, Government Procurement Fast Loan (政採快貸), Goods Ordering Fast Loan (訂貨快貸) and other innovative products, continued to enrich the product shelf of “Minsheng E-Chain”, meeting the financing demands of micro, small and medium enterprises in procurement, orders, warehouse receipts, bills, sales and receivables and other aspects. The Bank built up a centralised operation team at the Head Office, and realised intensive operation of the products of E-Credit Finance and E-Bills Finance in terms of parameter maintenance, exclusive customer services and centralised loan placement, significantly improving the process efficiency and customer satisfaction.

In cooperation with a domestic new energy vehicle OEM, the Bank created the online, smart and distinctive product of Minsheng E-Chain and the centralised operation service system by means of big data, AI and other technologies around the financing demands of enterprises on the supply chain, and realised full-channel cooperation and coordination with the upstream suppliers and downstream distributors. The Bank accumulatively supported 450 micro, small and medium enterprises on the chain, and placed financing fund of over RMB10 billion, supporting the stable development of the industry chain and supply chain of new energy vehicles.

As at the end of the Reporting Period, the financing balance of the product series of “Minsheng E-Chain” amounted to RMB73,737 million, representing an increase of RMB42,654 million, or 137.23%, as compared with the end of the previous year. Of which, the financing balance of micro and small enterprises was RMB24,304 million, representing an increase of RMB16,763 million, or 222.29%, as compared with the end of the previous year. The number of online financing customers on the chains reached 7,381, including 901 core enterprises of online business services.

In terms of financial and non-financial ecosystems, the Bank incorporated cross-industry partners for joint ecosystem development, and provided one-stop multi-scenario services. The Bank launched “Minsheng Treasury Cloud (民生財資雲)”, and delivered more efficient enterprise capital management with capital flow digitalisation and information flows sharing as the core. The Bank established ecosystem cooperation with leading platforms, continued to innovate online financing, consumer loan and other ecosystem finance products. The Bank launched product series of “Small Business Express Loans (小微快貸)” and “Internet Ecosystem Loan (互聯網生態貸)”. The Bank created a “financial + non-financial” service system covering financing, account, wealth, settlement, payroll agency, human resources management and other services, and launched the “Enterprise Payroll Express”, “Lottery-Bank Express (彩銀通)” and other ecosystem-based services and products.

In terms of the ecosystem of government administration institutions, the Bank efficiently connected government service information flows and built up a three-dimensional public service system. The Bank pioneered to complete the acceptance procedures of the Ministry of Finance for central finance integration projects, and took the initiative to respond to the deployment and construction for the integration of fiscal budgets. The Bank built up scenario-based digital projects such as medical insurance, education and training, industry fund supervision, Head Office state treasury, non-tax, social security, and provident fund, etc, conducted the business of “Prepayment Express (預付通)”, and upgraded “Tender Express (招標通)”, “Bank-Court Express (銀法通)”, “Housing Management Express (房管通)”, “Bank-Medical Insurance (銀醫)”, “Bank-Customs Duties (銀關稅)” and other products.

In terms of the open bank ecosystem, the Bank released the open bank brand of “Minsheng Cloud (民生雲)”, delivering integrated comprehensive services. The Bank upgraded the product of “Minsheng Cloud • Wallet (民生雲•錢包)”, and supported the cooperation on wealth products. The Bank added the product of “Minsheng Cloud • Easy Payment (民生雲•易付)” to meet corporate customers’ needs for settlements in diversified scenarios. The Bank built up the platform of “Cloud-Based Enterprise Service (雲企服)”, providing integrated services of finance+ enterprise operation and management.

**Feature 7: “Minsheng Cloud • Agency Book Keeping (民生雲•代賬)”
Helped Small and Micro Enterprises Break Through the “Digital Gap”
and Realise Digital Finance and Taxation**

The Bank focused on making financial services more inclusive, helped micro, small and medium enterprises in digital transformation, and launched the service of “Minsheng Cloud • Agency Book Keeping”. Relying on the open bank API, the Bank seamlessly connected financial services with the third-party finance and taxation SaaS platforms, helping micro, small and medium enterprises and the agency book keeping industry enhance the efficiency of financial book keeping and break through the “digital gap”.

The Bank established a multi-level authorisation mechanism with regard to the “Minsheng Cloud • Agency Book Keeping” service, made transaction details, electronic receipts and other structural data available to the third-party finance and taxation SaaS platforms on the premise of full authorisation of customers and realised one-click withdrawal, automatic book keeping, smart vouchers and other functions, greatly improving the book keeping efficiency of financial personnel by reducing their visits to the outlets for business, manual input of accounting information and other complex operations, and thus enabling enterprises to further reduce cost and increase efficiency.

As at the end of the Reporting Period, the “Minsheng Cloud • Agency Book Keeping” had cooperated with 32 high-quality finance and taxation SaaS service providers including UFIDA and Kingdee, and provided services for over 8 thousand micro and small enterprises and over 600 agency book keeping companies. The service was honoured with the 2021 Inclusive Finance Innovation Result Award (2021年普惠金融創新成果獎) and the 2021 Gold Award for Innovation in Special Fields in the Digital Fintech Innovation Competition (2021年數字金融科技創新大賽專項領域創新金獎). The service was a significant manifestation and major achievement of the Bank in facilitating the development of inclusive finance through digital innovative services.

Feature 8: “Minsheng Cloud • Freight (民生雲•貨運)” Helped Online Freight Industry Reduce Cost and Increase Efficiency

Against the backdrop of comprehensively enhancing the operation efficiency of the real economy, the Bank launched the service of “Minsheng Cloud • Freight” after fully researching the pain points in the logistics and transportation industry. This service provided separate accounting services for all participants in online freight transactions, enhancing the fund management efficiency of freight platforms and helping the freight and logistics industry reduce cost and increase efficiency.

The service of “Minsheng Cloud • Freight” conducted separate accounting book keeping for transactions of shippers and actual carriers based on the corporate settlement accounts opened by online freight companies in the Bank, which greatly improved the online fund management efficiency of online freight platforms and saved financial costs. The Bank pushed forward the rapid online migration of traditional offline carrier businesses, and boosted the integration of information flows, order flows, fund flows and logistics of the platforms, realising the compliant transformation of the new business format of “Internet + Logistics”.

The service of “Minsheng Cloud • Freight” supported real name authentication and sub-account books opening and registration of platform members by outputting the account system of underlying products to enterprises. Combined with online settlement functions, the Bank supported the collection of upstream transportation fees, and realised the synchronisation between order information and cash flows on the platform. The Bank conducted clearing of fund based on platform orders, and provided cash withdrawal channels for actual carriers such as downstream drivers. Meanwhile, the Bank focused on the scenarios of the manufacturing industry and macro consumption, and provided suitable customised financing products for shippers of different business volume, so as to meet the capital demand of participants in online freight and build a comprehensive financial service system for online freight scenarios.

As at the end of the Reporting Period, the “Minsheng Cloud • Freight” had already established strategic cooperation with over 20 renowned online freight platforms, and accumulatively served nearly 700 thousand shippers and drivers with an accumulative transaction amount exceeding RMB20 billion. The service was launched in accordance with the regulatory standards for the online freight industry. It has effectively and compliantly solved the core pain points of the platforms in separate accounting, and promoted all participants to realise cost reduction and efficiency enhancement, playing a positive role in driving compliant and steady development of the online freight industry.

- (2) Deeply integrating finance and technology to create digital and smart operation and management system

In terms of digital marketing, the Bank realised full-channel coordinated marketing. The Bank linked the strategy library with various customer reach points such as the “Minsheng Small Business” App and intelligent outbound calls, and matched accurately products with customers’ needs. The Bank introduced event tags, which supported the analysis of complex marketing strategies. The Bank upgraded the Timely Help, marketing cloud and other digital marketing systems, which supported comprehensive customer group marketing and real-time activity management. **The Bank optimised the “full-scenario” value-adding services,** built up the benefits system, and quickly introduced multiple kinds of non-financial benefits products, enriching personalised services. **The Bank provided “full-journey” companion for customers,** launched visualised board of all nodes of customers’ journeys, which supported real-time analysis of the breakpoints and optimised the customer group management links, and provided smart full-journey companion for customers. During the Reporting Period, the Bank built up the marketing strategy system of wealth management and private banking customer groups, launched the tag model 2.0, which integrated the tag information of credit card customers, added co-branded card tag, rewards and benefits tag, App browsing preference tag and other tags as well as enriched over 1,800 customer group screening indicators.

In terms of digital products and services, the Bank optimised the procedures of digital products. The Bank significantly simplified the operation procedures of account opening, account, bills, factoring, electronic letter of guarantee, electronic letter of credit, fund supervision, treasury management, cash management and other products. **The quality and efficiency of digital service were enhanced** with the upgraded mobile bank, corporate online bank, and remote bank and newly added corporate WeChat account, the mini programme of E-Service and others, creating an “online+offline” multi-dimensional service matrix. **The digital customer experiences were better,** as the Bank built up the customer benefits system, introduced non-financial value-added services, and launched the “legal persons + individuals” integrated product delivery and service model. Fund supervised through the “E-Fund Supervision” of **transaction banking** exceeded RMB1.34 trillion accumulatively, and the business extended to another 54 districts and counties for the year. The whole-year transaction volume of the “E-Fund Collection and Payment” topped RMB5 trillion. The Bank launched leading solutions in the fields of macro consumption, automobile sales, funds/insurance sales, operating property, flexible employment platforms and others. The Bank launched full-process products and services for its **personal pension business,** and became one of the first batch of banks that were qualified for operating personal pension business. The Bank launched online auto consumer finance and other **consumer loan products,** and innovatively rolled out online exclusive unsecured personal

micro loan products. The Bank built up customised payment product shelf, created the synergy between payment products and booking system, provided comprehensive services of **payment and settlement and fund management**, and innovatively developed the product of prioritised fund repayments for redeeming asset products. The Bank upgraded the products of “Interbank Connect (跨行通)”, “Minsheng Pay (民生付)”, “Happy Cashier (樂收銀)” and “Easy Collection and Payment (收付易)”. The product of “Repayment Express (還款通)” supported credit card bill enquiries and repayments of over 130 banks. The Bank expanded e-CNY application scenarios, established the “e-CNY Application Innovation Laboratory”, and became the first in the industry to launch eight applications including the “Corporate Account Direct Payment of e-CNY Salary (對公賬戶直發數幣薪資)”. As at the end of the Reporting Period, the number of Minsheng bank cards bound with the e-CNY was 182 thousand.

In terms of digital risk control, the Bank built up an smart risk control system, and upgraded its “pre-loan” comprehensive monitoring capability. The Bank built up the smart pre-loan assessment system featuring man-machine coordination, and put in place the assisting credit review operation model based on “data + model + scenario”, which significantly improved the quality and efficiency of credit review. The Bank established the smart decision-making system of proactive small business credit granting, and optimised smart risk control strategies based on genetic algorithms. The Bank introduced the digital assessment model, realising fully automatic verification of credit limit of bank bills discounting. The Bank optimised the “Palm Eye” marketing practices management system, showing real-time on-site scenarios to prevent fraud risks. **The Bank strengthened the “in-loan” fund management and control capability.** The Bank built up a new-generation anti-money laundering system, put in place the smart anti-money laundering model based on the AI platform, and realised real-time anti-frauds based on the knowledge graph. The Bank established the electronic certificate platform connecting with judicial organs based on the blockchain technology, ensuring that the whole process of credit granting business was traceable and tamper-resistant. The Bank applied OCR, electronic signature and other technologies, significantly enhancing the efficiency of precise identification and management and control of financing risks. **The Bank honed its capabilities for active “post-loan” early-warning.** The Bank launched the unified panoramic view of risks based on “AI + BI”, continued to optimise medium to long-term monitoring and early-warning models and strategies, took the initiative to exit from high-risk loans, and increased the effective identification rate of post-loan risks by nearly 100%. During the Reporting Period, the proportion of online contract signing for receivables financing of the Bank reached 96%, and 2-4 hours were saved from business processing on average.

In terms of digital operation, centralised operation played a strong supporting role. The Bank significantly enhanced the intensive operation efficiency by improving operation standards, optimising operation procedures, and streamlining operation posts. The Bank managed to realise exclusive and centralised operation of products such as E-Credit Finance and E-Bills Finance via products and services, customer support and centralised loan placement review, and continued to strengthen the capability of the whole bank in terms of online, smart and refined operation. **The Bank upgraded the smart services for remote banking** by expanding the smart applications such as “intelligent remote bank teller” and “intelligent customer service assistant”, and provided convenient experiences to the elderly customers through “one-click access” function. The Bank kept a leading position in the industry in terms of connection rate and customer satisfaction of remote banking and call centre customer services. **The Bank accelerated intelligent outlet transformation.** The “Account Robot” optimised the account opening experience, significantly improved the quality and efficiency of account services, and improved the productivity of the front-line and back-office personnel. The Bank further applied big data, RPA, OCR and other new technologies in operation, continued to embed intelligent technologies into the operation scenarios and processes, and replaced standard operations with technological applications. The Bank established the full-scenario service breakpoints monitoring and optimisation system, effectively reducing customer complaints. The Bank launched “non-financial one-stop services”, “comprehensive corporate services” and other new service models. During the Reporting Period, four new intelligent bank experience stores were opened in Guangzhou, Shenzhen, Chengdu and Kunming. **The Bank launched the capital chain governance platform,** and built it into an enterprise-level one with unified capital chain governance, so as to stop high-risk transactions by means of transaction interception, delayed payment and enhanced verification, etc. On such basis, the Bank realised full-process integrated management and control of customer identification, risk decision-making, early-warning handling, and retrospective investigation of risks, and was capable of managing and controlling full-life cycle of pre-loan, in-loan and after-loan risks and keeping customers’ fund safe.

In terms of digital channels, the Bank upgraded the online retail service platform. The Bank launched the mobile bank 7.0, created smart books, and added the special section of personal pensions on the mobile bank, greatly improving customer experience. The Bank fully built up the diversified and customised exclusive service system of small business version, private banking version, elder version, underage version, and rural revitalisation version of mobile bank. As at the end of the Reporting Period, the number of online retail platform users of the Bank was 103,585.4 thousand, representing an increase of 10.72% as compared with the end of the previous year. The number of monthly active users of online retail platform was 25,955.5 thousand. **The Bank upgraded the online corporate service platform,** and the corporate online bank added the service scenarios for small business customers with further simplified log-in process, more flexible authority management, and smoother customer-end operation, which greatly improved customer experiences. The corporate mobile bank 4.0 provided corporate management services, and enabled more scenarios connecting with the bank-enterprise direct connect API. As at the end of the Reporting Period, the number of online corporate platform users of the Bank amounted to 3,277.4 thousand, representing an increase of 10.32% as compared with the end of the previous year, and the number of bank-enterprise direct connect customers amounted to 4,148, representing an increase of 24.08%, as compared with the end of the previous year. During the Reporting Period, the accumulative transaction amount of online corporate platforms reached RMB73.14 trillion, representing an increase of 9.64% as compared with the corresponding period of the previous year.

Feature 9: Innovatively Launching the Mobile Bank 7.0, Demonstrating Higher Capability for Providing Inclusive Financial Services

The Bank practised the philosophy of inclusive finance. Focusing on the service philosophy of “consideration, companion, growth, and protection”, and by upgrading intelligent finance, enriching life scenarios covering clothing, food, housing and transportation, creating full-journey user experience, and empowering inclusive elderly care with technologies, and other aspects, the Bank comprehensively adopted digital thinking and means, and launched the mobile bank 7.0, so as to provide smart, personalised and considerate financial and non-financial services for users, becoming more capable of providing “comprehensive, intelligent, fast, simple and convenient” services.

“Finance is the core of the modern economy”, and improving the rates of coverage, availability and satisfaction of financial services is the fundamental goal to develop inclusive finance. The Bank strove to build a mobile bank with warmth, made the new version of mobile bank focus on the “elderly and underage” groups to provide them with exclusive services, and strove to eliminate the “digital gap”. The Bank launched the rural revitalisation version of mobile bank to help realise common prosperity. The Bank built up the intelligent mobile bank that catered customer feelings, which launched the smart income and expense service, continued to improve smart tags of transaction details, and provided full-site smart search services and real-time asset balance enquiry services, empowering the beautiful life of extensive users with diversified smart services. The Bank created the reliable mobile bank to implement the concept that safety is the core competitiveness. The new mobile bank built up a dynamic, diversified, smart and friendly three-dimensional digital finance safety system in terms of the security of account, fund, transaction and information, safeguarding the security of customers’ fund and information in their accounts.

As at the end of the Reporting Period, the number of mobile banking customers of the Bank topped 66 million. The Bank was granted the “Best Personal Mobile Bank Award (最佳個人手機銀行獎)” in 2022.

In terms of digital decision-making, the Bank enriched the functions of retail management cockpit. The Bank added sub-branch-level loan indicators, optimised functions on the page, and enhanced the timeliness and accuracy of data. **The Bank established a panoramic view of customers’ benefits,** which clearly displayed the distribution and details of customer value indices and integrated the benefits of retail customers such as the Apex Privileges, V+ and rewards, etc. **The Bank upgraded the business attribution system,** and launched over 10 functions such as email notification, borrower model adjustment and month-end backtracking and others. **The Bank applied real-time data in large-scale,** covering 43 customer service scenarios including real-time assets, real-time transactions, and real-time large-amount account balance change. The number of monthly visits exceeded 5 million, serving over ten thousand employees.

3. *Enhancing IT and data capability, and strengthening momentum of digital transformation*

(1) Expanding the IT talents team and accelerating the development of branch-centres

The Bank intensified the efforts to recruit and cultivate IT talents, and the number of IT personnel saw the largest increase than ever. The Bank implemented integrated management of the R&D teams of the IT Department of the Head Office and Minsheng Fintech Co., Ltd, and sped up the development of remote R&D centres. As a result, a R&D organisational structure of “Headquarters in Beijing + branch-centres in Shenzhen, Chengdu, Xi’an and Wuhan” was established, which significantly enhanced the delivery capacity. The Wuhan centre was positioned to support the implementation of distinctive projects of branches in the centralised and agile manner, so as to strengthen the digital support for the front line businesses.

(2) Establishing agile R&D mechanism and strengthening the integration of business and technology

In order to improve the efficiency of IT and R&D project establishment, the Bank defined 39 agile subject domains, shortening the average project establishment time by 11 days as compared with the corresponding period of the previous year. The Bank introduced the agile R&D methodology, and cultivated agile coaches, product managers, demand analysts and other key roles through pilot projects. It released the systems and regulations for agile R&D process, established the operation mechanism of business and technology integration, developed the agile R&D measurement system, and formed a closed-loop management process with regular inspection and improvement.

(3) Optimising enterprise-level architecture and continuously releasing technological momentum

Cloud service capability supported efficient R&D and operation and maintenance. The Bank established the full-stack cloud service base that supported multiple regions and multiple centres and one cloud with multiple chips (一雲多芯), and met finance-level security protection requirements. The proportion of containers, virtual machines and other agile resources reached 75%, and the delivery efficiency of infrastructure resources saw effective improvement. The Bank developed the Cloud Native technology platform and capability system with unified technology stack, rich components, strong platform and flexible expansion, and over 35% of the newly-developed applications in the year adopted the Cloud Native architecture, with significantly higher launching efficiency. The Bank successfully passed the standard certification of DevOps capability maturity model in technical operation module with rating of Grade 2 (Excellent) of the Chinese Academy of Information and Communications Technology (CAICT).

- (4) Enhancing data governance coordination and significantly improving data capability

Data technological capabilities were further improved. The Bank significantly accelerated the construction of data lake and warehouse and other infrastructure, further optimised the data integration system, and significantly enhanced the quality of integration and supply of data resources. The Bank emphasised on strengthening data middle platform, and empowered application scenarios of similar businesses. The Bank improved the AI-based R&D platform and service platform, initially utilised privacy computing, machine learning, OCR, NLP and other technologies to make innovation in data application, and empowered key business fields.

Data government capability was further enhanced. The Bank established closed-loop handling mechanism from finding to collecting data issues, and to analysing and addressing issues, continuously promoted governance of key data issues, further strengthened data standard management, and formulated and released unified data standards of the Bank, thereby evidently improving the quality of basic data. The Bank also advanced data capitalisation in key fields, built up data asset management capability, improved the schemes for key data governance tasks and accelerated the implementation.

- (5) Strengthening the bottom line of information security and strictly preventing IT risks

The Bank established the full-process network and data security protection system for the entire Group. During the Reporting Period, relevant systems were rated as “excellent” in the testings and evaluations on classified cybersecurity protection in 2022. The safety of critical information infrastructure was effectively guaranteed. Four real on-load critical infrastructure switchover drills were completed, which realised “immediate switchover upon order, immediate utilisation upon switchover, and continuous utilisation” in the event of disastrous incidents. Business continuity was further guaranteed.

The Bank continuously enhanced its technology risk management capability, and consolidated the compliance foundation. The Bank followed the regulatory requirements and established a long-term mechanism for problem rectification. It optimised the management system for technology-related rules, and revised and issued more than 40 technology-related rules in 2022, in a bid to constantly consolidate the foundation for technology compliance management. It also developed a score management system for minor violations of IT staffs, and constantly strengthened the risk management capability of the first line of defense.

(V) Offshore Business

During the Reporting Period, the Hong Kong Branch overcame multiple challenges such as volatile financial markets and weak economic growth, etc, implemented the development strategy of the Bank, fully played its role as a platform for offshore businesses under the coordination mechanism of “One Minsheng”, continuously enhanced cross-border synergy and coordination, carried out in-depth management of strategic customer groups of the Head Office and branches, resolutely developed distinctive business fields, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive cross-border financial services. All the three major businesses, namely corporate banking, financial markets, private banking and wealth management, saw high-quality and steady development.

1. Taking roots in Hong Kong, strengthening cross-border coordination and seeking for more businesses with strategic customer groups

To practise the development strategy of major regions of the Bank, the Hong Kong Branch took Hong Kong SAR as the base and focused on the development of the Guangdong-Hong Kong-Macau Greater Bay Area to expand its advantages in cross-border coordination and synergy and provide customers with professional, integrated cross-border financial solutions. During the Reporting Period, the Hong Kong Branch carried out 29 significant synergy projects of strategic clients, and placed credit assets of RMB9,634 million in cross-border cooperation.

The Hong Kong Branch highly valued the adjustments to credit customer structure and the improvement in customer quality. During the Reporting Period, the balance of new credit assets of high-quality corporate clients with high ratings accounted for 65.93%. The Hong Kong Branch attached importance to the in-depth development of strategic customer groups, and provided over 200 corporate strategic clients of the Bank with comprehensive financial services. As at the end of the Reporting Period, overall credit assets of corporate strategic clients amounted to HKD45,114 million. In addition, the Hong Kong Branch valued cross-border wealth management of mid- to high-end retail customers. The AUM of the private banking and wealth management customer groups exceeded HKD28 billion.

2. *Developing distinctive sectors, improving service capability, and building core advantages*

Committed to creating values for customers, the Hong Kong Branch explored business opportunities in distinctive business fields, and gained evident growth in asset custody, foreign exchange trading, green finance and other businesses. In terms of asset custody, the Hong Kong Branch continuously enriched custody product system, and greatly enhanced comprehensive custody capability. As at the end of the Reporting Period, the assets under custody amounted to HKD133,478 million, representing an increase of 39.04% as compared with the end of the previous year, ranking second among comparable Chinese-invested joint-stock banks in Hong Kong. In terms of foreign exchange trading, the Hong Kong Branch comprehensively deployed and developed agency business of foreign exchange and derivatives, and achieved evident growth. During the Reporting Period, the trading volume of agency business of foreign exchange and derivatives exceeded USD10 billion for the first time and amounted to USD10,506 million, representing an increase of 14.33% as compared with the corresponding period of the previous year. In terms of green finance, the Hong Kong Branch pursued for sustainable and green development, and achieved sound development in green finance. As at the end of the Reporting Period, the balance of green assets⁸ amounted to HKD10,477 million, representing an increase of 39.35% as compared with the end of the previous year. During the Reporting Period, 19 green bonds were underwritten with an amount of USD475 million.

Adhering to the customer-centric philosophy, the Hong Kong Branch deeply explored the financial demands of mid- to high-end retail customer groups, enriched product offerings, and innovated the model of value-adding services, thereby constantly enhancing its capabilities in providing cross-border comprehensive financial services. During the Reporting Period, the Hong Kong Branch strove to build a private banking and wealth management funds platform and launched nearly 100 selected publicly-offered funds, including stock-based funds, hybrid funds, bond-based funds and monetary funds, etc. The Hong Kong Branch constantly deepened cooperation with financial institution customer groups and kept expanding its leading advantages in the market of its bank-securities transfer business platform. As at the end of the Reporting Period, the Hong Kong Branch cooperated with 25 securities companies in bank-securities transfer business with a 24/7 online trading value of over HKD37.5 billion. Regarding “Cross-Border Wealth Management Connect”, the Hong Kong Branch realised full-process electronic operation of account opening and trading. The market share of transfer volume through Cross-Border Wealth Management Connect exceeded 20%. Of which, the market share of “Southbound Connect (南向通)” was about 27%, maintaining a leading position in the market.

⁸ Green assets include loans and bond investment.

The Hong Kong Branch remained committed to improving and enhancing the quality of its services for customers. It won the 2022 “Excellent Customer Service Bank Award (卓越客戶服務銀行)” by Hong Kong Economic Journal (《信報》), an authoritative financial media in Hong Kong, and the “Enterprise Contribution Award amid the 25th Anniversary of Hong Kong’s Return to China (香港回歸25周年企業貢獻)” by Metro Broadcast Corporation Limited. Thanks to its outstanding performance and market recognition in green finance business, the Hong Kong Branch won the awards of “Outstanding Green and Sustainable Bond Leading Bank (Banking Industry) – Green Bond Framework with Excellent Vision (傑出綠色和可持續債券牽頭經辦行(銀行業) – 卓越遠見綠色債券框架) and “Pioneer Institution of Climate Disclosure Plan (氣候披露規劃先鋒機構)” by Hong Kong Quality Assurance Agency.

As at the end of the Reporting Period, total assets of the Hong Kong Branch amounted to HKD193,995 million, representing a decrease of 7.19% as compared with the end of the previous year. The decrease was mainly due to the further optimisation of asset structure by the Bank and proactive reduction of interbank assets. Of which, total amount of loans and advances amounted to HKD105,471 million, representing an increase of HKD4,038 million as compared with the end of the previous year. Total deposits from customers amounted to HKD123,427 million, representing an increase of HKD3,576 million as compared with the end of the previous year. During the Reporting Period, net income of the Hong Kong Branch amounted to HKD2,635 million, representing an increase of 1.78% as compared with the corresponding period of the previous year, and the growth against the trend in net income was mainly attributed to the continuous growth of non-interest income led by the comprehensive development of core customer groups and improvement in intermediate business products and services system. In the meantime, the Hong Kong Branch comprehensively deepened the philosophy of compliant operation, adhered to risk-first orientation, reformed credit approval system, and intensified the construction of risk control system. As a result, the quality of credit assets was kept relatively stable.

(VI) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Bank had long-term equity investments of RMB13,381 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% equity interest of Minsheng Financial Leasing was held by the Bank. The main business scope of Minsheng Financial Leasing includes financial leasing of vehicles, vessels, commercial aircraft, business jets and large equipment, transfer and assignment of leasing assets, fixed-income bond investment, etc.

During the Reporting Period, Minsheng Financial Leasing continuously overcame the negative effects of the economic downturn, strove to increase income, reduce cost and improve efficiency, and maintained “progress in stability” in operating results, and continued to optimise business structure. During the Reporting Period, the operating income amounted to RMB6,992 million. Of newly-increased loans, the retail and inclusive finance businesses accounted for 61.68%. As at the end of the Reporting Period, total assets of Minsheng Financial Leasing amounted to RMB174,434 million.

In 2022, Minsheng Financial Leasing won the award of “Financial Leasing Company Practising Inclusive Finance with Excellent Competitiveness in 2022 (2022卓越競爭力普惠金融踐行金租公司)” by China Business Journal, and the award of “Best Financial Leasing Company with Digital Innovation (最佳數字化創新金融租賃公司)” by Yicai. In the selection of the (5th) China Financing Leasing “Take-off” Award (中國融資租賃“騰飛獎”) in 2022 organised by the Global Leasing Competitiveness Forum, Minsheng Financial Leasing won the award of “Leading Enterprise in Serving the Real Economy (服務實體經濟領軍企業)” and was successfully selected as a typical case of inclusive finance in 2022 by the China Banking Association.

2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund management, fund sales, specific customer asset management and other businesses approved by the CSRC.

The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It has won the Golden Bull Awards (金牛獎) for 24 times in the past ten years, and was fully recognised by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,217 million. Its net assets amounted to RMB1,646 million. During the Reporting Period, its net profits amounted to RMB149 million, and its net profit attributable to holders of equity shares the Bank amounted to RMB103 million. A total of 96 publicly-offered funds were managed by Minsheng Royal Fund with total amount of RMB123,587 million. Of which, non-monetary wealth management funds under its management amounted to RMB102,265 million. Minsheng Royal Fund also managed 56 private equity asset management plans with total amount of RMB29,031 million.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 52.71% equity interest in it. Minsheng Royal Asset Management’s registered capital is RMB968 million, and the scope of business includes specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB9,027 million.

3. *CMBC International*

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD4,207 million. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured financing. CMBC International is an important and strategic platform for the comprehensive development and international expansion of the Bank. During the Reporting Period, CMBC International increased fintech input and the applications, improved customers' online experience, overcame impacts of volatilities of the capital market, optimised product and customer structure, and consolidated and improved its competitive edges in the industry. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD30,965 million and HKD26,816 million, respectively. The net assets amounted to HKD4,149 million, and total equity attributable to holders of equity shares of the Bank amounted to HKD3,515 million.

4. *Minsheng rural banks*

Minsheng rural banks are collectively referred to as rural banks initiated and established by the Bank as a major promoter. As at the end of the Reporting Period, the Bank established a total of 29 rural banks with 83 business outlets. As at the end of the Reporting Period, total assets, total deposits from customers and total loans of the rural banks amounted to RMB40,367 million, RMB34,255 million and RMB25,137 million, respectively, representing increases of RMB902 million, RMB1,321 million, and RMB686 million, respectively, as compared with the end of the previous year. During the Reporting Period, the net profit amounted to RMB231 million.

During the Reporting Period, the Bank continuously promoted rural banks to hold firm to their business origin and positioning, stick to the compliance bottom line, support rural revitalisation, practise inclusive finance, and to provide high-quality basic financial services for agriculture, rural areas and farmers, small business customers and community residents in their respective counties. The rural banks adhered to the business philosophy of "small amount and scattered distribution", continuously increased credit support, and maintained operation steady and sound.

During the Reporting Period, the Bank earnestly performed its duties as the major promoter, reinforced the leading role of Party building, continuously promoted deep integration of Party building and corporate governance, optimised management system and mechanism of the rural banks, improved systematic and digital support, explored distinctive products and business models, dispatched outstanding management team, enhanced strategic guidance, management support and business coordination, constantly invested resources to enhance the management of rural banks, assisted and promoted the rural banks to rapidly defuse risks, and promoted high-quality and sustainable development.

5. CMBC Wealth Management

CMBC Wealth Management is a wealth management company established on 24 June 2022 under the approval of the CBIRC. With a registered capital of RMB5 billion, CMBC Wealth Management is a wholly-owned subsidiary of the Bank. Its main businesses include issuance and investment management of publicly-offered wealth management products, issuance and investment management of private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the CBIRC.

During the Reporting Period, CMBC Wealth Management persisted in serving the real economy and national strategies, implemented inclusive finance, facilitated common prosperity, and build up the development pattern of “one body and two wings” through differentiated market positioning. It continuously improved the deployments of net-worth products, and on the basis of basically realising full coverage of mainstream product varieties, it increased issuance of products with low volatility and steady yield, so as to meet investors’ demands for low-risk products in the volatile market environment. It continuously promoted product innovation, and successfully issued the “Daily Profit Increase Cash Management No. 1 Wealth Management Product (天天增利現金管理1號理財產品)”, the first product with the T+0 quick redemption function, and the first ESG-themed “Gui Zhu Fixed-Income Enhancement Low-carbon Pioneer 1-Year Regular Opening Wealth Management Product (貴竹固收增強低碳領先一年定開理財產品)”. It comprehensively advanced the expansion of agency channels of other banks, and signed agency sales cooperation agreements with six banks. The first batch of agency sales products was rolled out only three months after its opening. The investment-research integration mechanism took shape, gradually releasing the investment-research synergy effectiveness. Independent and standardised research system and regular investment-research interaction mechanism were put in place, and the capabilities for allocation of major types of assets and asset acquisition were enhanced evidently.

CMBC Wealth Management established the product graph of “Minsheng Zhu (民生竹)” series of wealth management products, and wealth management products under its management won many awards in 2022. At the selection of the first “Wealth Management Golden Toad Award (理財金蟾獎)” in 2022 organised by Lianxin Zhiping (聯信智評), CMBC Wealth Management won “Wealth Management Risk Control Pioneer Award (理財風控先鋒獎)”. “Fu Zhu Fixed-income Selection 14-Month Closed-End Wealth Management Product (富竹固收優選14個月封閉理財產品)” won “Wealth Management Sales Award (理財吸金獎)”, “Daily Profit Increase Cash Management Wealth Management Product (Institution Customers Exclusive) (天天增利現金管理機構款理財產品)” and “Daily Profit Increase Cash Management Wealth Management Product (New Customers Exclusive) (天天增利現金管理新享款理財產品)” won the “Wealth Management Champion Award (理財風雲獎)”. As at the end of the Reporting Period, CMBC Wealth Management had total assets and net assets of RMB6,638 million and RMB6,038 million, respectively. During the Reporting Period, its net profits amounted to RMB1,038 million.

6. Consolidated management

During the Reporting Period, in line with regulatory requirements and centring on the strategy of “a bank for the NSOEs, an agile and open bank, and a bank with considerate services”, the Bank continuously optimised the management model of subsidiaries, improved the consolidated management mechanism of the Head Office, and promoted high-quality development of the Group. Firstly, the Bank formulated mid- to long-term strategic plans for subsidiaries in a coordinated manner, and reinforced strategic coordination and integrated risk management and control between the Bank and subsidiaries, to ensure effective implementation of Group-oriented development strategies of the Bank. Secondly, the Bank optimised management models of subsidiaries, improved management policy systems of subsidiaries, and intensified professional management of subsidiaries by the Head Office. Thirdly, the Bank optimised consolidated evaluation mechanism, and promoted the consolidated management departments of the Bank to enhance performance depth and fulfillment effectiveness. Fourthly, the Bank optimised consolidated management system of the Group, improved management functions of various platforms, and increased systematic support for consolidated management.

XII. Risk Management

During the Reporting Period, the Bank thoroughly implemented the decisions and arrangements of the CPC Central Committee and the State Council, strictly implemented various policies, regulations and regulatory requirements, and deeply understand the political awareness and the people-centredness of finance. Adhering to the strategy of “Party committee leadership, comprehensive management and proactive management”, the Bank comprehensively pushed forward the construction of internal risk control system featuring “one core (一核)”, “two systems (兩系)”, “three measures (三管齊下)” and “four beams and eight pillars (四樑八柱)”, incorporated the risk culture of “steadiness, prudence, comprehensiveness and proactiveness” into systems and mechanisms as well as daily operation and management, intensified the risk management covering all categories, all business lines, all procedures, all units and all personnel, and systematically strengthened the construction of risk management system. By striking a balance between development and security, and adopting simultaneous efforts to prevent risks and promote development, the Bank strove to realise the unity of quality, structure, scale, speed and security, better serve the construction of the new development pattern and the real economy, safeguard the long-term interests of shareholders, employees and customers, maximise shareholder value, and actively step forward on the road of steady and sustainable development.

(I) Comprehensive risk management

Comprehensive risk management refers to that the Board of Directors, Board of Supervisors, Senior Management and the three lines of defense of risk management of the Bank perform their own duties respectively, and effectively control all risks in all fields and dimensions and at all levels, thus providing rational guarantee for the realisation of all goals of operation and management. With supporting the real economy and preventing and mitigating risks as the goal of comprehensive risk management, through cultivating a compliant and sound risk culture, the Bank established a risk governance framework featuring effective checks and balances, set unified risk preferences, risk management strategies and risk limits, executed standardised risk management policies and procedures, set up a complete management information system and data quality management system, and implemented strict internal control and review evaluation mechanism, so as to ensure that risk management effectively covers all risk categories, all business lines, all procedures, all units and all personnel of the Bank.

During the Reporting Period, in accordance with the risk preferences featuring “overall stability and appropriate progress and control”, the Bank built and fortified the security boundary of internal risk control in an all-round manner, and firmly held the bottom line of eradicating systematic risk through improving risk governance mechanism, promoting the transmission of risk philosophy, perfecting risk management system and elevating smart risk control capability. Firstly, the Bank strengthened the integration between corporate governance and risk management, included major risk events in the scope of the Party committee’s antecedent research to guarantee the implementation of risk management requirements of the Party committee and the Shareholders’ General Meeting, the Board of Directors, the Board of Supervisors and Senior Management of the Head Office in terms of mechanisms. Secondly, the Bank consolidated the construction of risk preferences and transmission mechanisms, established the five-in-one risk preference transmission system featuring “risk preferences + risk management strategies + credit policies + risk-related systems + risk limits”, and changed the formulation cycle of risk preference statements from three years to one year to improve the adaptability of the Bank to new situations. The Bank revised the administrative measures for risk-related policies, and formed a three-level management system involving risk preferences, strategies and policies. The Bank also formulated industry portfolio limit management plans, formed a quantitative indicator management and control system in line with its risk preferences, and ensured the all-round and three-dimensional transmission and execution of risk philosophy through the closed-loop management mechanism for formulating, executing, monitoring, re-examining and adjusting risk preferences. During the year, the risk preference indicators maintained stable performance. Thirdly, by taking the implementation of regulatory provisions of the Basel III as an opportunity, the Bank enhanced the risk measurement capability. The Bank promoted the construction of new standard methods and new internal evaluation methods for credit risks, and completed the internal acceptance of operational risk and market risk projects and the reconstruction of business systems related to new capital management, and achieved accurate measurement. Fourthly, the Bank accelerated the establishment of smart risk control system. In line with the implementation vision which were “innovative, immediate, intelligent, insightful and inter-connected”, following the basic principles of digitalised business, standardised operation, automatic process and smart application, and pursuing the ultimate goal of improving the value of risk data

assets, the quality and efficiency of risk-related operations and the risk decision-making capability, the Bank applied key core technologies such as artificial intelligence (A), blockchain (B), cloud computing (C) and big data (D) to create the smart risk control system construction scheme at “four levels and four ends”⁹ that was scalable, covered all assets, all customers, all units and all risks. Through continuous endeavours to optimise risk control model, enrich data interface and strengthen tool transformation, the Bank systematically advanced the construction of 43 smart risk control projects, fully supported the smart innovation in multiple fields including products, risk control, internal management and eco-finance construction, and achieved phased results in smart risk management portal, smart due diligence, smart review, smart legal review, smart preservation, smart anti-money laundering, connectivity map and other projects. As at the end of the Reporting Period, 17 phase-I projects had been accomplished. Fifthly, the Bank reinforced the management of new risks and special risks, and formulated a series of management rules or guiding opinions on strategic risks, concentration risks, fraud risks and model risks, and effectively realised the tight management of various risk exposures.

(II) Credit risk management

Credit risk is the risk that a borrower or a counterparty fails to make repayments in a timely manner in full amount for whatever reasons. A platform consisting of risk strategies, credit policies, portfolio management, risk measurement tools and information system support has been established by the Bank to control risks and support the steady development of businesses. The credit risk management system covers the whole process including pre-approval investigation, approval review, and post-loan management. Credit risks of loans extension and non-credit business are also strictly controlled.

The Bank continued to adjust and optimise the credit structure. The Bank established the credit policy system composed of “annual credit policies + credit policies for key regions + differentiated policies”, realised the multi-angle and all-round coverage of 56 key industries, 2 categories of key areas, and 15 categories of typical customer groups, and continuously increased policy support for inclusive finance, green and low-carbon development, rural revitalisation, sci-tech innovation, major infrastructure, the manufacturing industry, loans to SMEs, supply chain finance and other key areas. In terms of regions, the Bank actively implemented the development strategy for four major regions including Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, and the Chengdu-Chongqing economic circle, and formulated regional credit policies to promote the credit placement to the key regions. In terms of industries, the Bank increased support for medium and long-term loans to the manufacturing industry, and shored up the transformation and upgrading of the strategic emerging manufacturing industry and the traditional manufacturing industry, so as to push ahead with the leaping development of green finance. In terms of people’s well-being, the Bank deeply advanced the strategies of housing lease and inclusive finance to reshape the “integrated” credit management model for inclusive businesses.

⁹ Four levels: basic level, competence level, application level and management level; four ends: B end (corporate), C end (retail), G end (government administration) and M end (management).

The Bank consolidated the achievements of credit approval reform. The whole bank launched and promoted the reform of credit approval mechanism for legal person customers, adopted “one review and one approval”, set up the full-time credit officer team to carry out professional and focused approval. As a result, both the quality and efficiency of credit approval of the whole bank were significantly improved, while the responsibility of the first line of defense was effectively fulfilled. Firstly, the Bank fully absorbed the opinions from the front office departments, reasonably specified the “strategies, total amount and structure” of credit granting to group customers, and supported the front-line marketing to high-quality customers. Secondly, the Bank reinforced the duty performance management of the main accountable person for operation, standardised credit application procedures and standards, and consolidated the responsibility of the first line of defense. Thirdly, the Bank strengthened the “sunshine communications (陽光溝通)” on credit approval, established the risk-business coordination mechanism, opened green approval channels to support credit approval of key areas. Fourthly, the Bank pushed forward the standardised construction of approval, optimised and improved credit investigation report templates, formulated and issued approval guidelines for key areas, standardised the wording of comments on credit approval, and unified the approval preferences of the whole bank. Fifthly, the Bank continued to optimise its credit approval mechanism, strengthen approval re-examination management, optimise the credit approval models for micro, small and medium customers, and improve the approval efficiency of basic customers. Sixthly, the Bank promoted the smart transformation of approval, completed the phase-I construction of smart due diligence platform and smart review platform, and realised automatic writing of 40% of investigation reports, automatic screening of 60% of compliance reviews, verification of approval notices and smart consideration and distribution on mobile devices, so as to speed up the digital transformation of approval.

The Bank strengthened risk prevention and control in key areas. Firstly, the Bank implemented national laws, regulations and regulatory policies on local debt management and financing platforms, resolutely executed the requirements of “strict management and control”, conducted businesses in a compliant manner within the policy framework, strengthened loan access management and monitoring of existing businesses. The Bank properly cooperated with local governments and financing platforms to mitigate existing risks, continuously monitored and analysed assets, ensured regional limit management and control, and guarded against the security bottom line. Secondly, the Bank implemented national policies for the real estate sector, adhered to the positioning of “houses are for living in, not for speculation”, and optimised and perfected credit policies for the real estate sector in accordance with the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”. The Bank strictly carried out access management of regions and customers, mainly supported the housing projects with ordinary rigid demand and improvement demand, stuck to the classified and list-based management of real estate enterprises, optimised the structure of existing customers, and actively mitigated the financial risks of existing real estate projects on the premise of compliance and marketisation.

The Bank continued to enhance post-loan management capability. Based on 1 guiding opinion + 1 measure + 3 procedures, the Bank comprehensively reshaped the post-loan and post-investment management system, expedited the optimisation of post-loan and post-investment management rules, and built a three-level management mechanism involving “execution”, “management” and “supervision”. The first line of defense effectively undertook the responsibility for organising and implementing management, and the second line of defense took charge of improving segmented and classified management, and intensifying supervision and inspection. The Bank perfected the early-warning system, established and improved the early-warning reporting system featuring “real-time submission + regular report + special report”, and dynamically monitored all kinds of emergency information by relying on early-warning management system analysis, external public opinions monitoring and other methods, thus realised “early-warning on all risks”, improved early-warning accuracy, and strengthened post-early-warning management. The Bank also built and improved the inspection system to realise comprehensive inspection system, multi-dimensional inspection rules, and regular inspection mechanism. The Bank strengthened active risk exit management, and formulated exit plans, so as to reduce business volume of and exit from customers with potential risks in a timely manner.

The Bank optimised and upgraded the construction of risk control system. In line with the development of small business under the new operation model, the Bank created a brand-new small business risk control system, and built a unified credit management model for small business. The Bank set up the system of “panoramic view of credit risks”, integrated all credit risk information within the Group, and realised the comprehensive analysis and visualised query of credit risks of customers. It upgraded and renovated the monitoring and early-warning system, expanded information sources, accelerated the construction of early-warning models, and carried out accurate tracking and analysis of customers after early-warning. The Bank also improved the ability to manage credit risk data, and advanced the automation of various regulatory reports and internal management reports.

The Bank strengthened the collection and disposal of non-performing assets. Based on the philosophy of “well management of non-performing assets”, the Bank comprehensively improved the quality and efficiency of collection and disposal. Firstly, according to the functional positioning of “full coverage of all businesses, professional collection and equal consideration on coordinated management and centralised collection”, the Bank perfected the functions of special assets departments of 33 tier-1 branches, established the special assets management system featuring integration of the Head Office and branches and professional collection, simultaneously reinforced integrated management of subsidiaries, and enhanced the ability of synergy in disposal. Secondly, the Bank clarified the goals of tasks, closely linked the management and control of implementation process including monitoring, analysis, supervision and promotion, and optimised and improved the supporting mechanism for collection and disposal in an all-round and multi-angle manner, thus improved the special assets management efficiency. Thirdly, the Bank refined segmented and classified management, adhered to the leading role of valuation, and conducted preferential disposal with multiple strategies. During the Reporting period, the non-performing assets disposed by the Bank increased by 3.66% as compared with the corresponding periods of the previous year. Fourthly, the Bank strengthened professional personnel training and team building, promoted IT system empowerment, and sped up the professional and smart transformation of special assets treatment. Fifthly, the Bank

shaped the disposal culture of managing non-performing assets, gave priority to the efficiency of collection and disposal, focused on loss improvement, and strove for method innovation. It fully tapped into the recovery value of written-off assets, realised an increase of 36.97% in recovery scale during the Reporting Period as compared with the corresponding period of the previous year, and comprehensively improved the value contribution of collection and disposal.

As at the end of the Reporting Period, total NPLs, NPL ratio, total overdue loans and overdue loan ratio of the Bank all decreased as compared with the end of the previous year, the credit risk management capability was continuously improved, and the quality of assets tended to get better in stability.

(III) Large-amount exposure

According to the Administrative Measures on Large-amount Exposures of Commercial Banks (Yin Bao Jian Hui 2018 No.1 Order (《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令)) released by the CBIRC, large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers. The Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management.

As at the end of the Reporting Period, except for customers exempted by the regulators, the non-peer single customers, non-peer group customers, peer single customers, and peer group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

(IV) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. With compliance requirements as the bottom line and combining the development plan and management strategies for investment trading businesses, the Bank continuously improved the market risk management system, conducted market risk monitoring, and continued to improve its market risk management capabilities in terms of risk preference and limit transmission, data governance and system development, risk measurement and valuation management, product access and evaluation control, etc., to cope with increasingly complex market environment and continuous growth of business demand.

During the Reporting Period, the Bank conducted the identification, measurement, monitoring and reporting of market risks in an orderly manner, all policies and procedures for market risks operated well, the occupation of market risk capital was generally stable, and the investment trading businesses witnessed steady and sustainable profitability. Meanwhile, the Bank continuously improved the synergy, consistency, refinement, and visualisation of market risk management and control through implementing new regulatory rules of Basel III FRTB and the project for upgrading the comprehensive market risk management platform. Firstly, the Bank constructed the synergy mechanism for comprehensive risk management, business procedures management, rules compliance management, and data model management through antecedent examination on investment trading businesses, ensuring that the Bank had appropriate management and control capacity in all risks and full-process of each investment trading product recorded in the banking book and the trading book of the Bank. Secondly, the Bank improved the investment portfolio management architecture, and realised consistency between the underlying management units of the investment portfolio and investment trading strategies. On the one hand, it strengthened the data coordination and management synergy between the front office and middle office; on the other hand, it was conducive to guide reasonable allocation of market risk capital and to realise precise allocation according to segments, classes, institutions and risk factors. Thirdly, the Bank further optimised market risk management and control responsibilities, and put in place the four-in-one market risk monitoring capability integrating product control, limit management, capital management and performance management. The Bank classified market risk monitoring personnel in accordance with business segments including interest rate, exchange rate, precious metals and commodity, and realised whole-process monitoring of all trading desks. Fourthly, the Bank strove to improve its capacity in the study, judgment and early-warning of market risks, explored the application scenarios of simulation data of the neural network model in credit spread factor and volatility factor, etc., and built the market risk early-warning management system. Fifthly, the Bank further enhanced risk data governance, and improved the mechanism for testing the effectiveness of market data. The Bank realised daily account checking of transaction data, and basically established the comparison mechanism for valuation data and profit and loss data in the middle and back offices. Sixthly, the Bank continuously improved the quality of risk reports, and made the market risk reports more real-time, visualised and dynamically interactive.

(V) *Operational risk management*

Operational risk refers to the risk of loss due to deficient or flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes. The Bank proactively guarded against and responded to various operational risks through full identification, continuous monitoring, and examination and evaluation, and controlled the loss ratio of operational risks within the risk limit set by the Board.

During the Reporting Period, under the guidance of Basel III, the Bank actively explored advanced modes for operational risk management and measurement, strengthened data measurement, developed measurement models, and met the new requirements of Basel III ahead of schedule. Taking this as an opportunity, the Bank comprehensively optimised the operational risk management mechanism. Firstly, the Bank comprehensively optimised basic tools for operational risk management, formed the list of 172 targets in four levels of classified management covering the core businesses and management procedures of the Bank. The Bank carried out re-examination of key risk indicators of operational risks, built standardised operational risk indicator system of different levels, and established the high-quality database for operational risk-related losses, revised the measures for the management of operational risks and control self-evaluation and key risks indicators, developed new management system for operational risks and carried out the first special stress test of operational risks. Secondly, the Bank rebuilt the second line of defense of the IT risk monitoring mechanism, conducted the re-examination of the monitoring indicator system, promoted automatic collection of monitoring indicators and comprehensively enhanced the monitoring accuracy through preset system rules. Thirdly, the Bank improved the outsourcing risk management system, reconstructed the architecture and procedures for outsourcing risk management, set up standards for outsourcing risk management, and established the models for outsourcing business handling and risk management and control featuring clear division of duties, clear-cut responsibilities, full-cycle coverage, and connection of major links. Fourthly, the Bank advanced business continuity management, and launched a new round of business continuity evaluation and drill plan formulation, thus ensuring the continuity of businesses.

(VI) Liquidity risk management

Liquidity risk refers to the risk that a commercial bank is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations. The Bank established a scientific and complete liquidity risk governance framework, set up a clear and efficient system for division of duties regarding liquidity risk management, formulated effective management rules, processes, strategies and policies for liquidity risks, and developed through optimisation advanced risk management tools, thus constantly improving its capabilities in identifying, measuring, monitoring, controlling and reporting liquidity risks.

During the Reporting Period, the Bank strictly held the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economy, currency and regulatory policies, market liquidity and price level, proactively judged and predicted future trends, and enhanced the monitoring frequency and preciseness. The Bank continued to improve the active management capability, maintained the monitoring indicators of liquidity risks in a satisfactory range and improved them steadily, and achieved a safe and stable status of daytime liquidity risks. Firstly, the Bank improved the Group's consolidated governance framework for liquidity risks, enhanced the development of institutional system, and improved its institutional guarantee and compliant management for liquidity risks. Secondly, the Bank strengthened the management of limit and monitoring of liquidity risks, and established and improved the risk monitoring and limit management system based on the risk factors such as asset-liability maturity mismatch, liability stability, high-quality liquidity assets, cash flow gap distribution, and customer concentration degree, thus effectively managing the comprehensive identification of liquidity risk points. Thirdly, the Bank pushed forward the optimisation of the asset-liability structure, guided the increase of the proportion of core liabilities, appropriately supplemented stable medium- and long-term liabilities, strictly managed and controlled the maturity of interbank liabilities. The Bank ramped up efforts in high-quality current assets storage and use management, flexibly adjusted the scale of excess provisions and assets with short duration, and promoted the stable operation and continuous optimisation of asset-liability structure. Fourthly, the Bank enhanced the management of early-warning of liquidity risks, upgraded the stress test system of liquidity risks, comprehensively improved the stress test scenarios and scenario assumption conditions, carried out high frequency stress tests, regularly conducted emergency drills for liquidity risks, and improved its capabilities in risk identification and emergency response. Fifthly, the Bank strengthened system construction, improved risk measurement, analysis, prediction and early-warning functions, optimised the statement system, and constructed the data-driven risk management decision-making system.

(VII) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to the Bank, or the Bank suffering from commercial or asset losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the regulatory requirements, the Bank integrates country risk management into the comprehensive risk management system.

During the Reporting Period, confronted with more complicated, severe and uncertain external environment, the Bank continued to improve country risk management. Based on regulatory requirements, the Bank's objectives in country risk management and the size of country risk exposures as well as business complexity, the Bank closely tracked and monitored changes in country risk exposures. Through re-examination of country risk rating and limits, the Bank conducted country risk stress tests, continued to strengthen the country risk early-warning mechanism, and calculated in full amount the allowance for impairment losses of country risks, realising steady operation of various country risk management work. The country risk exposures of the Bank were mainly distributed in countries and regions with "low risks" and "relatively low risks", and the degree of country risks continued to maintain at a relatively low level.

(VIII) Management of interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily caused by the mismatch of the term structure and benchmark rates between financial positions and instruments of the whole banking book as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Bank followed prudent and steady risk preference, and comprehensively enhanced the management of interest rate risk in banking book, so as to ensure the steady operation of core risk indicators and enable risk factors to improve steadily. Firstly, the Bank perfected the governance framework of interest rate risk in banking book, strengthened the development of institutional system, and improved its institutional guarantee and compliant management for interest rate risk in banking book. Secondly, the Bank enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed changes in external market and internal business structure, enhanced forward-looking judgment, and adjusted asset-liability structure and term management strategies in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Thirdly, the Bank improved the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of maturity mismatch, duration, investment business account and valuation fluctuation, etc., so as to ensure that all risk factors were kept at a steady level. Fourthly, the Bank enhanced early-warning management of interest rate risk in banking book, adjusted and optimised the stress test scenarios and scenario assumption conditions of interest rate risk in banking book, regularly conducted stress tests, and improved its risk identification and emergency response capability. Fifthly, the Bank optimised the functions of the asset-liability risk management system, improved management models and data governance, and enhanced its capability in risk data analysis and mining, so as to fully support data-based risk management decision-making.

(IX) Reputation risk management

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate banking institutions due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermines the brand value, goes against normal operation, and even affects market stability and social stability. The Bank regards reputation risk management as one of the major tasks to safeguard normal business development, create a harmonious public opinion environment, safeguard its sound image in the industry and fulfill corporate citizenship responsibilities.

During the Reporting Period, firstly, the Bank upgraded the institutional system for reputation risk management, revised and issued the Administrative Measures on Reputation Risk of China Minsheng Bank (2022 Revision) (《中國民生銀行聲譽風險管理辦法(2022年修訂)》) and the Detailed Rules for the Implementation of Reputation Risk Management of China Minsheng Bank (2022 Revision) (《中國民生銀行聲譽風險管理實施細則(2022年修訂)》). Secondly, the Bank included reputation risk management into the comprehensive risk management system, adhered to the management concept of prioritising prevention, and gradually improved the mechanism of ex-ante evaluation and prevention and control from the source. Thirdly, the Bank formulated responsive plans in advance and actively mitigated the primary risks, reducing the impact of reputation events to the largest extent. Fourthly, the Bank accumulated its reputation capital and demonstrated the new market image which was “healthy and steady, warm and responsible”.

(X) IT risk management

IT risk refers to the operational, legal and reputation risk and other risks due to natural factors, human factors, technical flaws and management defects in relation to the IT application in a commercial bank.

During the Reporting Period, the Bank comprehensively promoted digital transformation and development, and continued to perfect the IT risk management system and improve IT risk management. Firstly, the Bank researched and formulated the Three-Year Plan for IT Development of China Minsheng Bank (2023-2025) (《中國民生銀行信息科技發展三年規劃(2023-2025)》), sped up the construction of an “eco-bank” and “intelligent bank”, optimised the IT governance architecture system, and consolidated the IT risk management basis. Secondly, the Bank enhanced business needs integration, made further efforts to carry out project risk evaluation and security testing, improved the organisational system for system architecture management and control, and strengthened its capability in the management of full-cycle risks of projects. Thirdly, the Bank continued to promote infrastructure upgrading, improved the information system disaster recovery architecture, and conducted drills on switch of major systems in case of emergency in accordance with the requirements of “immediate switch upon order, immediate availability after switch and sustainable availability”, thus improved the operation resilience of the information systems. Fourthly, the Bank enhanced basic security capability building, constructed the in-depth defense system for network security, implemented the protective requirements for key information infrastructure, established the framework for segmented and classified management of data and improved its capability in protecting sensitive information. Fifthly, the Bank improved the IT risk management mechanism, and consolidated the basis of rules of compliance. The Bank carried out routine compliance inspection and special risk evaluation, strengthened communication and cooperation among the departments responsible for the first, second and third lines of defense of IT risks, and constantly improved its capabilities in monitoring, identifying and controlling IT risks.

(XI) Legal risk management

Legal risk refers to the risk that the Bank may assume criminal, administrative and civil legal liabilities because it fails to abide by laws, administrative regulations, regulatory provisions, contractual agreements, or fails to properly exercise its rights or properly fulfill its obligations. The Bank has put in place a relatively perfect legal risk management system and mechanism, providing guarantee for the law-based and compliant operation of the Bank.

During the Reporting Period, the Bank deeply put into practice the XI Jinping's thought on the rule of law and implemented the decisions and arrangements of the CPC Central Committee and the State Council on rule of law as well as the requirements of the CBIRC for promoting rule of law. The Bank formulated the Implementation Plan on the Rule of Law of China Minsheng Bank (《中國民生銀行法治建設實施方案》), solidly implemented the rule of law measures in terms of 30 work tasks across 7 aspects, improved the law-based governance system and mechanism, and to optimised the legal risk management framework system. Firstly, the Bank improved the rules for legal evaluation, contract management, and legal risk management of subsidiaries, etc. Centring on the internalisation of the Civil Code, Personal Information Protection Law, and other new laws and regulations, the Bank optimised the business system and process, and launched the Version 1.0 of the smart legal review system and the smart litigation management system, further consolidating the foundation for legal risk management. Secondly, the Bank strengthened the prevention and pre-control of legal risks, issued opinions on legal norms, improved standard contract texts, organised legal risk assessment and improvement of key businesses, and supervised the whole-process standardised management of contract use, thus realising forward-thinking, proactive, normative, and effective process management and control of legal risk. Thirdly, the Bank improved the management mechanism of lawsuit and arbitration cases and lawyers, organised the action of "double decrease and double increase" of lawsuit cases, strengthened the elimination of existing cases and the risk prevention and control of new cases, promoted problem source tracing and rectification of legal cases, and effectively controlled the risk of lawsuit cases. Fourthly, the Bank pushed forward the "8th Five-Year" law popularisation activity, organised all staff to carry out in-depth learning of the Constitution, the Civil Code, the Law on Personal Information Protection and Data Security, the Anti-Organised Crime Law, the legal bottom line of behaviours of banking staff and other legal knowledge, and conducted classified and segmented legal trainings and appraisals covering all staff. As a result, the awareness of respecting, studying, abiding by and using laws and the ability to apply laws and regulations to solve problems among all the staff were generally enhanced. Fifthly, the Bank carried out regular operations to eradicate gang-related crimes, organised special governance in key areas, improved rules and regulations, conducted regular evaluation and rectification, and focused on key points, early signs, and prevention and rectification of problems, and strengthened the long-term mechanism for preventing and controlling gang-related crimes.

(XII) Compliance risk management

Compliance risk refers to the risk of possibly suffering from legal sanction, regulatory punishment, major financial loss and reputation loss due to the failure in abiding by laws, rules and norms. Compliance management is a core risk management practice of the Bank. The Bank comprehensively considers the relevance between compliance risk and credit risk, market risk, operational risk and other risks, establishes and improves the compliance management framework, and promotes the development of the comprehensive risk management system, thus ensuring legal and compliant operation.

During the Reporting Period, with the construction of the internal control and compliance management system of “four beams and eight pillars” as the core, the Bank unrolled the activity themed “Internal Control and Compliance Management Improvement Year” based on the six key points of “foundation consolidation, scope expansion, gap filling, priorities maintenance, highlights and efficiency improvement (夯基、擴面、補缺、保重、點亮、增效)”. Through eight themed events aiming at “consolidating system setups, reinforcing rules, managing behaviours, controlling cases, deepening reforms, optimising evaluation, enhancing culture and improving systems”, the Bank further improved its internal control management system and fully enhanced the effectiveness of internal control and compliance management. Firstly, the Bank fully implemented the regulatory policies and improved its regulatory ratings. The Bank actively analysed over 40 financial regulatory policies regarding inclusive finance and rural revitalisation, and carried out in-depth special activities on improving regulatory ratings. Secondly, the Bank improved the internal control and compliance management system. It formulated the Outline for Internal Control and Compliance Management System Construction of China Minsheng Bank (《中國民生銀行內控合規管理體系建設綱要》) to advance the construction of the internal control and compliance management system featuring “four beams and eight pillars”. The Bank built a grid-based management system for practitioners with 6,291 management grids. It conducted regular monitoring of employees’ abnormal behaviours. The Bank built a preliminary three-dimensional case prevention system and operated the reporting and handling mechanism of lawsuit and case information. The Bank set up a risk compliance liability identification committee to identify the antecedent liability for new non-performing assets, thereby effectively connecting the off-post loan collection mechanism. The Bank continuously improved the due diligence and liability exemption mechanism by revising the Administrative Measures on Due Diligence and Liability Exemption of China Minsheng Bank (《中國民生銀行盡職免責管理辦法》) and issuing the detailed implementation rules on due diligence and liability exemption for 7 business lines. Thirdly, the Bank optimised the compliance management mechanism. The Bank comprehensively pushed forward the implementation of the new regulations on related-party transactions, set up the related-party transactions management office, revised the measures and detailed rules for the management of related-party transactions, and updated the list of related parties. The Bank also promoted the transformation of supporting systems, and fully implemented the requirements of the new regulations on related-party transactions. The Bank optimised and formed a three-tier and four-level institutional system structure, continued to improve the institutional system, promptly made up for institutional weaknesses and removed rules that were no longer applicable. It revised the measures for rectification of compliance issues and refined the rectification standards. Fourthly, the Bank deepened the cultivation of compliance culture. The Bank held the internal risk control warning and education meeting across the whole bank, strengthened punishment on employees for behaviours violating

regulations. All institutions signed a total of 5,220 internal control and compliance management responsibility statements and all staff signed a total of 56,184 compliance commitment letters. Educational activities on compliant capability improvement and legal and compliance bottom line were carried out in the whole Group and inspections in key fields were conducted on an ongoing basis, thus taking a tough stance on tightened and strict management of behaviours violating regulations. Fifthly, the Bank accelerated digital transformation of compliance. The Bank launched the practitioners and cases management system, enriched the off-site inspection models, optimised system functions, promoted the integration and connection of compliance management with related systems, and continuously improved the intelligentisation level of compliance management.

(XIII) Money laundering risk management

Money laundering risk refers to the risk that the Bank may be utilised by “money laundering activity”, “financing of terrorism” and “diffusion financing” during business development and operating management. The Bank has established a relatively perfect system for managing money laundering risk, and constantly improved the management mechanism, providing guarantee for the steady and compliant operation of the Bank.

During the Reporting Period, the Bank actively participated in the legal construction of anti-money laundering (AML), improved the AML internal control mechanism, strengthened the money laundering risk assessment and inspection management, conducted AML monitoring analysis, and moved into the new stage of enhanced effectiveness from the stage of compliance. Firstly, the Bank strengthened the group-based duty performance system construction and formed a three-level AML duty performance list involving the “Head Office + operating units + subsidiaries” that included over 3,000 items. The list, featured with full coverage, clarified duties, and effective operation, has become the action guideline to continuously improve AML management of the whole bank. Secondly, the Bank accelerated the digital transformation. The Bank launched a new generation of smart AML system, optimised the AML and anti-terrorist financing list management system, promoted the construction of a unified customer due diligence platform for the whole bank, and continued to improve the digital and intelligent level of AML. Thirdly, the Bank improved the efficiency of the “double pillars” of assessment and inspection. The Bank comprehensively reshaped the self-assessment system of money laundering risk of subsidiaries, established and improved the regular product money laundering risk management mechanism integrating identification, monitoring, assessment, and rectification, and carried out “full coverage on-site + off-site” inspections. Fourthly, the Bank strengthened monitoring and analysis. The Bank conducted screening and quality inspections on suspicious transactions to improve the monitoring quality. Having helped the government to solve a number of major criminal cases, the Bank was awarded 69 times by regulators and public security and judicial organs. In addition, the Bank was awarded 8 times by relevant state departments and regulators at the legal person level, and ranked first in domestic joint-stock commercial banks in terms of level and number of external awards. Fifthly, the Bank improved the professional AML skills of all staff. Cumulatively, more than 10 thousand employees of the Bank have passed the training for qualification of banking AML post, and more than 36 thousand employees have passed the examination for qualification of AML post by the Bank and 59.7% of employees of the Bank obtained the qualification certificate.

XIII. Prospects

(I) Layout and trend of the banking industry

Looking into 2023, China will still face pressures from shrinking demands, supply shock, and weakening expectation in economic recovery, and confront with uncertainties in the external environment. However, China's policy will tend to be more proactive, in a bid to promote steady and high-quality economic growth, which will bring new opportunities and challenges to the business development of banks. The banking industry shall actively and effectively respond to national policies, and take targeted measures as soon as possible to improve the quality and efficiency of services to the real economy.

Firstly, the banking industry shall promote loan growth and optimise credit structure. The banking industry shall continue to support major national strategies and regional strategic development based on policy orientations, and put more credit resources into major fields and weak links of the national economy such as the manufacturing industry, new infrastructure, green development, rural revitalisation, micro, small and medium enterprises and the NSOEs, and incline to the key regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, and the Chengdu-Chongqing. Meanwhile, banks shall steadily carry out businesses in the real estate field, so as to facilitate diversion from fictitious economy to the real economy.

Secondly, the banking industry shall accelerate digital transformation and empower innovative development. The banking industry shall deepen the application of AI, big data, biological identification, blockchain and other technologies, build up agile and efficient digital bank with ultimate customer experience and value growth, and enhance capability and level in providing comprehensive services. In the meantime, banks shall focus on the financing demands of sci-tech innovation enterprises, strengthen the synergy among investments, loans and bonds, improve the financial service arrangements covering the whole lifecycle of enterprises, and increase support for innovation.

Thirdly, the banking industry shall tighten internal control and compliance management to improve risk prevention and control capability. The banking industry shall firmly establish the philosophy of "prioritising internal control and ensuring compliance", continue to improve the internal control and compliance management system, and strictly implement all requirements of regulatory authorities. Banks shall improve the comprehensive risk management system, enhance smart risk control construction and application, and carry out risk management in a more forward-looking and more proactive manner. Banks shall speed up to defuse existing risks, and strictly control new risks, so as to guarantee the healthy and sustainable development of businesses.

(II) Potential risks

Looking into 2023, with the gradual implementation of policies for stabilising growth, employment and price, the fundamentals of China's economic recovery will be further consolidated and the tendency of high-quality development will be further secured. Entering a new era, commercial banks will embrace new historical development opportunities, but there are still some potential risks that deserve attention.

The first potential risk is the slow-down of the global economic growth. As central banks in Europe and the United States have raised interest rates for several rounds to combat inflation, major developed economies such as Europe and the United States are expected to encounter recession, and the weak external demand will bring reverse impact on China's exports. The second potential risk lies in the backlash against globalisation and the trade protectionism. Global industry chains and supply chains will face a rising decoupling risk. China still has some chokepoints and pain points in supply chain stability, self-sufficiency of key and core technologies and components, as well as in sci-tech innovation. The third potential risk comes from the heavy debt burden in some regions. China has a vast territory, with different regions varying significantly in resource endowment, industrial structure, and population structure. Some regions have slow economic growth and relatively slow market-oriented transformation of government financing platform companies, as well as higher pressure of debt repayment. The fourth potential risk lies in digital transformation. As the digital transformation of commercial banks is accelerating, some derivative issues such as model algorithm risk, fraud risk, network security risk, data security and data protection are worthy of attention.

Faced with the above risks, the Bank will adhere to the general tone of “seeking progress while maintaining stability, and seeking improvement in progress (穩中求進、進中求好)”, actively support the fields, such as the real economy, micro, small and medium enterprises, sci-tech innovation enterprises, advanced manufacturing industry, green finance, inclusive finance, rural revitalisation, new citizen services, proactively respond to and defuse various risks with foresight, and actively ensure the effective improvement of business development quality and reasonable growth of business volume, thereby making greater contributions to the high-quality economic development of China.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

	31 December 2022		Changes over the Reporting Period	31 December 2021	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
I. Shares subject to restriction on sales	-	-	-	-	-
1. State-owned shares	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-
Of which: Held by domestic legal person	-	-	-	-	-
Held by domestic natural person	-	-	-	-	-
4. Foreign investor shares	-	-	-	-	-
Of which: Held by offshore legal person	-	-	-	-	-
Held by offshore natural person	-	-	-	-	-
II. Shares not subject to restriction on sales	43,782,418,502	100.00	-	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	-	35,462,123,213	81.00
2. Domestic listed foreign invested shares	-	-	-	-	-
3. Offshore listed foreign invested shares	8,320,295,289	19.00	-	8,320,295,289	19.00
4. Others	-	-	-	-	-
III. Total number of ordinary shares	43,782,418,502	100.00	-	43,782,418,502	100.00

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Bank held shares subject to restriction on sales.

II. Sufficiency of Public Float

According to the public information available to the Bank and to the knowledge of the Directors, the Bank has maintained sufficient public float as stipulated under the Hong Kong Listing Rules during the Reporting Period.

III. Issuance and Listing of Securities

During the Reporting Period, the Bank did not issue new ordinary shares, there were no changes in the total number and structure of the ordinary shares, and the Bank had no employee shares.

According to the 20th meeting of the seventh session of the Board in 2020 and the resolutions approved at the 2019 Annual General Meeting, and pursuant to the approvals by the CBIRC and the PBOC, the Bank issued the financial bonds with an amount of RMB20,000 million for a term of three years with fixed coupon rate of 2.95% in the domestic market in April 2022. According to applicable laws and the approval of the regulatory authorities, the proceeds from the issuance of the bonds will be used to meet the Bank's need in asset and liability allocation. The Bank issued the undated capital bonds with an amount of RMB5,000 million with fixed coupon rate of 4.20% in the domestic market in June 2022. The issuer is granted with conditional redemption rights from the fifth anniversary (including the fifth year) since the issuance of the bonds. The proceeds from the issuance of the bonds will be used for replenishing other tier-1 capital of the Bank. For details of other outstanding bonds of the Bank, please refer to Note 4 to the Financial Statements.

IV. Shareholders

(I) The table below sets out the top 10 shareholders of the Bank and their shareholdings:

Total number of holders of ordinary shares as at the end of the Reporting Period	392,914	Total number of holders of preference shares whose voting rights had been restored at the end of the Reporting Period	0
Total number of holders of ordinary shares as at the end of the month immediately prior to the disclosure of the Annual Report	394,563	Total number of holders of preference shares whose voting rights had been restored at the end of the month immediately prior to the disclosure of the Annual Report	0

Particulars of shareholding of the top 10 holders of ordinary shares

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Number of shares held subject to restriction on sales (share)	Status	Shares pledged/ marked/frozen Number
HKSCC Nominees Limited	Other	18.92	8,285,350,854	709,788	–		Unknown
Dajia Life Insurance Co., Ltd. – Universal Product	Domestic legal person	10.30	4,508,984,567	–	–		Nil
Dajia Life Insurance Co., Ltd. – Traditional Product	Domestic legal person	6.49	2,843,300,122	–	–		Nil
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Domestic legal person	4.31	1,888,530,701	–	–	Pledged	1,850,802,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	–		Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.12	1,803,182,618	–	–	Pledged	1,799,582,617
						Frozen	388,800,001
						Marked	1,410,782,617
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	–	Pledged	1,379,678,400
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	3.08	1,350,203,341	-25,560,000	–		Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	–	–		Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	–	–	Pledged	1,277,949,488

Shareholding of top 10 holders of ordinary shares not subject to restriction on sales

Name of shareholder	Number of shares held not subject to restriction on sales (share)	Class of shares
HKSCC Nominees Limited	8,285,350,854	H Shares
Dajia Life Insurance Co., Ltd. – Universal Product	4,508,984,567	A Shares
Dajia Life Insurance Co., Ltd. – Traditional Product	2,843,300,122	A Shares
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,888,530,701	A Shares
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A Shares
China Oceanwide Holdings Group Co., Ltd.	1,803,182,618	A Shares
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	A Shares
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	1,350,203,341	A Shares
China Shipowners Mutual Assurance Association	1,324,284,453	A Shares
Orient Group Incorporation	1,280,117,123	A Shares
Statement on the special accounts for repurchase of top 10 shareholders	Uninvolved	
Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders	Uninvolved	
Statement on the related relationship or concerted actions among the aforesaid shareholders	1. Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person; 2. Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders	

Notes:

1. The number of shares held by holders of A shares and the number of shares held by holders of H shares in the above table were recorded in accordance with the registers of shareholders of the Bank provided by China Securities Depository and Clearing Corporation Limited (Shanghai Branch) and Computershare Hong Kong Investor Services Limited, respectively;
2. Total number of the shares held by HKSCC Nominees Limited acting as an agent represents the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at the end of the Reporting Period;
3. Shares held and pledged by Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. included 1,530,802,321 shares transferred to "Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors in 2022 (“同方國信投資控股有限公司——2022年面向專業投資者非公開發行可交換公司債券質押專戶”)" (four tranches in total) due to issuing bonds;
4. As at the end of the Reporting Period, the credit securities account of China Oceanwide Holdings Group Co., Ltd. held 3,600,000 shares of the Bank, accounting for 0.0082% of the total share capital of the Bank. On 10 January and 18 January 2023, 1,799,582,618 shares of the Bank held by China Oceanwide Holdings Group Co., Ltd. were under waiting list freezing;
5. On 3 March 2022, Orient Group Incorporation informed the Bank that, of the 1,280,117,123 shares of the Bank held by Orient Group Incorporation, 9,407,635 shares were under judicial freezing, and 1,270,709,488 shares were under judicial marking. On 5 May 2022, Orient Group Incorporation informed the Bank that relevant judicial freezing and judicial marking were all removed. On 25 May 2022, Orient Group Co., Ltd. informed the Bank that 35,000,000 shares of the Bank held by Orient Group Co., Ltd. were under judicial marking. On 21 July 2022, Orient Group Co., Ltd. informed the Bank that relevant judicial marking was all removed.

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 31 December 2022, substantial shareholders and other persons (other than the Directors, Supervisors and chief executives of the Bank as defined in the Hong Kong Listing Rules) had the following interests or short position in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares of relevant class	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long position	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long position	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Note	Percentage of the issued shares of relevant class	Percentage of all the issued ordinary shares (%)
	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
New Hope Liuhe Investment Co., Ltd.	A	Long position	Beneficial owner	1,828,327,362*	2	5.16	4.18
New Hope Liuhe Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	2	5.16	4.18
New Hope Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	2 and 5	5.44	4.41
LI Wei	A	Long position	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	3 and 5	5.44	4.41
LIU Chang	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	4 and 5	5.44	4.41
China Oceanwide Holdings Group Co., Ltd.	A	Long position	Beneficial owner	1,803,182,618	6 and 7	5.08	4.12
Oceanwide Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Tohigh Holdings Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Oceanwide International Equity Investment Limited	H	Long position	Beneficial owner	604,300,950			
		Long position	Interest held by the corporation(s) controlled by this substantial shareholder	138,442,500			
				742,743,450	8	8.93	1.70
		Short position	Beneficial owner	604,300,950	8	7.26	1.38

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares of relevant class	Percentage of all the issued ordinary shares (%)
Alpha Frontier Limited	H	Long position	Beneficial owner	713,501,653	9 and 10	8.58	1.63
Shanghai Cibi Business Information Consulting Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63
Giant Investment Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63

* In accordance with SFO, the changes in the interests did not result in a percentage subject to disclosure obligation. Relevant changes were not reported in the disclosure forms completed by the above-mentioned substantial shareholders.

Notes:

1. Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Bank by virtue of its control of over 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.

The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were the same block of shares.

2. According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd.
3. Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
4. Ms. LIU Chang held equity interest of New Hope Group Co., Ltd. (see note 2 above). Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).

5. The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were the same block of shares.
6. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. LU Zhiqiang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
7. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,803,182,618 A shares, as set out in the above table, were the same block of shares.
8. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 604,300,950 H shares and 604,300,950 H shares (short positions) (all of which were held through other unlisted derivatives) held by Oceanwide International Equity Investment Limited and 138,442,500 H shares held by Long Prosper Capital Company Limited through direct and indirect control over several enterprises. As Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 742,743,450 H shares and 604,300,950 H shares (short positions) as mentioned above.
9. According to the SFO, Giant Investment Co., Ltd. was deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited through direct and indirect control over Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司) and Alpha Frontier Limited. As Mr. SHI Yuzhu (a Non-Executive Director of the Bank) held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was also deemed to have interests in the 713,501,653 H shares of the Bank held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
10. The interests that Giant Investment Co., Ltd., Shanghai Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were the same block of shares.

Save as disclosed above and in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations", the Bank is not aware of any other person having any interests or short positions in the shares and underlying shares of the Bank as at the end of the Reporting Period as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 43.01% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder who held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

(IV) Other corporate shareholders with 10% or more equity in the Bank and changes in their shareholdings

As at the end of the Reporting Period, Dajia Life Insurance Co., Ltd. held more than 10% of the total shares of the Bank.

Name of corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital	Principal business or management activities
Dajia Life Insurance Co., Ltd.	HE Xiaofeng	23 June 2010	RMB30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

(V) Substantial shareholders

1. Substantial shareholders with aggregate shareholding of 5% or more of the Bank were as follows:

- (1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder, the ultimate controller and the ultimate beneficiary of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; it has no party acting in concert; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Bank held by Dajia Life Insurance Co., Ltd. had not been pledged.

- (2) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is LU Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are Oceanwide International Equity Investment Limited, Long Prosper Capital Company Limited and China Oceanwide International Investment Company Limited; its principal business includes: finance, real estate and investment management, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,799,582,617 ordinary shares, representing 4.11% of the total share capital of the Bank. Of which, 388,800,001 shares were under judicial freezing, and 1,410,782,617 shares were under judicial marking.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Long Prosper Capital Company Limited and China Oceanwide International Investment Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the shares of the Bank it held, being 604,300,950 ordinary shares, representing 1.38% of the total share capital of the Bank.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and China Oceanwide International Investment Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged over 50% of the shares of the Bank it held, being 138,442,500 ordinary shares, representing 0.32% of the total share capital of the Bank.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, China Oceanwide International Investment Company Limited had pledged over 50% of the shares of the Bank it held, being 8,237,520 ordinary shares, representing 0.02% of the total share capital of the Bank.

2. *In accordance with the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (2018 No. 1), other substantial shareholders of the Bank were as follows:*

- (1) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is WEI Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiary is SHI Yuzhu; its parties acting in concert are Alpha Frontier Limited and Liberal Rise Limited; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technology development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Bank.

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD17.519 thousand; its controlling shareholder is Shanghai Cibi Business Information Consulting Co., Ltd. (formerly known as Chongqing Cibi Business Information Consulting Co., Ltd., renamed on 8 July 2022); its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged over 50% of the shares of the Bank it held, being 713,501,653 ordinary shares, representing 1.63% of the total share capital of the Bank.

Liberal Rise Limited: It was incorporated on 9 January 2018; its registered capital was USD50.0 thousand; its controlling shareholder is Abhaya Limited; its ultimate controller is SHI Jing; its ultimate beneficiary is SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Alpha Frontier Limited; its principal business includes: investment holding. As at the end of the Reporting Period, the shares of the Bank held by Liberal Rise Limited had not been pledged.

- (2) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is WANG Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, and technology consultancy services, etc. As at the end of the Reporting Period, the shares of the Bank held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB951,438,725; its unified social credit code is 9154009158575152X0; its legal representative is LI Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development of feeds, wholesale and retail, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Bank held by South Hope Industrial Co., Ltd. had not been pledged.

- (3) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Financial Holding (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its business includes: transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management; investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition (businesses could be operated independently with business licenses in accordance with laws, except those subject to pre-approvals according to laws). As at the end of the Reporting Period, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,850,802,321 ordinary shares (including 1,530,802,321 ordinary shares held by “Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors in 2022” (“同方國信投資控股有限公司——2022年面向專業投資者非公開發行可交換公司債券質押專戶”)), representing 4.23% of the total share capital of the Bank.

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is WENG Zhenjie; its controlling shareholder is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its party acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions, project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits box business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other businesses permitted under the laws and regulations and approved by the CBIRC. The above business scope includes businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Bank held by Chongqing International Trust Company Limited had not been pledged.

- (4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.

- (5) **Orient Group Incorporation:** It was incorporated on 16 August 1989; its registered capital was RMB3,659,150,735; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware and electrical appliances, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, and primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the shares of the Bank it held, being 1,277,949,488 ordinary shares, representing 2.92% of the total share capital of the Bank.

Orient Group Co., Ltd.: It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is ZHANG Xianfeng; its controlling shareholder is Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司); its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Incorporation; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 35,000,000 ordinary shares, representing 0.08% of the total share capital of the Bank.

- (6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Fujin Investment Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: research, development and sales of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the State. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 267,470,000 ordinary shares, representing 0.61% of the total share capital of the Bank.

Tibet Fujin Investment Co., Ltd.: It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is WU Di; its controlling shareholder is Xiamen Good First Investment Co., Ltd. (廈門福信投資有限公司); its ultimate controller is CHEN Tianyi; its ultimate beneficiary is CHEN Tianyi; its parties acting in concert are Good First Group Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: investments in commercial, agricultural, medical, entertainment and education industries (excluding trust, financial asset management and securities asset management business, and excluding securities, insurance, fund and financial businesses and relevant restricted businesses) (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Fujin Investment Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 187,800,000 ordinary shares, representing 0.43% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is HONG Zhihua; its controlling shareholder is HONG Zhihua; its ultimate controller is HONG Zhihua; its ultimate beneficiary is HONG Zhihua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Fuju Investment Co., Ltd.; its principal business includes: service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials (businesses that require pre-approvals according to laws shall be operated only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 93,500,000 ordinary shares, representing 0.21% of the total share capital of the Bank.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

I. Issuance and Listing of Preference Shares in the Past Three Years

As at the end of the Reporting Period, the Bank did not issue preference shares in the past three years.

II. Number of Holders of Preference Shares and Particulars of Shareholding

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) of the Bank was 34. As at the end of the month prior to the disclosure date of this Annual Report (28 February 2023), the number of holders (or nominees) of the preference shares of the Bank was 34.

As at the end of the Reporting Period, particulars of shareholding of holder(s) (or nominees) of preference shares of the Bank with shareholding of 5% or more are set out as follows (the data below was based on the registered holders of preference shares as at 31 December 2022):

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Number of shares pledged/frozen
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
Hwabao Trust Co., Ltd. – Hwabao Trust – Bao Fu Investment No. 1 Collective Fund Trust Plan	Other	Domestic preference share	–	8.89	17,780,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-Ended Wealth Management Single Fund Trust	Other	Domestic preference share	-6,000,000	7.00	14,000,000	–	Nil
Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No.1 Collective Fund Trust Plan	Other	Domestic preference share	–	6.11	12,220,000	–	Nil
Guotai Junan Securities Asset Management – Huaxia Bank – Guotai Junan Jun Xiang Tian Yi No.1 Collective Asset Management Plan	Other	Domestic preference share	11,000,000	5.50	11,000,000	–	Nil

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Number of shares pledged/frozen
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Fund	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Guotai Junan Securities Asset Management – Futong•Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Other	Domestic preference share	–	5.00	10,000,000	–	Nil

Notes:

1. The number of shares held by the holders of domestic preference shares was recorded in accordance with the register of holders of domestic preference shares of the Bank;
2. “Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Fund” have a related relationship. “Guotai Junan Securities Asset Management – Huaxia Bank – Guotai Junan Jun Xiang Tian Yi No.1 Collective Asset Management Plan” and “Guotai Junan Securities Asset Management – Futong•Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract” have a related relationship. Save as disclosed above, the Bank does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 holders of ordinary shares;
3. “Shareholding percentage” refers to the number of shares held by the holders of domestic preference shares as a percentage of the total number of domestic preference shares of the Bank.

III. Distribution of Dividends of Preference Shares

1. Domestic preference shares

Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the First A Share Class Meeting for 2016 and the First H Share Class Meeting for 2016, and the relevant resolutions on extending the validity period and authorisation period in 2017-2019, the dividend distribution plan for the domestic preference shares was considered and approved at the 25th meeting of the eighth session of the Board on 26 August 2022. According to the relevant terms of domestic preference shares and calculated at the coupon rate of 4.38%, a cash dividend of RMB4.38 (tax inclusive) per domestic preference share shall be distributed. On the basis of the 200 million domestic preference shares issued, the Bank distributed dividends of RMB876 million (tax inclusive) in total on 18 October 2022 to holders of domestic preference shares whose names appeared on the register of members on the record date.

2. Distribution of dividends of preference shares in the past three years

(Unit: RMB million, except for percentage)

	2022		2021		2020	
	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed
Offshore preference shares	-	-	4.95%	512	4.95%	521
Domestic preference shares	4.38%	876	4.38%	876	4.38%	876

Notes:

1. Amount of dividend distributed includes tax;
2. The Bank redeemed offshore preference shares on 14 December 2021. During the Reporting Period, the Bank did not have existing offshore preference shares and did not distribute dividends of offshore preference shares.

For details of the distribution of dividends of the preference shares, please refer to the announcements of the Bank published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

IV. Repurchase or Conversion of Preference Shares

During the Reporting Period, no preference shares of the Bank have been repurchased or converted.

V. Recovery of Voting Rights of Preference Shares

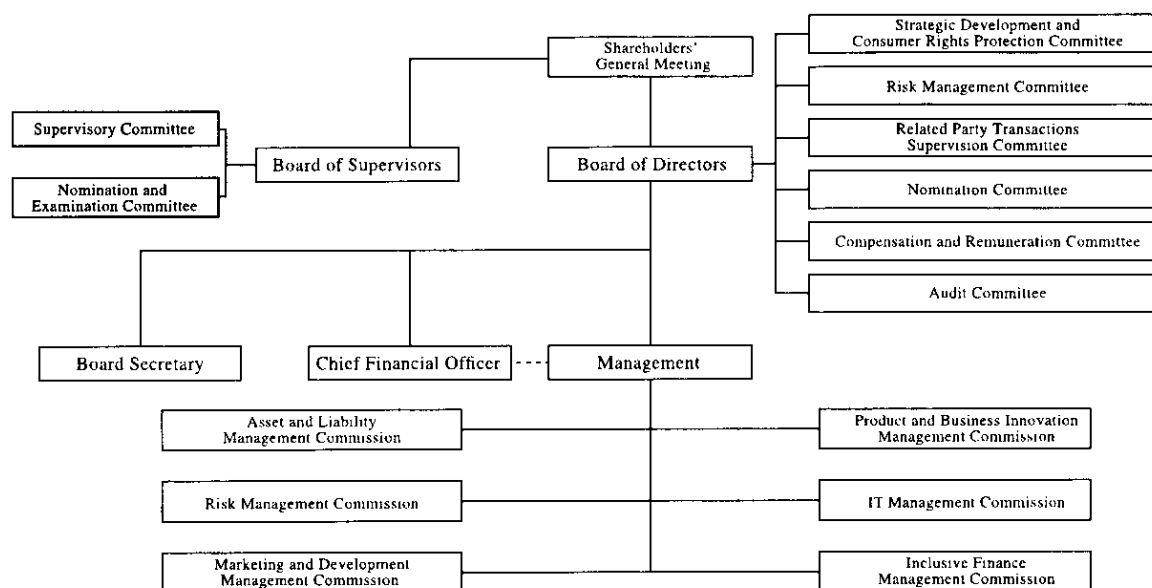
During the Reporting Period, no voting rights of preference shares of the Bank have been restored.

VI. Accounting Policies for Preference Shares and the Underlying Reasons

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (《企業會計準則第37號——金融工具列報》), there was no need for the issued and existing domestic preference shares of the Bank to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Bank will have no obligation to deliver a variable quantity of its equity instruments. Therefore, the domestic preference shares are accounted as other equity instruments.

CHAPTER 6 CORPORATE GOVERNANCE

I. Corporate Governance Structure



II. Corporate Governance Overview

The Bank firmly implemented the national macro-financial policies and constantly strengthened the in-depth integration of the Party's leadership with its corporate governance. Following the principles of "each performing its own duties, each taking responsibility for itself, coordinated operation, and effective checks and balances", the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management performed their statutory duties in accordance with laws and regulations. The corporate governance of the Bank was effectively improved.

The Bank constantly improved the corporate governance system with the Articles of Association as the core, revised the rules of procedures of the Shareholders' General Meeting, the Board and the Board of Supervisors, as well as the terms of reference of the special committees of the Board, so as to continuously standardise the policy basis for all governance entities to perform their duties and exercise their powers, thereby translating institutional advantages into governance efficiency. The Bank optimised the operational mechanism for corporate governance, strictly implemented antecedent researches by the Party Committee, focused on key priorities for duty performance of the Board, and fully leveraged the role of the special committees of the Board in supporting decision-making. The Bank put ahead the supervision function of the Board of Supervisors and continuously optimised the duty performance supervision and evaluation system. Both the decision-making quality and effectiveness of the Board and the Board of Supervisors were significantly improved. The Bank strengthened the duty performance support and guarantee for the Board, the Board of Supervisors, Directors and Supervisors, dynamically improved the duty performance list of the Board, organised special investigations and researches on key matters in an orderly manner, selected documents regarding regulatory policies for Directors and Supervisors for reference, and rationally arranged special trainings on consumer rights protection, anti-money laundering, among others. The duty performance capabilities of Directors and Supervisors were further enhanced.

The Bank attaches great importance to accessing independent opinions and suggestions and has established multi-dimensional mechanisms to ensure access to adequate, comprehensive, and independent opinions and suggestions. The Bank has established normalised working mechanisms including the independent director meeting mechanism, special committee chairman work reporting mechanism, independent director on-duty mechanism and others, actively encouraged the Independent Directors to advise on the development of the Bank, and proactively listened to and adopted the professional opinions given by the Independent Directors. Meanwhile, the Bank has appointed external independent audit firms and domestic and offshore lawyers to provide professional and independent opinions.

During the Reporting Period, there were no difference between the corporate governance of the Bank and the requirements of laws, administrative regulations as well as the provisions of regulatory authorities regarding governance of listed companies.

III. Powers of the Shareholders' General Meeting

The Shareholders' General Meeting is the organ of authority of the Bank, and exercises the following functions and powers in accordance with the laws: to decide on the Bank's operating policies and investment plans; to elect and replace Directors and Supervisors who are not employee representatives and decide on matters concerning the remuneration of relevant Directors and Supervisors; to consider and approve the annual financial budget and final accounts, profit distribution plans and plans for recovery of losses, increase or reduce registered capital, issue bonds, merge, divide and revise the Articles of Association, and other matters that shall be decided by the Shareholders' General Meeting in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the Bank was listed or the provisions in the Articles of Association. The above-mentioned functions and powers of the Shareholders' General Meeting shall not be exercised by the Board of Directors or other institutions and individuals through authorisation.

IV. Shareholders' General Meetings

During the Reporting Period, the Bank held one shareholders' general meeting and considered and approved 20 resolutions and received briefings on 3 special reports. Details are as follows:

On 10 June 2022, the 2021 Annual General Meeting, the First A Share Class Meeting for 2022 and the First H Share Class Meeting for 2022 of the Bank were held in Beijing, in which the shareholders attended and voted on-site and online. For details of the resolutions of the meeting, please refer to the announcements published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 10 June 2022, and posted on China Securities Journal, Shanghai Securities News and Securities Times on 11 June 2022.

V. Directors, Supervisors and Senior Management

(1) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – 2023 election	500,000	500,000	389.08	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	January 2001 – 2023 election	–	–	98.00	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	November 2006 – 2023 election	–	–	98.00	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	June 2009 – 2023 election	–	–	98.00	Yes
ZHENG Wanchun	M	1964	Vice Chairman	December 2020 – 2023 election	430,000	430,000	346.50	No
			Executive Director	March 2016 – 2023 election				
			President	January 2016 – 2023 election				
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – 2023 election	–	–	86.00	No
WU Di	M	1965	Non-Executive Director	March 2013 – 2023 election	–	–	94.00	Yes
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – 2023 election	–	–	–	Yes
WENG Zhenjie	M	1962	Non-Executive Director	February 2017 – 2023 election	–	–	92.00	Yes

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
YANG Xiaoling	M	1958	Non-Executive Director	March 2021 – 2023 election	–	–	76.00	No
ZHAO Peng	M	1973	Non-Executive Director	June 2021 – 2023 election	–	–	89.50	Yes
LIU Jipeng	M	1956	Independent Non-Executive Director	February 2017 – (Note 1)	150,000	150,000	100.50	No
LI Hancheng	M	1963	Independent Non-Executive Director	February 2017 – (Note 1)	–	–	110.50	No
XIE Zhichun	M	1958	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	101.50	No
PENG Xuefeng	M	1962	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	96.50	No
LIU Ningyu	M	1969	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	124.00	No
QU Xinjiu	M	1964	Independent Non-Executive Director	March 2021 – 2023 election	–	–	96.50	No
YUAN Guijun	M	1963	Executive Director	March 2021 – 2023 election	150,000	150,000	320.00	No
			Executive Vice President	December 2020 – 2023 election				
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	February 2017 – 2023 election	350,000	350,000	319.83	No
YANG Yu	M	1964	Vice Chairman of the Board of Supervisors & Employee Supervisor	November 2021 – 2023 election	–	–	255.10	No

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
LU Zhongnan	M	1955	Shareholder Supervisor	January 2007 – 2023 election	–	–	76.50	No
LI Yu	M	1974	Shareholder Supervisor	October 2020 – 2023 election	–	–	76.50	No
WANG Yugui	M	1951	External Supervisor	February 2017 – 2023 election	–	–	76.00	No
ZHAO Fugao	M	1955	External Supervisor	June 2019 – 2023 election	–	–	–	No
ZHANG Liqing	M	1963	External Supervisor	October 2020 – 2023 election	–	–	71.00	No
GONG Zhijian	M	1967	Employee Supervisor	November 2021 – 2023 election	–	–	253.70	No
CHEN Qiong	F	1963	Executive Vice President	August 2018 – 2023 election	350,000	350,000	266.20	No
SHI Jie	M	1965	Executive Vice President	January 2017 – 2023 election	350,000	350,000	266.20	No
LI Bin	F	1967	Executive Vice President	January 2017 – 2023 election	350,000	350,000	266.20	No
LIN Yunshan	M	1970	Executive Vice President	January 2017 – 2023 election	350,000	350,000	266.20	No
BAI Dan	F	1963	Chief Financial Officer	May 2012 – 2023 election	360,000	360,000	290.39	No
			Board Secretary	August 2018 – 2023 election				
ZHANG Bin	M	1967	Chief Information Officer	November 2021 – 2023 election	–	–	217.80	No

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
Resigned Supervisors and Senior Management								
ZHAO Huan John	M	1963	Former Shareholder Supervisor	October 2020 – September 2022	–	–	49.75	No
HU Qinghua	M	1963	Former Executive Vice President	August 2018 – December 2022	350,000	350,000	266.20	No
ZHANG Yuebo	M	1962	Former Chief Audit Officer	February 2017 – November 2022	350,000	350,000	220.08	No
OUYANG Yong	M	1963	Former Assistant President	June 2018 – February 2022	350,000	350,000	22.69	No

Notes:

1. On 28 October 2022, the 28th meeting of the eighth session of the Board approved the nomination of Mr. YANG Zhiwei, Ms. WEN Qiuju and Mr. SONG Huanzheng as the candidates for Independent Directors of the eighth session of the Board. On 21 February 2023, the 32nd meeting of the eighth session of the Board approved the nomination of Mr. CHENG Fengchao, and Mr. LIU Hanxing as the candidates for Independent Directors of the eighth session of the Board. The above candidates for Independent Directors will be submitted to the shareholders' general meeting for election. After the nomination is approved at the shareholders' general meeting, the qualifications of Mr. YANG Zhiwei, Ms. WEN Qiuju, Mr. SONG Huanzheng, Mr. CHENG Fengchao, and Mr. LIU Hanxing as Directors are still subject to the approval by the CBIRC. According to the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) issued by the CBIRC, Mr. LIU Jipeng, Mr. LI Hancheng, Mr. XIE Zhichun, Mr. PENG Xuefeng and Mr. LIU Ningyu shall continue to perform their duties before the new Independent Directors take office;
2. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualification of Mr. WENG Zhenjie as a Director is subject to the approval of the CBIRC, the commencement date of his term of office is temporarily taken as the date when he is elected at the Shareholders' General Meeting;
3. During the Reporting Period, Mr. SONG Chunfeng did not receive the remuneration as a Director, and Mr. ZHAO Fugao did not receive the remuneration as a Supervisor;
4. During the Reporting Period, the total pre-tax remuneration of incumbent and resigned Directors, Supervisors and Senior Management was RMB56,769,200. The total pre-tax remuneration of the incumbent Executive Directors, Chairman of the Board of Supervisors, Vice Chairman of the Board of Supervisors, and Senior Management is still under confirmation and further disclosure regarding such unconfirmed part will be made by the Bank in due course;
5. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management resigned during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the past three years.

(II) Appointment and resignation of Directors, Supervisors and Senior Management

Supervisors

On 1 September 2022, Mr. ZHAO Huan John ceased to act as a Supervisor and a member of related special committee under the Board of Supervisors of the Bank due to his personal time and attention allocation.

Senior Management

On 8 February 2022, Mr. OUYANG Yong resigned from the position of Assistant President of the Bank due to job change.

On 28 November 2022, Mr. ZHANG Yuebo resigned from the position of Chief Audit Officer of the Bank and retired due to reaching the age.

On 30 December 2022, Mr. HU Qinghua resigned from the position of an Executive Vice President of the Bank and retired due to reaching the age.

(III) Positions held by incumbent Directors and Supervisors in shareholders' companies

Name	Name of the Bank's shareholder's company	Position	Term of office
ZHANG Hongwei	Orient Group Co., Ltd.	Chairman of the board of directors	March 2014 – Present
LU Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors	May 1999 – Present
LIU Yonghao	New Hope Liuhe Co., Ltd.	Director	January 2003 – Present
WU Di	Good First Group Co., Ltd.	Chairman of the board of directors and president	January 2003 – Present
SONG Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016 – Present
WENG Zhenjie	Chongqing International Trust Company Limited	Chairman of the board of directors	November 2014 – Present
ZHAO Peng	Dajia Life Insurance Co., Ltd.	Director	July 2021 – Present

(IV) Performance evaluation and incentive mechanism and remuneration system for Directors, Supervisors and the Senior Management

The performance evaluation on the Senior Management of the Bank highlighted strategic orientation, and focused on the succession and implementation of the key tasks of reform and transformation of the Bank. The Bank continuously paid attention to value returns to shareholders and sustainable development, fortified compliant operation, and intensified evaluations in fields of regulatory compliance and risk-related indicators.

The policy for remuneration of the Senior Management of the Bank was: To reflect strategies and guiding principles of human resources management under the premise of supporting the development strategy and achieving operating targets of the Bank, advocate value creation and encourage the Senior Management to advance reform and transformation and steady development; to formulate remuneration plans for the Senior Management with reasonable structure and market competitiveness, determine remunerations of the Senior Management in line with their duties, capabilities and contributions to operating results, and establish an incentive and restraint mechanism for the Senior Management.

The Senior Management's performance-based remuneration is closely linked to the attainment of key performance indicators and the annual evaluation results of the Senior Management as individuals. In accordance with the requirements of the regulatory guidelines, the Bank established a deferred payment mechanism for the performance-based remuneration of the Senior Management.

To objectively reflect the labour, risks and responsibilities undertaken by the Directors and Supervisors of the Bank, and to effectively encourage the Directors and Supervisors to actively participate in decision-making and management, the Bank paid remuneration to all Directors and Supervisors in accordance with the Rules for Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事、監事薪酬制度》). The remuneration of Directors comprises four parts, including annual fee, allowances for special committees, meeting fees and research fees. The remuneration of Supervisors comprises three parts, including annual fee, allowances for special committees and meeting fees.

In accordance with regulatory requirements, the Articles of Association and rules of the Bank, the Board of Supervisors performed comprehensive evaluations on the performance of the Directors, Supervisors and Senior Management. Through attending meetings of the Board of Directors and its special committees as non-voting delegates and reviewing daily performance records, the Board of Supervisors supervised the legitimacy and compliance of meeting contents, discussion mechanism and procedures, and fully observed the issuance of opinions and suggestions by Directors and Supervisors. Through multiple ways such as receiving reports, conducting investigations, researches and inspections, issuing supervisory notices and carrying out enquiries and interviews, it supervised key matters and observed the performance of Directors and Supervisors in related fields. Through filling in the statistical forms of duty performance, the Board of Supervisors organised self-evaluation and cross-evaluation to assess the annual performance of Directors and Supervisors. Through considering and reviewing various reports, the Board of Supervisors observed the business philosophy, operating results, risk management, internal control and compliance of the Senior Management. Through tracking and supervision, the Board of Supervisors observed the implementation of regulatory opinions and the progress and effectiveness of rectifications by the Senior Management. Through attending meetings as non-voting delegates, reviewing the annual work reports and rating the leadership capabilities, the Board of Supervisors gained a comprehensive understanding of the fulfillment of duty of loyalty, duty of diligence, compliance performance, and performance results, etc. Based on the information obtained through the above-mentioned ways and channels, the Board of Supervisors made objective and fair comprehensive evaluation on the performance of Directors, Supervisors and Senior Management, and finally formed the annual performance evaluations, and reported them to the Shareholders' General Meeting and the regulatory authorities.

(V) Main work experience of incumbent Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. GAO Yingxin, born in 1962, is Chairman and an Executive Director of the Bank and Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. GAO is cocurrently the chairman of CMBC International. Before joining the Bank, he was a vice chairman of the board and the chief executive of BOC Hong Kong (Holdings) Limited (listed on the SEHK (stock code: 02388)) and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited (BOC) (listed on the SSE (stock code: 601988) and on the SEHK (stock code: 03988)) from December 2016 to January 2018, an executive vice president of BOC from February 2015 to January 2018, an executive director and a deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from February 2005 to February 2015, the president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, the general manager of the corporate banking department of BOC head office from June 1999 to July 2004, and a deputy general manager of the credit department and a deputy general manager of the corporate banking department of BOC head office from September 1996 to June 1999. Mr. GAO was a member of the 13th CPPCC National Committee. Mr. GAO obtained his Master's Degree in Engineering from East China University of Science and Technology in 1986 and is a senior economist.

Mr. ZHENG Wanchun, born in 1964, is a Vice Chairman, an Executive Director and President of the Bank. He is also a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Before joining the Bank, Mr. ZHENG served as a vice president of Industrial and Commercial Bank of China Limited (ICBC) (listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)) from September 2013 to October 2015. Prior to that, he was the president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd., the chairman of Huarong Securities and the chairman of Rongde Asset Management Co., Ltd., a joint venture of China and Germany, from December 2004 to February 2011, and served concurrently as the chairman of Huarong Futures from January 2009 to February 2011. He was also an assistant president of China Huarong Asset Management Co., Ltd. from September 2003 to December 2004, the general manager of the operation management department of China Huarong Asset Management Co., Ltd. from April 2002 to August 2004, the general manager of the creditor rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a deputy general manager of the industrial and commercial credit department of ICBC head office from October 1999 to June 2000, the general manager of the business department and an assistant president of ICBC Hainan branch from November 1998 to October 1999, the president of the Yangpu branch of Hainan Province of ICBC from April 1997 to November 1998, and a deputy division director then division director of the industrial and transportation credit department of ICBC head office from July 1991 to April 1997. Mr. ZHENG obtained his Ph.D. Degree in Economics from Renmin University of China in 2000 and is a senior economist.

Mr. YUAN Guijun, born in 1963, is an Executive Director and an Executive Vice President of the Bank, a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board, and a director and the chairman of Minsheng Financial Leasing. Before joining the Bank, Mr. YUAN was the president of the Beijing branch of China Construction Bank (CCB) from 2017 to 2020, the president of CCB Liaoning branch from 2013 to 2017, a deputy general manager then general manager of the corporate banking department of CCB head office from 2007 to 2013, and an assistant general manager then a deputy general manager of the risk management department and a deputy general manager of the risk monitoring department of CCB head office from 2004 to 2007. He also worked in the investment department, credit management department, credit risk management department and the credit management division of the risk management department of CCB head office from 1986 to 2004. Mr. YUAN obtained his EMBA Degree from Tsinghua University and is a senior economist.

Non-Executive Directors

Mr. ZHANG Hongwei, born in 1954, is a Vice Chairman and a Non-Executive Director of the Bank, and also a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee under the Board. Mr. ZHANG is the chairman of United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Co., Ltd. Mr. ZHANG was previously the honorary chairman and a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), the chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)), a member of the 11th CPPCC National Committee and a standing committee member of the 10th CPPCC National Committee. Mr. ZHANG served as a vice chairman of ACFIC from 1997 to 2007. Mr. ZHANG obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. LU Zhiqiang, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. LU was a Director of the Bank from the establishment of the Bank to June 2003, Chairman of the Board of Supervisors of the Bank from June 2003 to December 2004, and a Vice Chairman of the Board of Supervisors of the Bank from December 2004 to June 2006. Mr. LU is the chairman and president of Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd., and the chairman of China Oceanwide Holdings Group Co., Ltd. Mr. LU was the president of China Oceanwide Holdings Group Co., Ltd. and the chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)). Mr. LU was also a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)) and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. LU served successively as a standing committee member and a vice chairman of ACFIC from 1998 to 2012, and a member of the 9th and 10th CPPCC National Committee and a standing committee member of the 11th and 12th CPPCC National Committee from 1998 to 2018. Mr. LU obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. LIU Yonghao, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. He used to be a Vice Chairman of the Board from the establishment of the Bank to 2006. Mr. LIU is currently the chairman and president of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and the chairman of the General Association of Sichuan Entrepreneurs. Mr. LIU is a member of the 14th CPPCC National Committee, a vice president of China Association for Public Companies and one of the promoters of China Guangcai Programme. Mr. LIU was also a vice chairman of the 7th and 8th sessions of ACFIC, a member of the 8th, 9th, 10th and 11th CPPCC National Committee, a standing committee member of the 9th and 10th CPPCC National Committee, a vice chairman of the Committee for Economic Affairs of the 10th and 11th CPPCC National Committee, a deputy to the 12th National People's Congress (NPC), a member of the 13th CPPCC National Committee, and a vice chairman of China Society for Promotion of the Guangcai Programme.

Mr. SHI Yuzhu, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. SHI was previously a Non-Executive Director of the Bank from 2006 to 2014. Mr. SHI is the chairman of Giant Network Group Co., Ltd. (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., Ltd.), Giant Interactive Group Inc. (formerly known as Shanghai ZhengTu Interactive Group Inc.) and Giant Charity Foundation. Mr. SHI was previously a director of Shanghai ZhengTu Interactive Group Inc. from 2006 to 2018, and a vice chairman of China Minsheng Investment Group Corp., Ltd. from 2014 to 2018. Mr. SHI obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate programme of soft science from Shenzhen University in 1990.

Mr. WU Di, born in 1965, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Mr. WU is the chairman and president of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank, and the chairman and an executive director of Datang Group Holdings Limited (listed on the SEHK (stock code: 02117)). Mr. WU is a deputy to the Fujian Provincial People's Congress, a vice chairman of Fujian Federation of Commerce & Industry, an honorary vice chairman of Fujian Society for Promotion of the Guangcai Programme, the honorary chairman of the Non-States-Owned Enterprise Chamber of Commerce in Fujian, a member of the CPPCC Xiamen Municipal Committee, a vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association (CNDCA), the honorary chairman of the Xiamen Chamber of Commerce in Shanghai, the chairman of the Liaoning Chamber of Commerce in Fujian and a council member of Jimei University. Mr. WU obtained his Ph.D. Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr. WU is a senior economist.

Mr. SONG Chunfeng, born in 1969, is a Non-Executive Director of the Bank and a member of the Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. Mr. SONG is the general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, a vice chairman of Quanzhou Jinjiang COSCO Development Co., Ltd., an executive director of China P&I Management Co., Ltd., a director of China P&I Services (Hong Kong) Limited, an executive director of Shanghai Haixing Asset Management Limited, and a director of CPI Services (UK) Limited. Mr. SONG was a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)), a managing director of COSCO (Hong Kong) Insurance Brokers Limited, the chairman and general manager of Shenzhen COSCO Insurance Brokers Limited, a manager of the commerce office under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919) and on the SEHK (stock code: 01919)), and a principal staff member, a deputy director, and the director of the commerce division under the transportation department of COSCO. Mr. SONG obtained his Ph.D. Degree in Law from Peking University in 2006 and is a senior economist.

Mr. WENG Zhenjie, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee, the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. WENG is the chairman of Chongqing International Trust Company Limited and GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)). Mr. WENG also serves as a director of Chongqing Three Gorges Bank Co., Ltd., China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited. Mr. WENG worked as the chairman and chief executive officer of Chongqing International Trust Company Limited, the chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), the chairman of Chongqing Three Gorges Bank Co., Ltd., a director of Hefei Science & Technology Rural Commercial Bank Company Limited ("Hefei Science & Technology Rural Commercial Bank"), a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 10th and 11th Central Financial Committee of CNDCA, a deputy to the third and fourth Chongqing Municipal People's Congress and a standing committee member of the standing committee of the third and fourth Chongqing Municipal People's Congress, a standing member of the 5th CPPCC Chongqing Municipal Committee, a deputy general manager of Beijing Centergate Technologies (Holding) Co., Ltd., an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering, and a vice chairman of the Chongqing Municipal Committee of CNDCA. Mr. WENG obtained his Master's Degree in Engineering in 1986. He is a senior economist, an expert with special allowances of the State Council and has been granted the honorary title of National Model Worker.

Mr. YANG Xiaoling, born in 1958, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee of the Board. Mr. YANG served as a deputy general manager and the chief operating officer of Dajia Insurance Group Co., Ltd., the general manager of Dajia Life Insurance Co., Ltd., an assistant general manager (chief digital officer) of China Pacific Insurance (Group) Co., Ltd. (listed on the SSE (stock code: 601601); on the SEHK (stock code: 02601); and on the London Stock Exchange (stock code: CPIC)), a deputy executive general manager and the director of transformation and promotion of China Pacific Life Insurance Co., Ltd., the general manager of strategic planning department of China Pacific Insurance (Group) Co. Ltd., the general manager of the Beijing branch of China Pacific Life Insurance Co., Ltd., a deputy director of the claim underwriting and settlement centre of China Pacific Life Insurance Co. Ltd., a department manager and a deputy general manager of the Shanghai branch of China Pacific Life Insurance Co., Ltd. Mr. YANG obtained his MBA Degree from Macau University of Science and Technology in 2002. He has the qualification for an intermediate-level insurance economist.

Mr. ZHAO Peng, born in 1973, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Mr. ZHAO is currently an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd., a director of Dajia Life Insurance Co., Ltd., a vice chairman of Financial Street Holdings Co., Ltd. (listed on the SZSE (stock code: 000402)) and a director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)). Mr. ZHAO served as a member of the team designated by the CBIRC to take over Anbang Insurance Group, a deputy division director then division director of the development and reform department of the former CIRC, and an executive member of Rizhao Commercial Bank and a director of Beijing Tong Ren Tang Co., Ltd. (listed on the SSE (stock code: 600085)). Mr. ZHAO obtained his Ph.D. Degree in Economic Law from China University of Political Science and Law in 2014. He has the qualification for an economist.

Independent Non-Executive Directors

Mr. LIU Jipeng, born in 1956, is currently an Independent Non-Executive Director of the Bank and Chairman of the Compensation and Remuneration Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee of the Board. Mr. LIU is currently the dean, a tier-2 professor and a doctoral supervisor of the Capital Finance Institute of China University of Political Science and Law. He is also a legal adviser of the State-Owned Assets Supervision and Administration Commission of the State Council, a deputy head of the Independent Non-executive Director Committee of China Association for Public Companies, a member of the Law Advisory Committee of SZSE (深圳證券交易所法律專業諮詢委員會), a vice chairman of China Enterprise Reform and Development Society and chief expert of major programme of the National Social Science Fund of China, an independent non-executive director of China Oceanwide Holdings Limited (listed on the SEHK (stock code: 00715)) and China Tonghai International Financial Limited (previously known as China Oceanwide International Financial Limited, and listed on the SEHK (stock code: 00952)), and an independent director of Cecep Solar Energy Co., Ltd (listed on the SZSE (stock code: 000591)) and Ucap Cloud Information Technology Co., Ltd. (listed on the SSE (stock code: 688228)). Mr. LIU was previously the dean of the Business School of China University of Political Science and Law, a professor and director of corporate research centre of the Capital University of Economics and Business, a director and an associate professor of CITIC International Research Centre (中信國際研究所) and an academic secretary and research associate of the Institute of Industrial Economics of China Academy of Social Sciences. He was previously an independent non-executive director of AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705)), Dalian Wanda Commercial Properties Co., Ltd. (previously listed on the SEHK (stock code: 03699) (delisted)), Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)), China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (listed on the SSE (stock code: 601512)) and Zhongjin Gold Corporation Limited (listed on the SSE (stock code: 600489)), an independent director of Valiant Co., Ltd. (listed on the SZSE (stock code: 002643)) and CECEP Guozhen Environmental Protection Technology Co., Ltd. (listed on the SZSE (stock code: 300388)), and an independent non-executive director of Chongqing Changan Automobile Co., Ltd. (listed on the SZSE (stock code: 000625)). Mr. LIU obtained his Bachelor's Degree from the Department of Industry and Economics of Beijing Institute of Economics in 1983 and his Master's Degree in Economics from the Chinese Academy of Social Sciences in 1986. Mr. LIU has the qualifications for tier-2 professors, senior research fellows, and senior economists and is a certified public accountant (non-practicing).

Mr. LIU has many years of experience in economic studies and management of listed companies and can diversify the composition of the Board. He will provide the Board with knowledge and experience in strategic management and corporate governance.

Mr. LI Hancheng, born in 1963, is now an Independent Non-Executive Director of the Bank and Chairman of the Related Party Transactions Supervision Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Risk Management Committee of the Board. Mr. LI is currently a senior partner, a director, and the chairman of the business management and risk control committee of the board of directors of Beijing S&P Law Firm and a lawyer of Beijing S&P Haikou Law Firm, and is qualified as a lawyer in the People's Republic of China. He is also a member of China Maritime Law Association, All China Lawyers Association, and Hainan Lawyers Association. He has been an independent non-executive director of Styland Holdings Limited (listed on the SEHK (stock code: 00211)), an external director of Beijing Electronics Holding Company Limited, and an independent director of SnowValley Agricultural Development Co., Ltd. Mr. LI was previously the director of the executive committee of Beijing S&P Haikou Law Firm, the administration officer and manager of Beijing S&P Law Firm and a staff member, a principal staff member and a deputy director of the office of personnel, and an assistant judge, a judge and a senior judge of the economic division of the Supreme People's Court of the People's Republic of China. Mr. LI obtained his Bachelor's Degree in Law from Southwest College of Political Science & Law (currently known as Southwest University of Political Science and Law) in 1984.

Mr. LI has many years of experience in commercial laws and can diversify the composition of the Board. He will contribute to compliance risk management of the Bank in respect of the commercial and legal areas.

Mr. XIE Zhichun, born in 1958, is currently an Independent Non-Executive Director of the Bank and also Chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. XIE is now an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)), a vice chairman of the consultation committee of Qianhai & Shekou Area of Shenzhen of China (Guangdong) Pilot Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, a distinguished professor of the Research Centre for Economic Development in China's Special Economic Zone in Shenzhen University and a postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. XIE served before as the chairman and an executive director of China Fortune Financial Group Limited (renamed after Mr. XIE's resignation, currently known as GoFintech Innovation Limited, and listed on the SEHK (stock code: 00290)), a deputy general manager of China Investment Corporation and an executive director and general manager of Central Huijin Investment Ltd., an executive director and a deputy general manager of China Everbright Group Limited, the chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd., the chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd., a vice president of China Everbright Bank Company Limited (listed on the SSE (stock code: 601818) and on the SEHK (stock code: 06818)), a director and the president of Everbright Securities Company Limited, a vice chairman (unattending) of China Enterprises Association (Singapore), and a vice chairman (unattending) of Securities Association of China. Mr. XIE obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982, Master's Degree in Economics from Harbin Institute of Technology in 1993 and Ph.D. Degree in Economics from Nankai University in 2004. Mr. XIE attended advanced management programmes in Yale School of Management in the United States from August to September 2011 and in Harvard Business School (AMP156) from April to July 1999, respectively. Mr. XIE is currently a senior economist.

Mr. XIE has many years of experience in the management of banks and asset management companies and can diversify the composition of the Board. He will provide the Board with experience in financial investment and management of banking business.

Mr. PENG Xuefeng, born in 1962, is now an Independent Non-Executive Director of the Bank and Chairman of the Nomination Committee, and a member of the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. PENG is an independent non-executive director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (listed on the SZSE (stock code: 002713)). Mr. PENG was the managing partner of Dentons China, a lawyer of Beijing No. 4 Law Firm (北京市第四律師事務所), a lawyer and deputy director of Beijing Yanshan Law Firm (北京市燕山區律師事務所), a clerk of Cangzhou Intermediate People's Court of Hebei Province. He served previously as an independent non-executive director of Beijing Haohua Energy Resource Co., Ltd. (listed on the SSE (stock code: 601101)), Beijing SINODATA Co., Ltd. (listed on the SZSE (stock code: 002657)), Beijing Vantone Real Estate Co., Ltd. (listed on the SSE (stock code: 600246)), Shandong Shipping Corporation (listed on National Equities Exchange and Quotations (stock code: 835589)), Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and Henan Zhongfu Industrial Co., Ltd. (listed on the SSE (stock code: 600595)). He was also previously a standing committee member of the 12th CPPCC National Committee, a deputy to the 11th NPC, a vice president of the fifth session of All China Lawyers Association, a standing council member of the fourth session of All China Lawyers Association, a vice chairman of the sixth and the seventh sessions of Beijing Lawyers Association, a standing council member of the fourth and the fifth sessions of Beijing Lawyers Association, a member of the standing committee of the tenth session of All-China Youth Federation, a member of the eighth session of All-China Youth Federation, a standing member and chief supervisor of the ninth session of Beijing Youth Federation and a member of the seventh and eighth sessions of Beijing Youth Federation. Mr. PENG obtained his Ph.D. Degree in International Finance Law from Peking University in 2008 and has the qualification for lawyers, qualification for lawyers engaged in securities and qualification for certified tax agents.

Mr. PENG has many years of experience in legal practice and public administration and can diversify the composition of the Board. He will provide advice on legal matters and improve the internal control system of the Bank.

Mr. LIU Ningyu, born in 1969, is an Independent Non-Executive Director of the Bank and Chairman of the Audit Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee, the Related Party Transactions Supervision Committee and the Risk Management Committee of the Board. Mr. LIU serves as the managing partner of Zhongshen Zhonghuan Certified Public Accountants (special general partnership), a vice chairman and rotating chairman of Liaoning Institute of Certified Public Accountants, a vice chairman of Liaoning Province Appraisal Society, a director of China Engineering Cost Association, a standing committee member of the 5th national committee of the Trade Union of Financial and Commercial Workers, Light Industry and Textile Workers, Tobacco Industry Workers of the All-China Federation of Trade Unions (中華全國總工會中國財貿輕紡煙草工會). He was an independent non-executive director of Luoyang Zhongchao New Material Co., Ltd., the managing partner of Ruihua Certified Public Accountants (special general partnership) (瑞華會計師事務所(特殊普通合夥)), the managing partner of Crowe Horwath China CPAs (special general partnership) (國富浩華會計師事務所(特殊普通合夥)), the chief executive officer of Crowe Horwath China CPAs (國富浩華會計師事務所有限公司), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所有限公司), a project manager of Liaoning Accounting Firm (遼寧會計師事務所) and an independent non-executive director of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)). Mr. LIU obtained his MBA Degree from Macau University of Science and Technology in 2004 and studied in an advanced course for Modern Corporate Management (EMBA) at Peking University from 2012 to 2013. Mr. LIU is a professor-level senior accountant, a certified public accountant, a certified public valuer, a certified public accountant in Australia, one of the national leading talents in accounting and a senior member of the Chinese Institute of Certified Public Accountants.

Mr. LIU has many years of experience in accounting and corporate governance and can diversify the composition of the Board. He will provide valuable advice to the Board on financial management and audit.

Mr. QU Xinjiu, born in 1964, is an Independent Non-Executive Director of the Bank and a member of the Nomination Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. He is currently a professor of China University of Political Science and Law and a part-time lawyer of Beijing Fada Law Firm. Mr. QU served previously as a deputy dean and dean of the School of Criminal Justice of China University of Political Science and Law, the director of the Institute of Criminal Law of the School of Criminal Justice of China University of Political Science and Law, and served concurrently as a deputy director of the investigation supervision department of the Supreme People's Procuratorate of the People's Republic of China, a deputy procurator-general of People's Procuratorate of Fengtai District of Beijing Municipality, a part-time lawyer of Beijing Dadi Law Firm. Mr. QU obtained his Ph.D. degree in Procedural Law from China University of Political Science and Law in 2001. Mr. QU has the qualifications for university teachers and lawyers.

Mr. QU has many years of experience in legal practice and can promote the diversification of composition of the Board. He will provide the Board valuable advice on policy making and compliant operation.

Supervisors

Mr. ZHANG Juntong, born in 1974, is now Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG joined the Bank in 2016. Before that, Mr. ZHANG served as the director of the office of the general office and a deputy director-general of the general office of the former CBRC. He served previously as a deputy division director and a consultant of the general office of the CSRC. Mr. ZHANG also served in China National Technical Import and Export Corporation (中國技術進出口總公司) and China General Technology (Group) Holding Limited (中國通用技術(集團)控股有限責任公司). Mr. ZHANG obtained his Master's Degree in World Economy from Peking University.

Mr. YANG Yu, born in 1964, is currently a Vice Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also a member of the Supervisory Committee of the Board of Supervisors, and President of Beijing Branch of the Bank. Mr. YANG joined the Bank in 1996 and successively served as Division Director, a Deputy General Manager and then Deputy General Manager (in charge) of the Credit Management Department of the Head Office, a Deputy General Manager of the Beijing Administration Department, President of the Real Estate Finance SBU and General Manager of the Investment Banking Department of the Bank. From July 1989 to 1996, Mr. YANG successively served as a lecturer of Beijing Institute of Fashion Technology and a manager of the business department of Huayin International Merchants Company of Industrial and Commercial Bank of China, and from February 2012 to September 2016, he served as the president of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司). Mr. YANG obtained his Master's Degree in Economics, majoring in Business Management of Industrial Economics Department from Renmin University of China.

Mr. LU Zhongnan, born in 1955, is currently a Shareholder Supervisor of the Bank and is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors of the Bank. Mr. LU is currently an independent director of Yantai Bank Co., Ltd. and Harbin Bank Financial Leasing Co., Ltd. (哈銀金融租賃有限責任公司). Mr. LU was previously a division director of the PBOC Heilongjiang branch, a vice president of the PBOC Harbin branch, a vice president and then an executive vice president of the PBOC Heilongjiang branch, a vice president of the PBOC Shenyang Branch. He was previously also a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), a director of New China Life Insurance Co., Ltd. (listed on the SSE (stock code: 601336) and on the SEHK (stock code: 01336)), a vice chairman and the president of China Minzu Securities Co., Ltd., the chairman of Shenzhen New Industries Venture Capital Co., Ltd., a director, a vice chairman, and the chairman of the executive committee of the board of directors of New China Trust Co., Ltd. and an independent director of Qilu Bank Co., Ltd. (listed on the National Equities Exchange and Quotations (stock code: 832666)). Mr. LU graduated from the postgraduate course for advanced studies in economic management from Heilongjiang Provincial Academy of Social Sciences. He is currently a senior economist.

Mr. LI Yu, born in 1974, is currently a Shareholder Supervisor of the Bank. He is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. LI is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司) and the CEO of Ranger-Duree Healthcare Management Group Co., Ltd. Mr. LI was previously the executive president of Shandong Yatai Zhonghui Group Co., Ltd. (山東亞太中慧集團) and a vice president of Pacific Alliance Group. Mr. LI obtained his Master's Degree in Economics (majoring in Finance) from the School of Finance of Renmin University of China.

Mr. WANG Yugui, born in 1951, is an External Supervisor of the Bank and a member of the Supervisory Committee and Chairman of the Nomination and Examination Committee of the Board of Supervisors. Mr. WANG is an external supervisor of Bank of Hebei Co., Ltd., and an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade. Mr. WANG was the general manager of China Shipowners Mutual Assurance Association, and an executive council member of China Maritime Law Association and the China Association of Trade in Services. He was also a non-executive director and a supervisor of China Everbright Bank (listed on the SSE (stock code: 601818) and on the SEHK (stock code: 06818)), a Non-Executive Director of the first to sixth sessions of the Board of the Bank and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. WANG graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. ZHAO Fugao, born in 1955, is an External Supervisor of the Bank and a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHAO served as a staff member, a deputy principal staff member, a deputy division director, a division director, a vice president and the president of the CCB (listed on the SSE (stock code: 601939)) and on the SEHK (stock code: 00939) Sichuan branch, during which he concurrently served as the president of the CCB Chengdu branch. He was also the general manager of the personal deposit and investment department of the CCB head office, and the person in charge of the preparatory team of insurance business of CCB. He was also the president and a vice chairman of CCB Life Insurance Company Limited (which was renamed as CCB Life Insurance Co., Ltd. in 2016) and the head of the preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Insurance Asset Management Company Limited. Mr. ZHAO obtained his Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in January 1982. He is a senior economist and an expert with special allowances of the State Council.

Mr. ZHANG Liqing, born in 1963, is an External Supervisor of the Bank and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG currently works in the Central University of Finance and Economics as a professor of the School of Finance (a doctoral supervisor), the director of the Centre for International Finance Studies, and the director of Collaborative Innovation Centre for Global Financial Governance. He is also an independent non-executive director of E-Star Commercial Management Company Limited (listed on the SEHK (stock code: 06668)) and an independent non-executive director of Poly Property Services Co., Ltd. (listed on the SEHK (stock code: 06049)). Mr. ZHANG served as the dean of the School of Finance, a deputy director of the finance department and a director of the international finance teaching and research office of the Central University of Finance and Economics. He was also a visiting research fellow at the Fairbank Centre for Chinese Studies of Harvard University, a visiting research fellow at the Earth Institute of Columbia University, a senior visiting research fellow at the Peterson Institute for International Economics, a visiting scholar at the Economic Development Institute of the World Bank, a guest professor at the College of Asia and the Pacific of Australian National University, a guest professor at the Business School of University of Birmingham, and a guest professor at the German University of Applied Sciences. He was an independent director of China Securities Co., Ltd., an independent director of Poly Developments and Holdings Group Co., Ltd. (listed on the SSE (stock code: 600048)), an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the SEHK (stock code: 00628)) and an independent director of Bank of Ruifeng. Mr. ZHANG obtained his Ph.D. Degree in Economics from Renmin University of China (majoring in global economics).

Mr. GONG Zhijian, born in 1967, is an Employee Supervisor of the Bank and a member of the Supervisory Committee of the Board of Supervisors. He is also General Manager of the Human Resources Department of the Head Office of the Bank. Mr. GONG joined the Bank in 2001 and successively served as General Manager of the Human Resources Department of Shenzhen Branch, Division Director of the Human Resources Management Division, Division Director of the Remuneration and Compensation Management Division, an Assistant General Manager then a Deputy General Manager of the Human Resources Department of the Head Office, a Deputy General Manager (in charge) and then General Manager of the Development Planning Department of the Head Office, and President of Chengdu Branch. Prior to joining the Bank, Mr. GONG successively served as a teaching assistant of the lecturers' group and an officer of the corporate communications department of the publicity department of the CPC Yiyang Municipal Committee of Hunan Province, a deputy section chief of the social development planning section of Yiyang Municipal Commission of Planning of Hunan Province and the general manager of the personnel and education department of Zhuhai City Commercial Bank of Guangdong Province from July 1991 to February 2001. Mr. GONG obtained his Ph.D. Degree in Business Administration from Wuhan University.

Senior Management

Mr. ZHENG Wanchun is a Vice Chairman and President of the Bank. Please refer to his biography in “Directors – Executive Directors”.

Mr. YUAN Guijun is an Executive Director and an Executive Vice President of the Bank. Please refer to his biography in “Directors – Executive Directors”.

Ms. CHEN Qiong, born in 1963, is an Executive Vice President of the Bank. Ms. CHEN has been an Executive Vice President of the Bank since June 2018. Before joining the Bank, she was a deputy head of the discipline inspection group at the former CBRC designated by the CPC Central Commission for Discipline Inspection from 2016 to 2018 (director-general level), a deputy secretary of the disciplinary inspection committee and the director-general of the staff compliance and disciplinary bureau of the former CBRC from 2014 to 2016, the director-general of the former CBRC Anhui office from 2011 to 2014, a deputy director-general of the non-bank financial institutions supervision department of the former CBRC from 2006 to 2011, and a deputy director-general of the former CBRC Fujian office from 2005 to 2006. She also worked as a principal staff member, a deputy division director, a researcher and a division director in the law and regulation department of the former CBRC as well as in the banking management department, the Tianjin branch, the banking supervision department I, the audit supervision bureau, the education department, and other departments and bureaus of the PBOC. Ms. CHEN is a deputy to the 12th NPC and a representative of the ninth session of the Congress of the CPC in Anhui Province. Ms. CHEN obtained her Master’s Degree in Public Administration from Columbia University in the United States and Ph.D. Degree in Finance from Hunan University.

Mr. SHI Jie, born in 1965, is an Executive Vice President of the Bank. Mr. SHI joined the Bank in 1998 and served as General Manager of Planning and Finance Department of Shijiazhuang Sub-Branch of the Bank. He successively served as General Manager of the Business Department of Shijiazhuang Branch since March 2001, Deputy Division Director (in charge) of the Risk Management Department of Head Office of the Bank since July 2001, an Assistant General Manager and a Deputy General Manager of the Credit Assessment Department of Head Office since February 2004, Head of the Preparatory Team and President of Changchun Branch since June 2008, General Manager of the Credit Assessment Department of Head Office since August 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. SHI served as a section chief of the finance division of Hebei University of Economics and Business from 1995 to 1998 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. SHI obtained his Master’s Degree in Management from Tianjin Institute of Finance and Economics.

Ms. LI Bin, born in 1967, is an Executive Vice President of the Bank. Ms. LI joined the Bank in 1995 and served as Division Director (in charge) of the Capital Division of the International Business Department of the Bank. She served as a Deputy General Manager of the Financial Institutions Department since October 2000, General Manager of the Derivatives Products Department since May 2007, President of the Financial Markets Department since May 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Ms. LI worked in the international department of the Beijing branch of Agricultural Bank of China from August 1990 to July 1995. Ms. LI obtained her Ph.D. Degree in Finance from the School of Finance of Renmin University of China.

Mr. LIN Yunshan, born in 1970, is an Executive Vice President of the Bank and the chairman of the board of supervisors of China UnionPay Co., Ltd. Mr. LIN joined the Bank in 2001, and successively served as Division Director of the Bills Business Division of the Corporate Business Department from 2002 to 2003, an Assistant General Manager of the Corporate Business Department from 2003 to 2005, a Vice President of Shenzhen Branch from 2005 to 2007, Director of the Office of Corporate Banking Management Committee and then General Manager of the Corporate Banking Department from 2007 to 2012, and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. LIN worked for the PBOC as a deputy principal staff member and a principal staff member of the payment and settlement division of the accounting department from 1993 to 1998, a principal staff member of the payment system division of the payment technology department from 1998 to 1999 and a principal staff member of the CCB supervisory division of the supervisory department I from 1999 to 2001. Mr. LIN obtained his Master's Degree in Economics from Renmin University of China.

Ms. BAI Dan, born in 1963, is the Chief Financial Officer and Board Secretary of the Bank. Ms. BAI joined the Bank in 2000 as a Deputy General Manager of the Planning and Finance Department. She also served as a Deputy General Manager and General Manager of the Accounting and Settlement Department and General Manager of the Finance and Accounting Department of the Bank since January 2002 and December 2008, respectively. Prior to joining the Bank, Ms. BAI worked for the Bank of Communications as an assistant general manager, a deputy general manager and then general manager of the accounting department of the Dalian branch from 1993 to 2000, and an accountant, a deputy section chief then section chief of the Dalian development area sub-branch from 1988 to 1993. Ms. BAI obtained her MBA Degree from Beijing Jiaotong University. She is now an accountant.

Mr. ZHANG Bin, born in 1967, is Chief Information Officer of the Bank. Prior to joining the Bank, Mr. ZHANG served as the chief information officer of Ping An Bank from 2018 to 2021, a member of the preparatory team, a vice president and chief information officer, and an executive director of Zhongyuan Bank from 2014 to 2017, an assistant general manager, the deputy general manager (in charge), the general manager, and the technical director of the IT department of the head office of CITIC Bank from 2005 to 2014, an engineer, a manager, an assistant general manager, and a deputy general manager of the IT department of the Beijing branch of China Merchants Bank from 1996 to 2005, and an engineer of the technology section of No.1 Radio Factory in Huainan City of Anhui Province from 1989 to 1993. Mr. ZHANG obtained his Master's Degree in Software Engineering from the Institute of Software of the Chinese Academy of Sciences and EMBA Degree from China Europe International Business School.

Joint Company Secretaries

Ms. BAI Dan is the Chief Financial Officer and Board Secretary of the Bank. Please refer to her biography in “Senior Management”.

Ms. WONG Wai Yee, Ella, aged 47, currently works as a director of corporate services of Tricor Services Limited (hereinafter referred to as “Tricor”). Ms. WONG is a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Chartered Governance Institute (formerly the Institute of Chartered Secretaries and Administrators). Ms. WONG is a holder of the Practitioner’s Endorsement from HKICS. Ms. WONG has over 20 years of experience in the corporate secretarial field. (Note: The Bank has engaged Tricor as an external service provider and appointed Ms. WONG as the Bank’s Company Secretary/Joint Company Secretary since 20 February 2017.)

(VI) Changes of information of Directors and Supervisors

1. Mr. GAO Yingxin, Chairman and an Executive Director of the Bank, ceased to serve as a member of the 13th CPPCC National Committee.
2. Mr. YUAN Guijun, an Executive Director and an Executive Vice President of the Bank, began to serve concurrently as the chairman of Minsheng Financial Leasing in October 2022.
3. Mr. LIU Yonghao, a Vice Chairman and a Non-Executive Director of the Bank, became a member of the 14th CPPCC National Committee, and ceased to serve as a vice president of China Association of Agricultural Leading Enterprises.
4. Mr. WENG Zhenjie, a Non-Executive Director of the Bank, ceased to serve as a director of the Hefei Science & Technology Rural Commercial Bank, a deputy officer of the 11th Central Financial Committee of CNDCA, and a standing member of the 5th CPPCC Chongqing Municipal Committee.
5. Mr. LIU Jipeng, an Independent Non-Executive Director of the Bank, was appointed as an independent director of Ucap Cloud Information Technology Co., Ltd. (listed on the SSE (stock code: 688228)).
6. Mr. XIE Zhichun, an Independent Non-Executive Director of the Bank, ceased to serve as the chairman and an executive director of China Fortune Financial Group Limited (renamed after Mr. XIE’s resignation, currently known as GoFintech Innovation Limited, and listed on the SEHK (stock code: 00290)).
7. Mr. LIU Ningyu, an Independent Non-Executive Director of the Bank, became a standing committee member of the 5th national committee of the Trade Union of Financial and Commercial Workers, Light Industry and Textile Workers, Tobacco Industry Workers of the All-China Federation of Trade Unions (中華全國總工會中國財貿輕紡煙草工會) and the rotating chairman of Liaoning Institute of Certified Public Accountants.

8. Mr. LU Zhongnan, a Supervisor of the Bank, was appointed as an independent director of Harbin Bank Financial Leasing Co., Ltd.
9. Mr. WANG Yugui, a Supervisor of the Bank, ceased to serve as an independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd.

(VII) Service contracts of Directors and Supervisors

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Bank has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association and the provisions of arbitration. Except as disclosed above, the Bank has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Bank within one year without payment of compensation, other than statutory compensation).

(VIII) Directors' interests in competing business

Mr. LU Zhiqiang, a Non-Executive Director of the Bank, is related to Oceanwide Industrial Co., Ltd., which holds 7.72% of the shares of China Bohai Bank Co., Ltd. ("China Bohai Bank"). To the best knowledge of the Bank, China Bohai Bank is a national joint-stock commercial bank established in December 2005. As at 30 June 2022, the unaudited total assets, net assets, net assets per share, deposits and loans of China Bohai Bank were RMB1,662,017 million, approximately RMB109,423 million, RMB5.04, RMB875,291 million and RMB972,262 million, respectively. In addition, in accordance with the Articles of Association, Mr. LU Zhiqiang shall abstain from voting on the proposals in relation to China Bohai Bank. As such, the interest of Mr. LU Zhiqiang in China Bohai Bank is not in conflict with his duties as a Director of the Bank.

Mr. LIU Yonghao, a Non-Executive Director of the Bank, is a director of Sichuan Xinwang Bank Co., Ltd. ("Sichuan Xinwang Bank") and holds 30% equity interest of Sichuan Xinwang Bank through New Hope Group Co., Ltd., which is controlled by him. To the best knowledge of the Bank, Sichuan Xinwang Bank was established on 28 December 2016 upon the approval by China's banking regulatory authorities and is an internet-based bank with scope of business including taking deposits from the general public, granting loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; engaging in the business of bank cards; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent. As at 31 December 2022, the unaudited total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB84,820 million, RMB6,434 million, RMB2.14, RMB48,547 million and RMB63,011 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Bank in terms of operation mode and operation scale. Mr. LIU Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association, Mr. LIU Yonghao shall abstain from voting on the proposals in relation to Sichuan Xinwang Bank. As such, the interest of Mr. LIU Yonghao in Sichuan Xinwang Bank is not in conflict with his duties as a Director of the Bank.

Mr. WU Di, a Non-Executive Director of the Bank, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity of Hangzhou United Bank. To the best knowledge of the Bank, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from agriculture, rural areas and farmers, and local communities as well as SMEs. Hangzhou United Bank is a joint-stock banking financial institution with a registered capital of RMB2,127 million. As at 31 December 2022, the unaudited total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB379,958 million, RMB27,347 million, RMB12.54, RMB284,580 million and RMB227,440 million, respectively. Therefore, Hangzhou United Bank is very different from the Bank in terms of scale and geographical coverage of business. Mr. WU Di is just one of the directors and not the chairman of the board of directors of Hangzhou United Bank. In addition, in accordance with the Articles of Association, Mr. WU Di shall abstain from voting on the proposals in relation to Hangzhou United Bank. As such, the interest of Mr. WU Di in Hangzhou United Bank is not in conflict with his duties as a Director of the Bank.

Mr. WENG Zhenjie, a Non-Executive Director of the Bank, is a director of Chongqing Three Gorges Bank Co., Ltd. ("Chongqing Three Gorges Bank") and has no interest in the equity. To the best knowledge of the Bank, Chongqing Three Gorges Bank is a joint-stock city commercial bank established in February 2008. As at 30 June 2022, the unaudited total assets and net assets of Chongqing Three Gorges Bank were RMB254,040 million and approximately RMB20,880 million, respectively. Therefore, Chongqing Three Gorges Bank is very different from the Bank in terms of scale and geographical coverage of business. Mr. WENG Zhenjie is just one of the directors and not the chairman of the board of directors of Chongqing Three Gorges Bank. In addition, in accordance with the Articles of Association, Mr. WENG Zhenjie shall abstain from voting on the proposals in relation to Chongqing Three Gorges Bank. As such, the interest of Mr. WENG Zhenjie in Chongqing Three Gorges Bank is not in conflict with his duties¹⁰ as a Director of the Bank.

Save as disclosed above, none of other Directors of the Bank holds any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Bank.

¹⁰ In accordance with regulatory rules, Directors shall perform duties upon the CBIRC's approval on their qualifications as Directors.

(IX) Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations

1. As at 31 December 2022, the following Directors and Supervisors of the Bank had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of shares of relevant class in issue	Percentage of all the issued ordinary shares (%)
GAO Yingxin	Executive Director	A	Long position	Beneficial owner	200,000		0.0006	0.0005
		H	Long position	Beneficial owner	300,000		0.0036	0.0007
ZHENG Wanchun	Executive Director	A	Long position	Beneficial owner	180,000		0.0005	0.0004
		H	Long position	Beneficial owner	250,000		0.0030	0.0006
YUAN Guijun	Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
LIU Yonghao	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
LU Zhiqiang	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,803,182,618	3	5.08	4.12
		H	Long position	Interest held by his controlled corporation(s)	750,980,970	4	9.03	1.72
		H	Short position	Interest held by his controlled corporation(s)	604,300,950	4	7.26	1.38
SHI Yuzhu	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	5	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	6	8.58	1.63
ZHANG Hongwei	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	7	3.71	3.00

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Note	Percentage of shares of relevant class in issue	Percentage of all the issued ordinary shares (%)
LIU Jipeng	Independent Non-Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
ZHANG Juntong	Employee Supervisor	A	Long position	Beneficial owner	150,000		0.0004	0.0003
		H	Long position	Beneficial owner	200,000		0.0024	0.0005

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares as mentioned above.

Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Annual Report, were the same block of shares.

2. The 240,789,500 H shares were held by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares as mentioned above.
4. The 750,980,970 H shares comprised 8,237,520 H shares held by China Oceanwide International Investment Company Limited, 604,300,950 H shares held by Oceanwide International Equity Investment Limited and 138,442,500 H shares held by Long Prosper Capital Company Limited. The 604,300,950 H shares (short position) were held by Oceanwide International Equity Investment Limited. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 750,980,970 H shares and 604,300,950 H shares (short position) as mentioned above through direct and indirect control over several enterprises. As Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the H shares and short positions as mentioned above.
5. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. According to the SFO, Giant Investment Co., Ltd. has control over Shanghai Giant Lifetech Co., Ltd. As Mr. SHI Yuzhu held 97.86% of the issued share capital of Giant Investment Co., Ltd., he was deemed to be interested in the 1,379,679,587 A shares as mentioned above.

6. The 713,501,653 H shares were held by Alpha Frontier Limited. According to the SFO, Shanghai Cibi Business Information Consulting Co., Ltd. has control over Alpha Frontier Limited. Giant Investment Co., Ltd. (see note 5 above) was deemed to be interested in the 713,501,653 H shares held by Alpha Frontier Limited through its control over Shanghai Cibi Business Information Consulting Co., Ltd.
7. The 1,315,117,123 A shares comprised 1,280,117,123 A shares held by Orient Group Incorporation and 35,000,000 A shares held by Orient Group Co., Ltd. Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司) has direct and indirect control over Orient Group Incorporation and Orient Group Co., Ltd. Mr. ZHANG Hongwei was deemed to be interested in the 1,315,117,123 A shares as mentioned above through wholly-owning Mingze Orient Investment Co., Ltd.

2. As at 31 December 2022, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

3. As at 31 December 2022, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24 million of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the issued share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

4. As at 31 December 2022, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB1,500,000	2	6

Notes:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB2.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the issued share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.
2. South Hope Industrial Co., Ltd. is interested in RMB1.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. LIU Yonghao had control over New Hope Group Co., Ltd., which had control over South Hope Industrial Co., Ltd. Mr. LIU Yonghao was deemed to be interested in the equity interest held by South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as far as the Bank is aware, as at the end of the Reporting Period, none of other Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had any Directors, Supervisors or chief executives been granted such rights.

(X) Contractual rights and interests and service contracts of Directors and Supervisors

During the Reporting Period, Directors and Supervisors of the Bank and entities connected with a Director or Supervisor of the Bank had no material interest in the significant contracts that the Bank or any of its subsidiaries entered into. None of the Directors and Supervisors of the Bank has entered into any service contract with the Bank which is not terminable by the Bank within one year without payment of compensation (excluding statutory compensation).

(XI) Financial, business and family relationships among Directors, Supervisors and Senior Management

The Bank has made enquiries to confirm that, there is no relationship between the members of the Board and the Board of Supervisors (including financial, business, family or other material or relevant relationships).

VI. Board of Directors

The Board of Directors is responsible to the Shareholders' General Meeting and is the decision-making body of the Bank, and its functions and powers are exercised collectively by the Board of Directors.

(I) Composition of the Board of Directors and its performance

As at the end of the Reporting Period, the Board of the Bank had 18 members, of which nine were Non-Executive Directors, three were Executive Directors and six were Independent Non-Executive Directors. All Non-Executive Directors held key positions in large renowned enterprises and were experienced in management, finance and accounting, while the three Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-Executive Directors were renowned experts in economics, finance, accounting and law respectively. One of them was from Hong Kong and was familiar with the IFRS and regulations of the Hong Kong capital market and equipped with extensive banking management experience.

The structure of the Board embodies qualities including professionalism, independence and diversity, which helps ensure that the Board can make decision in a rational manner.

The Bank considers diversified composition of the Board is beneficial to enhance the operating quality of the Bank. Therefore, the Bank formulated the Policy of Board Diversity (《董事會成員多元化政策》) in August 2013, specifying that the Bank should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified Board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Nomination Committee shall supervise the implementation of the Policy of Board Diversity, and shall analyse and assess the structure, composition and diversity of members of the Board based on the requirements for diversified composition of the Board and make suggestions to the Board for implementation of the strategies of the Bank annually.

After examining the diversity of the Board, the Board was proactive in seeking candidates for female independent non-executive directors to achieve gender diversity in the Board. The Resolution on Nominating Ms. WEN Qiuju as a Candidate for Independent Director of the Eighth Session of the Board of the Bank (《關於提名溫秋菊女士為本行第八屆董事會獨立董事候選人的議案》) was considered and approved at the 28th meeting of the eighth session of the Board on 28 October 2022 and will be submitted to the shareholders' general meeting for election. After the election is approved at the shareholders' general meeting, Ms. WEN Qiuju's qualification as a Director remains to be approved by the CBIRC.

(II) Duties of the Board of Directors

In accordance with the Articles of Association of the Bank, the Board of Directors mainly exercises the following functions and powers: to convene shareholders' general meetings and implement the resolutions of shareholders' general meetings, to formulate major objectives, policies and development strategies of the Bank; to decide on the Bank's operating plans, investment plans and internal management units setting; to formulate annual financial budget, final accounts and profit distribution plans; to appoint or remove senior executives and decide on matters relating to their remuneration, rewards and punishments; to formulate the Bank's basic management system; to manage the Bank's information disclosure; to review work reports of the President of the Bank and examine the President's performance; and to execute other duties and powers authorised by laws and regulations, department rules or the Articles of Association of the Bank. The Board of Directors shall continuously examine and update various corporate governance policies and systems such as the Articles of Association of the Bank in accordance with the laws and regulations applicable to the Bank, department rules and listing rules, and ensure that the Bank complies with the policies and systems.

(III) Responsibilities of corporate governance of the Board of Directors

The corporate governance of the Bank is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Bank; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Bank; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Bank with the provisions of the Corporate Governance Code (《企業管治守則》) and disclosure in the Corporate Governance section in the Annual Report.

During the Reporting Period, through review and confirmation, the duty performance of the Board of the Bank abided by the provisions as set out in Appendix XIV to the Hong Kong Listing Rules.

(IV) Attendance of the Directors at meetings in 2022

		Special Committees of the Board						
		Strategic Development and Consumer Rights Protection Committee	Nomination Committee	Compensation and Remuneration Committee	Risk Management Committee	Audit Committee	Related Party Transactions Supervision Committee	Shareholders' General Meeting
Director	Board of Directors							
Attendance in person/Number of meetings								
Executive Directors								
GAO Yingxin	14/14	12/12	8/8	6/6				1/1
ZHENG Wanchun	14/14	12/12			13/13			1/1
YUAN Guijun	14/14				13/13		8/8	1/1
Non-Executive Directors								
ZHANG Hongwei	14/14	12/12	8/8					1/1
LU Zhiqiang	14/14	12/12	8/8					1/1
LIU Yonghao	14/14	12/12	8/8					1/1
SHI Yuzhu	14/14	12/12	8/8					1/1
WU Di	14/14			6/6	13/13		8/8	1/1
SONG Chunfeng	14/14				13/13	7/7	8/8	1/1
WENG Zhenjie	14/14	12/12		6/6		7/7		1/1
YANG Xiaoling	14/14			6/6				1/1
ZHAO Peng	14/14	12/12			13/13			1/1
Independent Non-Executive Directors								
LIU Jipeng	14/14		8/8	6/6			8/8	1/1
LI Hancheng	14/14		8/8	6/6	13/13		8/8	1/1
XIE Zhichun	14/14		8/8	6/6	13/13			1/1
PENG Xuefeng	14/14		8/8	6/6		7/7		1/1
LIU Ningyu	14/14		8/8	6/6	13/13	7/7	8/8	1/1
QU Xinjiu	14/14		8/8			7/7	8/8	1/1

Notes:

1. According to the Working Rules for Involvement of Independent Directors in the Preparation of Annual Report (《獨立董事年報工作制度》) of the Bank, Independent Directors shall be invited to attend the meetings of the Audit Committee of the Board to consider issues related to annual report. Mr. LIU Jipeng, Mr. LI Hancheng and Mr. XIE Zhichun attended two meetings of the Audit Committee as non-voting delegates;
2. In order to give full play to the responsibility of Independent Directors to provide independent and impartial opinions on related party transactions, Independent Directors XIE Zhichun and PENG Xuefeng were invited to attend three meetings of the Related Party Transactions Supervision Committee as non-voting delegates;
3. The Directors only attended but refrained from voting at the meetings prior to the CBIRC's approval on their qualifications

(V) Board meetings and resolutions

During the Reporting Period, the Board of Directors of the Bank convened a total of 14 meetings, considered 104 proposals, and received briefings on 72 matters. These meetings included 7 on-site meetings and 7 offline meetings.

Meeting	Date	Publication	Date of disclosure
17th meeting of the eighth session of the Board	27 January 2022	Shanghai Securities News, China Securities Journal, Securities Times	28 January 2022
18th meeting of the eighth session of the Board	28 February 2022	Shanghai Securities News, China Securities Journal, Securities Times	1 March 2022
19th meeting of the eighth session of the Board	29 March 2022	Shanghai Securities News, China Securities Journal, Securities Times	30 March 2022
20th meeting of the eighth session of the Board	29 April 2022	Shanghai Securities News, China Securities Journal, Securities Times	30 April 2022
21st meeting of the eighth session of the Board	31 May 2022	Shanghai Securities News, China Securities Journal, Securities Times	1 June 2022
22nd meeting of the eighth session of the Board	28 June 2022	Shanghai Securities News, China Securities Journal, Securities Times	29 June 2022
23rd meeting of the eighth session of the Board	18 July 2022	Shanghai Securities News, China Securities Journal, Securities Times	19 July 2022
24th meeting of the eighth session of the Board	29 July 2022	Shanghai Securities News, China Securities Journal, Securities Times	30 July 2022
25th meeting of the eighth session of the Board	26 August 2022	Shanghai Securities News, China Securities Journal, Securities Times	27 August 2022
26th meeting of the eighth session of the Board	15 September 2022	Shanghai Securities News, China Securities Journal, Securities Times	16 September 2022
27th meeting of the eighth session of the Board	28 September 2022	Shanghai Securities News, China Securities Journal, Securities Times	29 September 2022
28th meeting of the eighth session of the Board	28 October 2022	Shanghai Securities News, China Securities Journal, Securities Times	29 October 2022
29th meeting of the eighth session of the Board	30 November 2022	Shanghai Securities News, China Securities Journal, Securities Times	1 December 2022
30th meeting of the eighth session of the Board	28 December 2022	Shanghai Securities News, China Securities Journal, Securities Times	29 December 2022

Notes:

1. The “on-site meetings” refer to meetings held on-site, or through telephone and video that ensure timely communication and discussion among participants;
2. The “offline meetings” refer to meetings where proposals are separately delivered or circulated for consideration to make resolutions.

(VI) Independence and performance of Independent Non-Executive Directors

The qualifications, number, and proportion of Independent Non-Executive Directors of the Bank meet regulatory provisions. None of the Independent Non-Executive Directors have any business or financial interests in the Bank and its subsidiaries; nor do they assume any management roles of the Bank. The Bank has received the annual confirmation letter from each Independent Non-Executive Director regarding his or her independence in accordance with Article 3.13 of the Hong Kong Listing Rules and has recognised their independence.

During the Reporting Period, the Bank held two special meetings of Independent Non-Executive Directors, where the Independent Non-Executive Directors received briefings on reports regarding the reform of corporate business marketing system and reform of human resources of the Bank, and provided suggestions on anti-money laundering, consumer rights protection, and other aspects of the Bank. These Independent Non-Executive Directors attended the Board meetings and meetings of the special committees of the Board conscientiously and expressed independent opinions on matters such as major related-party transactions, nomination of Directors, remuneration of Directors and Senior Management, and appointment of accounting firms. The Board has adopted an on-duty policy of Independent Non-Executive Directors since March 2007 and all the Independent Non-Executive Directors have complied with the on-duty policy. Centring on matters including the reform of marketing system for ecosystem finance and strategic clients, the new risk control system for small business, and management of subsidiaries, the Independent Non-Executive Directors conducted special discussions or special investigations and researches and proposed highly constructive opinions and suggestions. The Bank attached great importance to relevant opinions and suggestions and has implemented them accordingly based on the actual situation.

During the Reporting Period, none of the Independent Non-Executive Directors has raised objections to the proposals of the Board of Directors and its special committees. For details of the performance of the Independent Non-Executive Directors, please refer to the 2022 Work Report of Independent Directors (《2022年度獨立董事述職報告》) published by the Bank on 27 March 2023.

(VII) Chairman of the Board of Directors and President

The roles and duties of Chairman of the Board of Directors and President of the Bank are performed by different persons with clearly defined responsibilities in line with the Hong Kong Listing Rules.

During the Reporting Period, Mr. GAO Yingxin served as Chairman of the Board of Directors of the Bank. He was responsible for leading the Board and acting as Chairman of the Board meetings, and ensuring that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for managing the operation of the Board and ensuring that the Board discussed all major and relevant issues in a timely and constructive manner. To achieve this, Chairman of the Board collaborated with the relevant Senior Management to ensure that the Directors receive appropriate, complete and reliable information for their consideration and review.

During the Reporting Period, Mr. ZHENG Wanchun served as President of the Bank. He was responsible for the business operation of the Bank, the implementation of strategies and business plans of the Bank, and the daily operation and management of the Bank.

(VIII) Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned code for the year ended 31 December 2022. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) Responsibility statement of Directors regarding preparation of financial statements

All Directors of the Bank had acknowledged their responsibilities for the preparation of the financial statements of the Bank for the year ended 31 December 2022.

VII. Special Committees of the Board of Directors

The Board of Directors of the Bank has the following six special committees: the Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Risk Management Committee, the Audit Committee, and the Related Party Transactions Supervision Committee. Except for the Strategic Development and Consumer Rights Protection Committee, all other special committees have an Independent Non-Executive Director as chairman. Independent Non-Executive Directors account for more than 50% of members in the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, and the Related Party Transactions Supervision Committee.

The composition of special committees of the Board of Directors of the Bank was as follows:

Special Committee	Members
Strategic Development and Consumer Rights Protection Committee	GAO Yingxin (chairman), ZHANG Hongwei, LU Zhiqiang, LIU Yonghao, ZHENG Wanchun, SHI Yuzhu, WENG Zhenjie, ZHAO Peng
Nomination Committee	PENG Xuefeng (chairman), GAO Yingxin, ZHANG Hongwei, LU Zhiqiang, LIU Yonghao, SHI Yuzhu, LIU Jipeng, LI Hancheng, XIE Zhichun, LIU Ningyu, QU Xinjiu
Compensation and Remuneration Committee	LIU Jipeng (chairman), GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, LI Hancheng, XIE Zhichun, PENG Xuefeng, LIU Ningyu
Risk Management Committee	XIE Zhichun (chairman), ZHENG Wanchun, WU Di, SONG Chunfeng, ZHAO Peng, LI Hancheng, LIU Ningyu, YUAN Guijun
Audit Committee	LIU Ningyu (chairman), SONG Chunfeng, WENG Zhenjie, PENG Xuefeng, QU Xinjiu
Related Party Transactions Supervision Committee	LI Hancheng (chairman), WU Di, SONG Chunfeng, LIU Jipeng, LIU Ningyu, QU Xinjiu, YUAN Guijun

(I) Strategic Development and Consumer Rights Protection Committee

1. Main duties

Studying and reviewing long-term development strategies and mid- to long-term development outlines, supervising and evaluating the implementation of the strategies; studying and reviewing the development and strategic planning, basic management system, and the annual business plan of the inclusive finance business; studying and reviewing the strategies, policies and goals, work plans and reports regarding consumer rights protection; reviewing the performance of social responsibilities in respect of the economy, environmental protection and public welfare; studying and reviewing major events related to data governance; studying and formulating relevant systems for external investments, proposing suggestions and plans for material investment decisions of the Bank; managing the consolidated financial statements of the Group, including the Bank and its subsidiaries; studying and formulating relevant systems for external merger and acquisition, studying strategies for merger and acquisition and proposing implementation plans.

2. Duty performance

During the Reporting Period, the Strategic Development and Consumer Rights Protection Committee convened a total of 12 meetings on 25 January, 19 February, 29 March, 13 April, 28 June, 29 July, 15 August, 26 August, 6 September, 28 October, 16 November and 28 December, respectively, considered 35 proposals, and received briefings on 14 reports. With a focus on advancing the Bank to implement national policies and regulatory requirements, the Committee constantly improved the strategic management system, reviewed business plans, capital strategies and other plans, conducted evaluations on the implementation of strategies, put forward supervision opinions, and promoted effective implementation of strategies. The Committee made researches on inclusive finance, small business finance, consumer rights protection, and other important issues, studied regulatory inspection and evaluation circulars, supervised rectification of problems, and advanced the Bank to fully implement national policies and regulatory requirements. The Committee regularly reviewed work reports on social responsibility and ESG to advance the Bank to actively perform its social responsibility. The Committee revised data governance guidelines and improved data governance and management of the Bank. The Committee strengthened management of consolidated statements and subsidiaries, improved policy systems, and regularly received briefings on work reports.

(II) Nomination Committee

1. Main duties

Studying and formulating procedures and standards of selection and appointment of Directors and Senior Management of the Head Office and making suggestions to the Board of Directors regarding the candidates for Directors and for Senior Management of the Head Office; conducting pre-appointment qualification examinations for the newly appointed branch presidents, president of the Credit Card Centre, person in charge of finance, and candidates to be dispatched as the chairman, chairman of the board of supervisors and general managers of subsidiaries; examining the qualifications of candidates for Independent Directors, and annually examining the independence and performance of Independent Directors; formulating work procedures for adding members of Directors and Senior Management of the Head Office under special circumstances and carrying out the nomination for adding members when appropriate; guiding and urging the establishment and improvement of the comprehensive database for development and management personnel of the Bank; according to the development strategy of the Bank, annually analysing and evaluating the structure, number and diversity of the Board of Directors, and making suggestions to the Board of Directors.

2. Nomination procedures and process by the Nomination Committee

The procedures for nominating Directors of the Bank are as follows: (1) The Nomination Committee of the Board proposes candidates for Directors based on opinions of shareholders extensively collected, shareholders individually or jointly holding 3% or more of shares carrying voting rights of the Bank also have the right to nominate candidates for Directors to the Board; shareholders individually or jointly holding 1% or more of shares carrying voting rights of the Bank, the Nomination Committee of the Board and the Board of Supervisors have the right to nominate candidates for Independent Directors, but the number of candidates nominated shall comply with the Articles of Association of the Bank; (2) The Nomination Committee of the Board conducts preliminary examination of the qualifications of the candidates; (3) The Nomination Committee of the Board submits the list of qualified candidates to the Board for consideration; (4) The Nomination Committee of the Board submits the proposal in written to the Shareholders' General Meeting, which will vote on the candidates one by one; (5) In case of temporary addition of members of Directors, the Nomination Committee of the Board or eligible shareholders propose the candidates to the Board. The list of candidates considered and approved by the Board shall be submitted to the Shareholders' General Meeting for election or replacement; (6) The number of candidates for Directors nominated by a shareholder and its related party shall not exceed one third of the total number of Board members in principle, unless otherwise specified by the state.

3. Duty performance

During the Reporting Period, the Nomination Committee convened a total of eight meetings on 15 February, 14 March, 18 May, 5 July, 10 October, 28 October, 9 November, and 7 December, respectively, and considered 14 proposals. The Committee conscientiously performed its duties in accordance with the Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》) and the Annual Work Plan of the Nomination Committee of the Board (《董事會提名委員會工作計劃》). The Committee examined the independence and duty performance of Independent Non-Executive Directors in their annual work, conducted the selection and nomination of three Independent Directors, and examined the qualifications of seven branch presidents and six senior management of subsidiaries. The Committee effectively conducted daily analysis of the overall structure, number, and diversity of the Board of Directors and evaluated the implementation and improvement of the diversity policy of the Board according to measurable targets. In addition, the Committee introduced "double-secretary system" management to the nomination committees of the boards of directors of subsidiaries, leading to higher work effectiveness and more scientific management of the Committee.

(III) Compensation and Remuneration Committee

The Compensation and Remuneration Committee of the eighth session of the Board has a total of nine members, more than 50% of whom are Independent Non-Executive Directors. There is no Senior Management among the members. The Chairman of the Committee is LIU Jipeng, an Independent Non-Executive Director; members include GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, LI Hancheng, XIE Zhichun, PENG Xuefeng, and LIU Ningyu.

1. Main duties

Studying and formulating remuneration policies and systems of the Directors and Senior Management of the Head Office, making suggestions to the Board and supervising the implementation of remuneration policies and systems; studying and formulating performance evaluation system, performance evaluation standards and plans of the Directors and Senior Management of the Head Office and carrying out regular evaluations; considering and determining the classes of positions and remuneration of Senior Management of the Head Office; studying and formulating the resignation policy of the Directors and Senior Management of the Head Office; determining the remuneration and incentive and restraint plans for Directors and Senior Management of the Head Office, including non-pecuniary benefits, pension and compensations (including compensation for loss of office or appointment or removal from office or appointment which is not due to misconduct or termination of office or appointment) and making suggestions to the Board; studying and formulating share option incentive scheme of the Bank and its subsidiaries and its implementation method; reviewing the material remuneration system of the Bank, making suggestions on improvement and supervising its implementation.

2. Duty performance

During the Reporting Period, the Compensation and Remuneration Committee convened a total of six meetings on 24 January, 14 February, 21 March, 26 September, 21 November, and 1 December, respectively, considered 11 proposals, and received briefings on four reports. The Committee actively conducted various work regarding remuneration and evaluation of Senior Management. The Committee examined the implementation of recourse and recovery of performance-based remuneration of the Bank in 2022; organised duty performance evaluation of Directors for 2021; conducted annual due diligence evaluation of Senior Management, studied and formulated evaluation plan and organised the implementation; considered remunerations for Directors, Supervisors, and Senior Management for 2021; received briefings on the report on evaluation results of major heads of subsidiaries for 2021; and pushed for renewals of liability insurance for Directors, Supervisors, and Senior Management for 2022-2023.

(IV) Risk Management Committee

1. Main duties

Studying the macro-economic situation, regulations, policies and systems issued by regulatory authorities, formulating risk preferences and risk management strategies, examining various major risk management policies, and ensuring the establishment of risk limit; reviewing important systems and procedures, key matters and plans regarding risk management, continuously improving the risk management structure and process, and supervising the Senior Management to effectively identify, measure, monitor, control and address various risks in a timely manner; staying updated on management of various types of risks, receiving briefings on and considering the reports on comprehensive risk management, reports on various specific risks, risk assessment reports and other reports related to risk management, and putting forward guiding opinions on comprehensive risk management; carrying out risk management investigation and research, assessing various risks,, the effectiveness of risk management and the construction and implementation of comprehensive risk management system, reporting risk exposures and trends in a timely manner, putting forward specific rectification requirements and suggestions, and supervising the Senior Management to conduct comprehensive risk management; supervising and reviewing the handling of major risk events in the Bank's operation and management, examining the handling plans for major risk events, and matters in relation to writing off large-amount bad loans, etc.

2. Duty performance

During the Reporting Period, the Risk Management Committee convened a total of 13 meetings on 14 January, 21 February, 15 March, 23 March, 16 May, 8 June, 14 June, 28 June, 10 August, 13 September, 25 October, 21 November, and 13 December, respectively, considered 64 proposals, and received briefings on 41 reports. The Committee considered the annual comprehensive risk management report, proposals on quarterly bad loans write-offs and other proposals, and achieved good results in the performance of risk management. The Committee received briefings on the implementation of risk strategies, further promoted the implementation of various institutional reforms and process optimisation and other key risk management tasks, and continued to improve refined management. Focusing on improving the Board's risk management performance, the Committee strengthened the effectiveness and compliance of the Group's risk management in an all-round manner through measures such as execution, management and supervision, and continuously enhanced the professionalism and compliance of duty performance. In terms of execution, the risk management performance of the Board was continuously improved. Giving full play to its role as a special committee, the Committee considered proposals and made reports on various topics. Meanwhile, the Committee performed its duty in managing bad loans write-off and considered proposals on writing off bad loans. In terms of management, the construction of risk management system and mechanism continued to improve. Adhering to the Party's leadership, the Committee organically combined the mechanism of risk management under the leadership of the Party and the risk governance system of the Board to guide the management to implement the risk management mechanism of

“management under the Party’s leadership, comprehensive management, and active management”, in order to improve risk policy system, and ensure the effective transmission and implementation of risk preferences and strategies. In terms of supervision, the closed-loop management of assessment – rectification – improvement was constantly fortified. The Committee implemented the requirements and suggestions on risk management performance of Directors one by one to give full play to its professional value. Meanwhile, the Committee carried out risk assessment of the Board to improve management.

(V) Audit Committee

The Audit Committee of the Board has three Independent Non-Executive Directors and two Non-Executive Directors. All the three Independent Non-Executive Directors are experts in finance and management. The two Non-Executive Directors are the key persons in charge of renowned companies in China and have extensive experience in management and sufficient professional knowledge in finance and accounting. The Audit Committee is well-structured with sufficient specialty and independence, which ensures the Audit Committee to perform its supervisory duty effectively.

1. Main duties

Supervising and assessing the work of external auditors, making suggestions on the appointment or replacement of external auditors and reviewing the remuneration and terms of engagement of external auditors; examining the financial and accounting policies and practices of the Bank, reviewing regular financial reports to be disclosed by the Bank, and giving opinions on the truthfulness, completeness and accuracy of the information to be disclosed in such financial reports; supervising, evaluating, and guiding internal auditing; supervising the establishment of the internal control system of the Bank and organising the self-evaluation of the internal control of the Bank; coordinating the communications among the management, the internal auditors and external auditors, supervising the management to rectify problems identified during the internal audit, reviewing proposals provided to the management by the external auditors, and assisting the management to respond; reviewing and supervising irregularities whistle-blown by employees of the Bank in financial reports, internal control or other fields to ensure that whistle-blown matters are handled fairly and independently and that appropriate actions are taken.

2. Duty performance

During the Reporting Period, the Audit Committee convened a total of seven meetings on 13 January, 15 March, 20 April, 17 June, 12 August, 19 October, and 21 November, respectively, considered 20 proposals, and received briefings on 20 reports. The Committee continuously supervised the construction of the internal control mechanism of the Bank, considered the internal control evaluation plan and report, and promoted the improvement of the internal control mechanism. The Committee supervised and guided the internal audit, considered the annual internal audit plans, regularly received briefings on reports on internal audit and special audits, guided the internal audit, and urged the management to strengthen problem rectification. The Committee organised and completed evaluation on the work of external auditors and gave suggestions on re-appointment and reviewed external audit expenses. The Committee supervised the external audit, reviewed the external audit plans, and urged the external auditors to exercise due diligence. In addition, the Committee received briefings on management suggestions from external auditors on internal control of the Bank, coordinated the response of the management, and promoted the communication among the management, internal auditors and external auditors.

3. Reviewing regular reports

The main duties of the Audit Committee are reviewing and superising and inspecting the financial declaration procedures and internal monitoring system of the Bank, and issuing opinions to the Board. The Committee has reviewed and confirmed the 2022 Annual Report and the 2022 annual results announcement for the year ended 31 December 2022.

(VI) Related Party Transactions Supervision Committee

1. Main duties

Managing related party transactions of the Bank and controlling related risks, and formulating basic management system for related party transactions; identifying related parties of the Bank and reporting to the Board and the Board of Supervisors; defining related party transactions of the Bank in accordance with laws, regulations, and the Articles of Association; reviewing and filing related party transactions of the Bank in accordance with the commercial principles of justness and fairness with a focus on the compliance, fairness, and necessity of transactions. The material related party transactions of the Bank shall be examined and approved by the Related Party Transactions Supervision Committee and submitted to the Board for approval; If such material related party transactions shall be submitted to the Shareholders' General Meeting for consideration in accordance with laws, administrative regulations, rules, and relevant provisions of the securities regulatory authorities of the place where the Bank's stocks are listed, it shall also obtain the approval of the Shareholders' General Meeting; examining the information disclosure of material related party transactions of the Bank; handling other matters as prescribed by laws, administrative regulations, rules, and provisions of securities regulatory authorities where the Bank's stocks are listed, and matters as authorised by the Board of Directors.

2. *Duty performance*

During the Reporting Period, the Related Party Transactions Supervision Committee convened a total of eight meetings on 18 January, 22 February, 15 March, 14 April, 12 July, 19 September, 27 October, and 15 November, respectively, considered 21 proposals, and received briefings on 7 reports. Focusing on the implementation of the new regulations on related party transactions of the CBIRC, the Committee received briefings on the report on implementation arrangement of the new regulations on related party transactions and the report on work progress in this regard. The Committee further optimised the organisational structure and management mechanism, and supervised the management to set up a cross-departmental Related Party Transactions Management Office. The Committee improved the policy system for related party transactions management by revising the Administrative Measures on Related Party Transactions of China Minsheng Bank (《中國民生銀行關聯交易管理辦法》) and the Terms of Reference of the Related Party Transactions Supervision Committee of the Board (《董事會關聯交易控制委員會工作細則》), etc. The Committee updated the standard for identifying related parties of the Bank, updated related party information of the whole bank, considered and improved the 2022 list of related parties, and implemented continuous and dynamic management of the list. The Committee considered the Group's credit granting to related parties, and completed the filing, approval, and disclosure of multiple related party transactions. The Committee supervised the management of the Bank to continuously optimise the function of the related party transaction management system, and strengthened online and smart management of related party transactions. In addition, the Committee continued to provide effective guidance for the internal transactions management of the Bank.

VIII. Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank. It exercises corresponding functions and powers according to the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other laws and regulations, regulatory provisions and the Articles of Association, so as to promote the compliant operation and steady development of the Bank, protect the interests of the Bank and investors, and be responsible for the Shareholders' General Meeting.

(I) Composition of the Board of Supervisors and its performance

As at the end of the Reporting Period, the Board of Supervisors of the Bank had a total of eight members, including two Shareholder Supervisors, three External Supervisors, and three Employee Supervisors. The two Shareholder Supervisors had extensive management experience and sufficient knowledge in finance and accounting. The three External Supervisors were all experts in finance and management. The three Employee Supervisors had been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experience.

The Board of Supervisors of the Bank is well-structured with high degree of specialty and independence, which can ensure that it brings its supervisory functions into full play.

(II) Duties of the Board of Supervisors

In accordance with the Articles of Association, the Board of Supervisors of the Bank mainly exercises the following functions and powers: to review regular reports of the Company prepared by the Board and propose written opinions; to examine financial status of the Company and (if necessary), engage other accounting firms to conduct independent auditing on financial status in the name of the Company; to oversee the law-abidance and compliance of Directors and Senior Management of the Company in performing their duties; to make proposals to remove any Director and/or member of Senior Management if he/she breaches any applicable laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings; to conduct audit over any issues in connection with the operation decisions, risk management and internal control of the Company if needed; to make departure audit on Directors or Senior Management if needed; to issue opinions on the engagement of accounting firms by the Company; to propose to convene extraordinary general meetings and extraordinary board meetings; to file lawsuits against Director and Senior Management according to Article 151 of the Company Law of the People's Republic of China (《中華人民共和國公司法》); to investigate irregularities in the operations of the Company; and to exercise other rights prescribed by the Articles of Association or authorised by the Shareholders' General Meeting.

(III) Meetings of the Board of Supervisors and contents of resolutions

During the Reporting Period, the Board of Supervisors of the Bank convened a total of five meetings and considered and approved 24 proposals regarding regular reports, work report of the Board of Supervisors, report on duty performance evaluation, profit distribution plans, and report on internal control evaluation. The Board of Supervisors reviewed 28 reports including the annual report on risk management, data governance report, capital management report, report on related party transactions management, IT risk management report, and report on business continuity management. During the Reporting Period, the Board of Supervisors of the Bank raised no objections regarding supervised matters.

Meeting	Date	Publication	Date of disclosure
8th meeting of the eighth session of the Board of Supervisors	29 March 2022	Shanghai Securities News, China Securities Journal, Securities Times	30 March 2022
9th meeting of the eighth session of the Board of Supervisors	29 April 2022	Shanghai Securities News, China Securities Journal, Securities Times	30 April 2022
10th meeting of the eighth session of the Board of Supervisors	26 August 2022	Shanghai Securities News, China Securities Journal, Securities Times	27 August 2022
11th meeting of the eighth session of the Board of Supervisors	15 September 2022	Shanghai Securities News, China Securities Journal, Securities Times	16 September 2022
12th meeting of the eighth session of the Board of Supervisors	28 October 2022	Shanghai Securities News, China Securities Journal, Securities Times	29 October 2022

(IV) Attendance of the Supervisors of the Bank at the meetings in 2022

Supervisor	Meeting of Board of Supervisors	Shareholders’ General Meeting	Special committees of the Board of Supervisors	
			Nomination and Examination Committee	Supervisory Committee
Attendance in person/Number of meetings				
ZHANG Juntong	5/5	1/1	4/4	12/12
YANG Yu	5/5	1/1	–	12/12
LU Zhongnan	5/5	1/1	4/4	12/12
LI Yu	5/5	1/1	4/4	12/12
WANG Yugui	5/5	1/1	4/4	12/12
ZHAO Fugao	5/5	1/1	4/4	12/12
ZHANG Liqing	5/5	1/1	4/4	–
GONG Zhijian	5/5	1/1	–	12/12
ZHAO Huan John (resigned)	2/3	1/1	2/2	–

Note: For the changes of Supervisors, please refer to “V. Directors, Supervisors and Senior Management” in “Chapter 6 Corporate Governance”.

(V) Duty performance of External Supervisors

During the Reporting Period, the External Supervisors were able to devote sufficient time and energy to performing their duties. The External Supervisors proactively attended meetings and conscientiously considered various proposals. They participated in investigations and evaluations, took initiative to understand operation and management of the Bank, and voiced objective, fair, and independent opinions in a timely manner. In addition, the External Supervisors paid close attention to shareholders' behaviour management and the management of related party transactions, and safeguarded the legitimate rights and interests of stakeholders according to laws and regulations.

(VI) Operation of the special committees of the Board of Supervisors

1. Nomination and Examination Committee

(1) Composition and main duties

As at the end of the Reporting Period, the Nomination and Examination Committee of the eighth session of the Board of Supervisors had six members with WANG Yugui as the chairman and ZHANG Juntong, LU Zhongnan, LI Yu, ZHAO Fugao and ZHANG Liqing as members. (Former member Mr. ZHAO Huan John announced his resignation on 1 September 2022)

The major duties of the Nomination and Examination Committee of the Board of Supervisors include: Making suggestions to the Board of Supervisors on the size and composition of the Board of Supervisors according to the operation and management status, asset size and equity structure of the Bank; reviewing standards and procedures for the selection and appointment of Supervisors and making suggestions to the Board of Supervisors; carrying out examination on qualification and conditions of the candidates for Supervisors nominated by shareholders; supervising and evaluating the performance of Directors, Supervisors and Senior Management during the year; studying and formulating remuneration policy and plan of Supervisors and submitting them to the Board of Supervisors for consideration, and submitting those shall be approved by the Shareholders' General Meeting to the Shareholders' General Meeting for consideration; supervising procedures for the selection and appointment of Directors; supervising the remuneration management system and policy of the Bank and supervising if the remuneration plan of Senior Management is efficient and reasonable; conducting departure audit on Directors and Senior Management when necessary; and performing other duties authorised by the Board of Supervisors.

(2) Duty performance

During the Reporting Period, the Nomination and Examination Committee convened a total of four meetings, considered 10 proposals, reviewed one report, and completed the annual performance evaluation for 2021. By attending meetings of the Board of Directors and the Senior Management as non-voting delegates, receiving briefings on special reports, organising special evaluations and researches, the Committee observed and supervised performance of Directors and Senior Management, and carried out regular and continuous supervision on performance of Directors and Senior Management. On the basis of completing basic researches, the Committee reviewed the result of remuneration distribution of Supervisors in 2021 and submitted it to the Board of Supervisors for consideration together with the 2021 Annual Report, and disclosed to the public. It successively organised the Supervisors in batches to attend the training held by the regulatory authorities, meeting the training requirements of the regulatory authorities for qualification of Supervisors, hence improving Supervisors' capabilities to perform duties. The Committee also received report on implementation of remuneration management system of the Bank and remuneration plan of Senior Management, and gave opinions on and suggestions for improvement.

2. *Supervisory Committee*

(1) Composition and main duties

As at the end of the Reporting Period, the Supervisory Committee of the Board of Supervisors of the Bank had seven members, with ZHANG Juntong as the chairman and YANG Yu, LU Zhongnan, LI Yu, WANG Yugui, ZHAO Fugao and GONG Zhijian as members.

The major duties of the Supervisory Committee of the Board of Supervisors include: Formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision of the operation decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Company; organising visits, researches, and investigations on business units of the Bank and supervising the rectification of relevant deficiencies; carrying out specific investigations on key projects as required by the regulatory authorities and submitting investigation reports in a timely manner; and performing other duties authorised by the Board of Supervisors.

(2) Duty performance

During the Reporting Period, by centring on the work plan of the Board of Supervisors, the Supervisory Committee of the Board of Supervisors conscientiously carried out supervision and examination, assisted the Board of Supervisors in completing major researches and evaluations, and strengthened supervision on key areas such as national policy implementation, strategy execution, risk management, internal control and compliance, and financial decision-making and execution. It also further improved the supervisory feedback mechanism and enhanced performance of supervision. The Committee convened 12 meetings, considered and reviewed 43 proposals, reported two issues, organised one training, and studied, conveyed and implemented 44 important documents. It achieved the all-round and multi-dimension coverage of supervision on key areas such as finance, risk management, internal control and compliance, thus providing strong service guarantee for the law-based and compliant performance of the Board of Supervisors. On the basis of routine supervision, it expanded supervisory dimensions, focused on critical fields, intensified supervision, produced three special research reports on reform and transformation and one analysis and supervisory report on operation indicators, and sent out 30 supervisory notices and eight summaries of supervision work to the Board and the management, thus effectively promoting the translation of supervision outcomes of the Board of Supervisors to the basis of operation management decision-making.

IX. Senior Management

As at the date of disclosure of this Report, the Senior Management of the Bank had eight members, including President ZHENG Wanchun, Executive Vice President YUAN Guijun, Executive Vice President CHEN Qiong, Executive Vice President SHI Jie, Executive Vice President LI Bin, Executive Vice President LIN Yunshan, Chief Financial Officer & Board Secretary BAI Dan and Chief Information Officer ZHANG Bin.

The Bank's Senior Management is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors, carries out business management activities in accordance with the Articles of Association and authorisation of the Board of Directors, implements the resolutions of the shareholders' general meetings and the Board of Directors, and report the operation and management of the Bank in a timely, accurate and complete manner in line with requirements of the Board of Directors and the Board of Supervisors. The business management activities conducted by President within the scope of their power in accordance with the law shall be free from improper interference by shareholders and the Board of Directors. The major duties of President of the Bank include: Taking charge of the routine operation and management of the Bank and reporting to the Board; organising the implementation of resolutions of the Board, annual operation plans and investment schemes of the Bank; and formulating schemes on the setting of internal management departments and business outlets, basic management systems and specific rules and regulations of the Bank.

X. Employees

As at the end of the Reporting Period, the Group had 62,615 employees, of which 59,756 were employees of the Bank and 2,859 were employees of the subsidiaries of the Bank. Divided by work nature, 6,335 employees were categorised as the management sequence team and 53,421 employees as the professional sequence team.¹¹ The Bank had 26,091 male employees and 33,665 female employees, accounting for 43.7% and 56.3%, respectively. 12,764 employees had graduate degree or above, accounting for 21.4%, 43,340 employees had bachelor's degree, accounting for 72.5%, and 3,652 employees had tertiary qualification or below, accounting for 6.1%. 857 employees of the Bank have retired. As at the end of the Reporting Period, the number of employees of Minsheng Financial Leasing, Minsheng Royal Fund, CMBC International, Minsheng rural banks and CMBC Wealth Management are 321, 295, 109, 1,932 and 202, respectively.

The guiding principles of human resources and remuneration policies of the Bank are: Focusing on strategic transformation requirements and mid- to long-term development goals, the Bank strives to establish high-quality strategic talent teams with adequate members and reasonable structure, establish a high-quality and sustainable new development model with forward-looking and targeted human capital investment, guide the whole bank to consolidate customer base, push forward customer-centric transformation of business model, maintain reasonable market competitiveness of remunerations and strengthen the restraining role of remuneration and incentive policies in risk management and control.

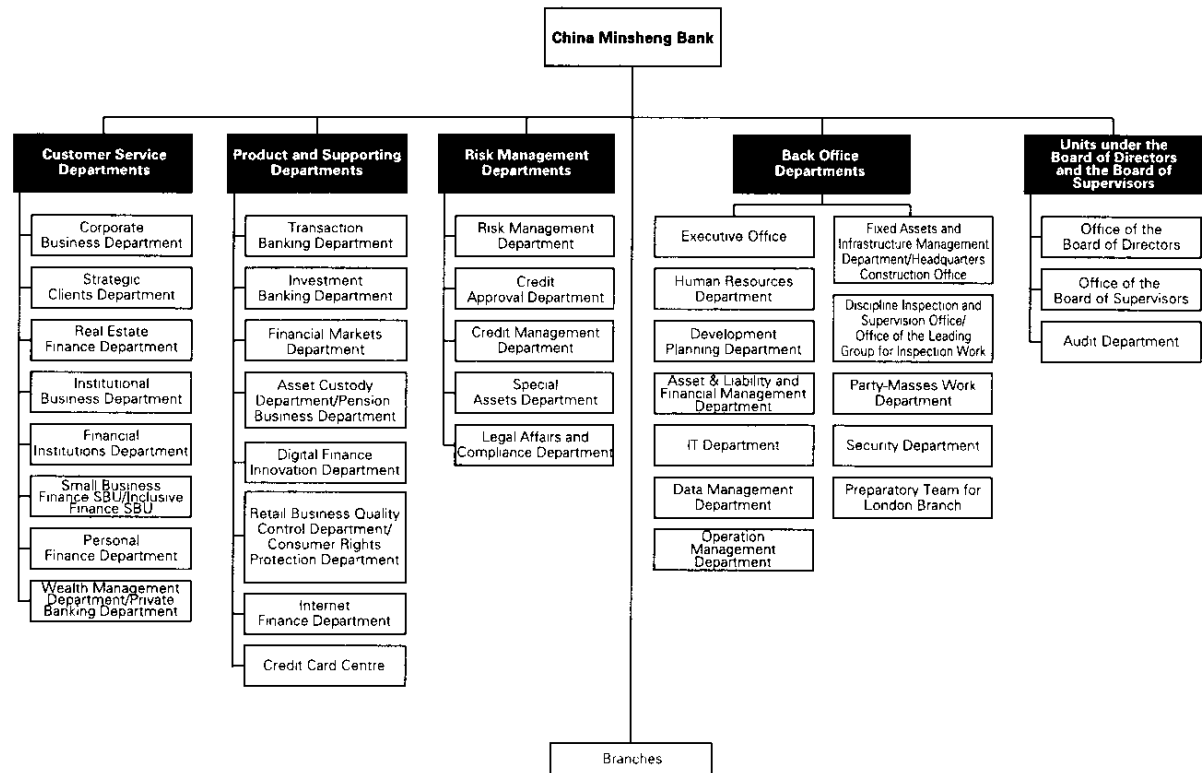
In accordance with the internal management mechanism, the total annual remunerations of employees are determined after comprehensively considering the total number and structure of employees, development of young employees, talent introduction and cultivation in strategic business areas, risk control, operating results and other factors. In addition, the performance-based remuneration of employees is pegged to the comprehensive performance of the business unit (department) and themselves. In terms of evaluation indicators, key performance indicators, such as sustainable development, customer base, risk control, economic efficiency and social responsibility, were set up to align the remuneration with operating results, risk prevention and social responsibilities. During the Reporting Period, the Bank continued to step up efforts in the cultivation and incentive of young employees and employees in the front office, carried out professional sequence and position-based remuneration reform, and established a dual-channel talent development system featuring with "management + professionalism" and a position-based remuneration system. Adhering to the value orientation of "respecting professionalism and value creation", it has gradually established a scientific and reasonable appointment and allocation mechanism, and fostered a cyclical dynamic system with "scientific value evaluation, reasonable value allocation and value creation in full strength", in a bid to realise the incentive goal of "responsible senior management, efficient middle-level management and enthusiastic primary-level employees".

¹¹ The professional sequence team includes personnel engaging in product research and development, risk management, IT and operation support, etc.

In order to improve the incentive and restraint mechanism for performance-based remuneration, give full play to its leading role in corporate governance and risk management and control, strike a balance between current and long-term period as well as benefits and risks, and prevent radical operation behaviours and violations of laws and regulations, the Bank sets up the mechanism for deferred payment, recourse and recovery of performance-based remuneration regarding the senior management, employees in key posts and in posts having significant impact on risks. In the cases of violations of laws, regulations and disciplines, occurrence of abnormal risk exposure within the scope of duty, or major risk incidents, the Bank will, depending on the circumstances, deduct, stop paying, recourse and recover the performance-based remuneration of relevant accountable persons.

During the Reporting Period, the Bank carried out training work with focus on needs of strategic transformation planning and talent cultivation, and established a segmented and classified training system closely linked with organisational capability building and employee career development, so as to expand the value of trainings. The Bank advanced the construction of learning maps in an all-around manner for the job sequences such as credit review and approval, strategic client service and others, and developed and launched nearly 600 hours of special classes. The Bank continued to strengthen trainings of key teams, and carried out several key projects including training at Party schools for senior management, the “Digital Champions CampLive (數字化金融主力軍培養)”, “The Voice of Reform (改革V動力) Session II”, and others, in a bid to strengthen cultivation of talents for digital transformation. In 2022, the Bank organised six qualification attestation examinations with more than 150 thousand attendances and 492 livestreaming courses, started the light learning channel of “Minsheng Voice (全民生音)”, and explored new models of training empowerment, effectively enhancing the capabilities of employees to perform duties and their comprehensive qualities.

XI. Setting of Departments of the Bank



XII. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-1 branches and 105 tier-2 branches (including remote sub-branches) in 41 cities across China. The total number of branch-level business outlets was 147.

During the Reporting Period, the Bank newly opened six tier-2 branches, namely: Bengbu Branch, Beihai Branch, Luzhou Branch, Zhaoqing Branch, Yichun Branch and Yulin Branch.

Major branches of the Bank as at the end of the Reporting Period are shown as follows:

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	13,137	3,235,696	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	163	4,167	960,729	Unit 02 on 1/F & 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Shanghai Branch	93	2,795	538,459	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	103	2,765	312,236	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	60	1,981	237,666	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	89	1,603	92,054	China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan, Hubei Province
Taiyuan Branch	110	1,497	112,724	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	141	2,080	113,008	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	46	855	106,777	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	189	3,461	358,493	Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province
Hangzhou Branch	89	2,053	228,743	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jiangnan District, Hangzhou, Zhejiang Province
Chongqing Branch	110	1,271	121,390	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	95	1,350	81,088	Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province
Fuzhou Branch	42	1,000	49,486	No. 282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	134	2,035	136,536	No. 229 Luoyuan Street, Jinan, Shandong Province
Ningbo Branch	42	788	45,748	No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	115	1,616	150,640	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu, Sichuan Province

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Tianjin Branch	52	995	90,963	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	81	956	71,988	No. 11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	42	657	30,614	No. 689 Citong Road, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	36	1,129	101,227	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	49	965	67,487	No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province
Wenzhou Branch	23	599	62,695	Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	29	550	41,648	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province
Zhengzhou Branch	105	1,594	132,975	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	45	996	74,778	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	24	582	22,830	Minsheng Tower, No. 500 Changchun Street, Nangan District, Changchun, Jilin Province
Hefei Branch	69	948	80,063	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province
Nanchang Branch	40	646	72,896	No. 545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	28	510	30,877	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province
Nanning Branch	41	625	75,821	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Hohhot Branch	22	470	33,992	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	546	25,916	No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	277	172,977	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	41	563	52,799	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Haikou Branch	17	226	11,094	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province
Lhasa Branch	4	169	7,516	Global Plaza, No. 8 Beijing Xi Road, Lhasa, Tibet Autonomous Region
Shanghai Pilot Free Trade Zone Branch	1	118	65,750	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	17	352	23,224	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	290	18,048	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	7	218	22,268	No. 314, Yangziji Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	4	149	10,985	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	5	172	12,235	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Inter-Region adjustment	–	–	–1,286,563	
Total	<u>2,463</u>	<u>59,756</u>	<u>7,008,576</u>	

Notes:

1. The number of institutions takes into account all types of business outlets, including the Head Office, tier-1 branches, tier-2 branches (including remote sub-branches), business outlets of sub-branches (including business departments), community sub-branches, and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,316;
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

XIII. Incentive Share Option Scheme, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Bank had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

XIV. Rights of Shareholders

(I) Procedures for convening extraordinary shareholders' general meetings

In accordance with the Articles of Association of the Bank, the Bank shall convene an extraordinary general meeting within two months at the request of the shareholders individually or jointly holding 10% or more of shares of the Bank with voting rights.

Shareholders may request to convene an extraordinary general meeting or a class meeting by the following procedures:

Shareholders individually or jointly holding no less than 10% of shares of the Bank with voting rights may have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene the extraordinary general meeting or class meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders shall be sought if the resolution contained in the notice alters the original request.

If the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or fails to respond within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more of shares of the Bank with voting rights in the proposed meeting shall have the right to propose to the Board of Supervisors in writing to convene such extraordinary general meeting or class meeting.

If the Board of Supervisors agrees thereto, a notice of convening such extraordinary general meeting or class meeting shall be issued within five days upon receipt of the proposal. Approval of the relevant shareholders shall be sought if the resolution contained in the notice alters the original request.

If the Board of Supervisors fails to give the notice of such general meeting or class meeting within the specified period, it shall be deemed to have failed to convene and preside over such meeting and shareholders who individually or jointly hold 10% or more of shares of the Bank with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

The Board of Directors and the Board Secretary shall provide assistance when necessary for the general meetings convened by the Board of Supervisors or shareholders. The Board of Directors shall provide the register of shareholders as at the record date. Necessary costs of such general meetings shall be borne by the Bank.

(II) Procedures for putting forward proposals at shareholders' general meetings

In accordance with the Articles of Association of the Bank, shareholders individually or jointly holding no less than 3% of shares of the Bank with voting rights may put forward proposals to the Bank and provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. The convener of such general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within two days upon the receipt of the proposals.

The Board of Directors shall provide explanation for its decision to exclude any proposal of any shareholder from the agenda at the relevant general meeting. The contents of such excluded proposal and explanation of the Board of Directors shall be announced together with the resolutions of the general meeting after the close of the meeting.

In the annual general meeting, shareholders holding more than 3% shares with voting rights of the Bank are entitled to put forward additional proposals in writing. The Bank shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

Shareholders may put forward proposals at general meetings through the Office of the Board of Directors of the Bank, the contact information of which is set out in the section headed “(IV) Making enquiries to the Board of Directors”.

(III) Convening extraordinary meetings of the Board of Directors

The Bank's Articles of Association stipulates that shareholders representing more than 1/10 of the voting rights may propose to convene an extraordinary meeting of the Board of Directors. The Chairman of the Board of Directors shall convene and preside over the Board meeting within 10 days after receipt of the proposal.

(IV) Making enquiries to the Board of Directors

Shareholders have the right to make enquiries about relevant information of the Bank, including the Articles of Association, the status of share capital, audited financial statements, reports of the Board of Directors, reports of the Board of Supervisors, summaries of shareholders' general meetings, etc., in accordance with the Articles of Association after they provide the Office of the Board of Directors with written documents certifying the class and number of shares of the Bank held by them and the Bank verifies their identities. The contact details are set out in the section headed “XV. Communications with Shareholders”.

XV. Communications with Shareholders

(I) Information disclosure

The Bank disclosed its information in a compliant and highly efficient way in strict compliance with the regulations of the SSE and the SEHK and the principles of “authenticity, accuracy, integrity, timeliness and fairness”, and published all sorts of regular reports and extraordinary announcements in a timely manner to ensure equal access to information for all shareholders. During the Reporting Period, the Bank published four regular reports and 52 extraordinary announcements on the SSE. The Bank also published 106 information disclosure documents on the SEHK, including 48 offshore regulatory announcements. In compliance with the Hong Kong Listing Rules, the Bank has issued the Environmental, Social and Governance Report.

The Bank’s 2021 Annual Report won five annual report awards of the LACP, including “Gold Award of Banking Industry (銀行業金獎)”, “Technical Achievement Award (技術成就獎)”, “Top 100 Global Annual Reports (全球最佳年報100強)”, “Top 80 Asia-Pacific Annual Reports (亞太地區最佳年報80強)” and “Top 50 Chinese Annual Reports (最佳50強中文報告)”.

(II) Investor relations

The Bank carries out investor relations management in accordance with the Working Rules for Investor Relations Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司投資者關係管理工作制度》). Through investor relations website, telephone, fax, email, e-interaction platform of the SSE and other channels, the Bank communicated with investors by means of shareholders’ general meeting, investor briefing, roadshow, analysts’ meeting, reception of visits, symposium and others. The communication channels are smooth and efficient.

In July 2022, the 23rd meeting of the eighth session of the Board of Directors of the Bank considered and revised the Working Rules for Investor Relations Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司投資者關係管理工作制度》), the full text of which is available on the investor relations website of the Bank.

1. Annual general meeting

The 2021 Annual General Meeting was held in Beijing in June 2022, which was attended by 714 shareholders and authorised representatives in person or via online voting. All Directors, Supervisors and external auditors attended the meeting, and all members of the Senior Management attended the meeting as non-voting delegates. Following the meeting, Chairman, President and the key members of the Senior Management had an on-site communication with participating shareholders on the Bank’s development strategy, transformation progress and operation, etc.

2. Performance briefing

The Bank held two online performance briefings in 2022. In March 2022, Chairman, President and the key members of the Senior Management attended the 2021 performance briefing, which was livestreamed on the mobile banking App, WeChat and website via “Minsheng Video Podcast Room (民生播客廳)” for the first time, with over 10 thousand viewers. In November 2022, President and the key members of the Senior Management attended the quarterly performance briefing and interacted with investors through the roadshow platform of the SSE. The Q&A record of the performance briefings and other detailed information are available on the investor relations website of the Bank.

3. Routine communications with investors and capital market

During the Reporting Period, the Bank held 55 meetings with 350 domestic and offshore investors and analysts by attending strategy meetings held by brokers, receiving special researches and organising routine communication meetings, so as to enhance the understanding of capital market on the Bank’s business strategy and development prospect. The Bank answered nearly 500 calls of the investors’ hotline, and responded to nearly 100 questions of the e-interaction platform of the SSE, providing convenience for small and medium-sized investors to participate in investor relations activities and exercise the rights of shareholders.

4. Investor relations website

In 2022, the Bank fully upgraded the investor relations website, through which investors could inquire and download visualised financial data, flexibly search announcements and circulars, subscribe to reminders of investor relation activities and make appointments for online and offline communications. The website also provided a special column of “Q&As for Investors” to take up the questions of common concern raised by small and medium-sized investors.

5. Recognition of capital market

Following the concept of serving and being responsible for investors, the Bank organised investor relations activities efficiently and paid high attention to investors’ appeals, hence gaining the continuous recognition of the market. In 2022, the Bank was again awarded the “Listed Company with Best Investor Relations (最佳投資者關係管理上市公司)” in the “China Securities Golden Bauhinia Awards (中國證券金紫荊獎)” and the “Investor Relations Award – Excellence Certificate (投資者關係大獎——卓越證書)” by Hong Kong Investor Relations Association, and was nominated by IR Magazine, an international authoritative journal, as “Best Investor Relations Website (最佳投資者關係網站)” and “Best Multimedia Application in Investor Relations (Large Company) (最佳投資者關係多媒體應用(大型公司))” in Greater China.

Investors may inquiry the Bank's relevant information or contact the investor relations team as follows:

Address: China Minsheng Bank, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100031

Investor relations website: ir.cmbc.com.cn

Telephone: 86-10-58560975, 86-10-58560824

Facsimile: 86-10-58560720

Email: cmbc@cmbc.com.cn

XVI. Amendments to Articles of Association in 2022

In accordance with relevant provisions of the Company Law (《公司法》), the Securities Law (《證券法》), the Law on Commercial Banks (《商業銀行法》) and other laws and regulations, as well as the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), the Guidance for Articles of Association of Listed Companies (《上市公司章程指引》), the Rules for Shareholders' General Meeting of Listed Companies (《上市公司股東大會規則》), the Rules for Independent Directors of Listed Companies (《上市公司獨立董事規則》), the Measures on Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) (《銀行保險機構董事監事履職評價辦法(試行)》), the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Administrative Measures on Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), and other regulatory policies, and in light of the actual situation of the Bank, the Bank amended the Articles of Association. The Resolution on Amending the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂〈中國民生銀行股份有限公司章程〉的議案》) was considered and approved at the 2021 Annual General Meeting of the Bank on 10 June 2022. For details of the amendments, please refer to the meeting notice, meeting documents and circulars of the shareholders' general meeting posted on the website of the Bank, the website of the SSE (on 22 April 2022 and 20 May 2022) and the HKEXnews website of the SEHK (on 22 April 2022 and 20 May 2022). As at the date of this Report, the amended Articles of Association is still subject to approval by the CBIRC. According to the Notice on Strengthening Equity Pledge Management of Commercial Banks (Yin Jian Fa [2013] No. 43) (《關於加強商業銀行股權質押管理的通知》) (銀監發(2013) 43號) by the former CBRC in 2013, the Bank amended the Articles of Association, adding the provision that "When a shareholder pledges 50% or more of the equity shares of the Bank it holds, the voting rights of the shareholder in the shareholders' general meeting and the voting rights of the Director it sends in the Board of Directors shall be restricted". The Resolution on Amending Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂〈中國民生銀行股份有限公司章程〉個別條款的議案》) was considered and approved at the 28th meeting of the eighth session of the Board of the Bank on 28 October 2022. The Resolution is still subject to the approval by the shareholders' general meeting. The Articles of Association considered and approved by the shareholders' general meeting is subject to the approval by the CBIRC.

XVII. Continuous Professional Development Training of Directors

During the Reporting Period, every Director of the Bank abided by their obligations and duties as Directors and kept abreast of the business operation and development of the Bank. The Bank stressed on the professional and sustainable development of Directors and encouraged them to take part in various trainings and proactively and constantly study macro financial policies and regulatory rules and regulations. In the meantime, the Directors have improved and updated their knowledge and expertise through studying relevant publications. All Directors have participated in specific training or seminars organised by the Bank, studied and reviewed various special reports in relation to strategies and risks, and listened to and discussed major matters in relation to the reform of the Bank to fully understand the reform progress and operation management of the Bank. The Directors, being GAO Yingxin, ZHANG Hongwei, ZHENG Wanchun, SHI Yuzhu, SONG Chunfeng, LI Hancheng, XIE Zhichun and others, have participated in the special training programmes organised by the regulatory authorities.

XVIII. Training of Company Secretary

During the financial year ended 31 December 2022, BAI Dan and WONG Wai Yee, Ella, the Joint Company Secretaries, have both undertaken not less than 15 hours of relevant professional training programmes organised by the SSE, the SEHK and other professional institutions.

XIX. Contact with Company Secretary

During the Reporting Period, Ms. WONG Wai Yee, Ella from Tricor Services Limited, the engaged service institution, has been engaged by the Bank as its Joint Company Secretary. Mr. WANG Honggang, the Representative of Securities Affairs of the Bank, has served as the primary contact person of the Bank.

XX. Compliance with the Corporate Governance Code Set Out in Appendix 14 to the Hong Kong Listing Rules

During the Reporting Period, the Bank has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and has complied with most of the recommended best practices contained therein.

XXI. Risk Management of the Board of Directors

The Board is responsible for the establishment and improvement of effective risk management and internal control system, and supervises and evaluates the construction of internal control and risk management system as well as the risk status of the Bank (including the examination of the effectiveness). The system aims to provide reasonable (rather than absolute) assurance that there will not be material misrepresentation or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the Reporting Period, the Board examined the adequacy and effectiveness of the Bank's risk management and internal control through its Risk Management Committee and Audit Committee. The Board considered and approved the 2022 Internal Control Evaluation Report of China Minsheng Bank (《中國民生銀行2022年度內部控制評價報告》). And upon receiving briefings on and reviewing the reports of the relevant special committees of the Board, the Board is of the view that the Bank's risk management and internal control are adequate and effective. For details of the Bank's risk management, please refer to the section headed "XII. Risk Management" in "Chapter 3 Management Discussion and Analysis" of this Report.

By focusing on improving risk management duty performance, the Board established and continuously improved the list of duty performance for the Board and special committees, and strengthened lawful and compliant duty performance according to regulatory provisions such as the Guidelines on Macroprudential Policy (Trial) (《宏觀審慎政策指引(試行)》) issued by the PBOC and the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) issued by the CBIRC as well as internal management needs of the Bank. It consolidated management foundation, improved institutional system, and optimised the risk management duties and powers, rules of procedure and working procedures of the Board and special committees, hence continuously improving refined management. It considered the annual statement of risk preference and reports on risk strategies and the implementation, paid attention to the key areas including risk management system optimisation, risk preference strategy formulation, system and procedure formulation and system and tool improvement, continuously improved the mechanism for identification, measurement, assessment, monitoring, reporting, control and mitigation of various risks, and supervised the Senior Management to carry out comprehensive risk management, in a bid to achieve more proactive, scientific and forward-looking risk management. The Risk Management Committee was set under the Board, and please refer to the section headed "(IV) Risk Management Committee" of "VII. Special Committees of the Board of Directors" in this Chapter for the details of its duties and duty performance.

Procedures for processing and publishing insider information and internal monitoring measures.

The Bank has formulated the administrative rules for information disclosure and the administrative rules for insiders. The Board is responsible for information disclosure and insider information management of the Bank, and the Board Secretary is authorised to organise, coordinate and implement. Persons accountable for major information and insider information reporting, reporting links and disclosure approval procedures of major information and the requirements for confidentiality registration of insiders are clearly prescribed in relevant rules of the Bank. The Bank faithfully and comprehensively recorded the list of all insiders in all links before the information is made public, and files related to the content and time of insider information known to the insiders, and managed and monitored insider information.

XXII. Internal Control and Internal Audit

(I) Internal control evaluation

The Bank has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board of Directors, the Board of Supervisors and the management team, and maintained effective operation of internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), the Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Bank has gradually formed a set of rational and precise internal control policy systems and established internal control mechanisms for the advance prevention, process control, and subsequent supervision and rectification of risks.

The Bank gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, optimised procedures and tools of internal control evaluation, improved the internal control system and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Bank conducted comprehensive inspection of internal control evaluation in 2022 on seven subsidiaries under consolidated management, 11 tier-1 branches and 12 tier-2 branches/remote sub-branches, which covered key businesses and major risks. The Bank supervised the effective rectifications of internal control and risk-related issues through various measures, including daily monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Accountabilities on the violations of regulations and disciplines found in the inspections were made according to the regulations of the Bank. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

(II) Internal audit

The Bank has set up an internal audit organisation – the Audit Department, which adopted an independent internal audit model with a vertical management structure topped by the Head Office. The Bank has six regional audit centres in the North, East, South, Central, Northeast and West China. The Bank has set up the Corporate Banking Audit Centre, Retail Banking Audit Centre, Financial Markets Business Audit Centre, IT Audit Centre, Audit Centre for Group, Middle- and Back-Office, Comprehensive Risk Audit and Data Management Centre, Planning and Operation Management Centre and Evaluation and Supervision Centre according to the characteristics of specialised operation of the Bank. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Bank, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of internal audit, material audit findings and internal control defects would be directly reported to the Board of Directors and notices would be given to the Senior Management. The Bank has formulated and improved standardised policies and systems for internal audit. An integrated audit examination system comprising on-site and off-site audit was established with off-site audit covering all asset and liability businesses of the Bank. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, credit card, finance and accounting and risk management as well as all internal control management procedures. The Bank principally achieved full coverage of audit on risk exposures in credit, market, liquidity, operation and compliance.

The Bank performed supervision and examination on the internal control of business units through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the whole year and carried out a total of 52 special audits, 30 audits on comprehensive internal control of business units and 192 economic accountability audits. It also issued 24 risk reminders and audit suggestions. Moreover, 33 reports concerning major events, updates and researches were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation. The problems identified in the audits were tracked and urged to be rectified by the audited units. All these efforts notably improved the internal control and management of the Bank.

XXIII. Management and Control of Subsidiaries During the Reporting Period

During the Reporting Period, through the shareholders' general meetings, board of directors and board of supervisors of the subsidiaries, the Bank carried out control and management on four non-banking subsidiaries, i.e. Minsheng Financial Leasing, Minsheng Royal Fund, CMBC International and CMBC Wealth Management, as well as 29 Minsheng rural banks. Centring on the strategic positioning of "a bank with considerate services", the Bank practiced the management concept of "One Minsheng" and the management principle of "Six Unifications (六個統一)", and vigorously promoted the implementation of new subsidiary management model, in a bid to facilitate the rapid improvement of business management, support the high-quality development of subsidiaries and advance the integrated financial service capability of the Group.

CHAPTER 7 REPORT OF THE BOARD OF DIRECTORS

I. Performance of Principal Business, Financial Results and Business Development

For details of the principal business, analysis of key indicators of financial results and business development of the Bank, please refer to “Chapter 2 Summary of Accounting Data and Financial Indicators” and “Chapter 3 Management Discussion and Analysis” of this Report.

II. Environmental Policy of the Bank and Its Performance

The Bank has published the 2022 Environmental, Social and Governance Report in accordance with Rule 13.91 of the Hong Kong Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Hong Kong Listing Rules. Please refer to the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

III. Compliance with Relevant Laws and Regulations

The Board is of the view that during the Reporting Period, the Bank legally operated its business, and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. It is not aware of any breach of laws and regulations and the Articles of Association of the Bank or any act which would prejudice the interests of the Bank and its shareholders by any existing Directors, Supervisors or Senior Management when performing their duties during the Reporting Period.

IV. Subsequent Event

Save as disclosed above, from the settlement date of the financial year to the date of this Report, the Bank had no material events.

V. Profit and Dividend Distribution

(I) Annual dividend distribution for 2021

The Bank distributed dividends to all shareholders according to the Profit Distribution Plan for 2021, which was discussed and passed at the 19th meeting of the eighth session of the Board and the 2021 Annual General Meeting. On the basis of the total number of shares of the Bank as at the record dates, the Bank distributed a cash dividend for 2021 of RMB0.213 (tax inclusive) to all shareholders whose names appeared on the registers as at the record dates for every share being held. The total cash dividend amounted to RMB9,326 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Bank distributed the cash dividend to holders of A shares and investors of Northbound Trading in June 2022 in accordance with relevant provisions, and distributed the cash dividend to holders of H shares and investors of Southbound Trading in July 2022 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 10 June 2022 published on the HKEXnews website of the SEHK and the announcements dated 10 June 2022 and 17 June 2022 published on the website of the SSE, respectively.

(II) Annual profit distribution plan for 2022

According to the financial statements of the Bank for 2022, net profit of the Bank was RMB34,327 million. Dividend of perpetual bonds and preference shares of RMB4,106 million was paid. 10% of the net profit of the Bank for 2022, being RMB3,433 million, was allocated to the statutory surplus reserve. The general provision for risks of RMB1,633 million was made on the rate of 1.5% of the balance of the risky assets of the Bank as at the end of 2022.

According to the Articles of Association of China Minsheng Banking Corp., Ltd. in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable business development of the Bank, the Bank proposed to distribute a cash dividend of RMB2.14 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates for every 10 shares being held. Based on the number of shares of the Bank in issue, being 43,782 million shares, as at the end of 2022, the total cash dividend would be approximately RMB9,369 million.

The actual amount of total cash dividend to be paid will be subject to the total number of shares recorded on the register as at the record dates. The cash dividend will be denominated and declared in RMB, and will be paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollar shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollar as quoted by the PBOC on the date of the shareholders' general meeting.

VI. Dividend Distribution of Ordinary Shares in the Past Three Year

	2022	2021	2020
Dividend to be paid for every 10 shares (tax inclusive, RMB)	2.14	2.13	2.13
Number of shares issued on capitalisation of surplus reserve for every 10 shares (share)	—	—	—
Cash dividend (tax inclusive, RMB million)	9,369	9,326	9,326
Net profit attributable to holders of ordinary shares of the Company (RMB million)	31,163	31,053	30,972
Cash dividend/Net profit attributable to holders of ordinary shares of the Company (%)	30.06	30.03	30.11

Note: The profit distribution plan for 2022 is subject to the consideration and approval at the 2022 Annual General Meeting before implementation.

VII. Formulation and Implementation of Dividend Distribution Policy for Ordinary Shares

According to the Articles of Association, the distribution of profits of the Bank emphasises on reasonable investment returns to investors and shall be sustainable and stable. The Bank shall distribute dividends in profit-making years. The Bank shall take full account of the opinions of the Independent Directors, External Supervisors and public investors in deliberating on its dividend distribution policy. The Bank shall fully consider the opinions and requests of the minority shareholders before the profit distribution policy is considered at the Shareholders' General Meeting. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.

The profit distributed to holders of ordinary shares in the form of cash dividend for each year shall not be less than 10% of the distributable profit attributable to holders of ordinary shares of the Bank of the year. The Bank may distribute interim cash dividend.

If the Bank generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and the Independent Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted at the shareholders' general meeting.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long-term development of the Bank, the profit distribution policy after adjustment shall not violate the relevant requirements of regulatory authorities of the places where the Bank is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Board of Supervisors and due consideration of the opinions of minority shareholders and, after consideration by the Board, be proposed to the Shareholders' General Meeting of the Bank for approval. Any proposal regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the Shareholders' General Meeting of the Bank. Online voting shall be made available when such proposal is voted at the shareholders' general meeting. The voting results of the minority investors shall be disclosed separately.

During the Reporting Period, the profit distribution policy of the Bank complied with the Articles of Association and procedures of consideration. The policy, in the opinion of the Independent Directors, fully protected the legal interests of minority investors with clearly specified criteria and proportion of profit distribution.

VIII. Taxes and Tax Exemption

The shareholders of the Bank shall pay relevant taxes in accordance with the following provisions as well as tax laws and regulations updated from time to time, enjoy possible tax exemption where appropriate, and shall consult their professional tax and legal advisors regarding specific tax payment matters. All the tax laws and regulations cited below were released prior to 31 December 2022.

(I) Holders of A shares

In accordance with the Notice on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2012] No. 85) and the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC, if a shareholder holds shares for more than 1 year, his or her dividends and bonuses shall be temporarily exempt from individual income tax; If the shareholder holds shares for more than 1 month to 1 year (inclusive), 50% of his or her dividends and bonuses shall be temporarily included in taxable income; If the shareholder holds shares for within 1 month (inclusive), all of his or her dividends and bonuses shall be taxable income. A tax rate of 20% applies to all the aforesaid incomes for levying individual income tax. Individual income tax shall be levied on dividends and bonuses of securities investment funds acquired from listed companies also in accordance with the aforesaid provisions.

In accordance with the provisions of Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends, bonuses and other equity investment income distributed between qualified resident enterprises shall be tax-exempt incomes.

In accordance with the provisions of Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), dividends, bonuses and other equity investment income generated between qualified resident enterprises as referred to in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China, refer to the income from investment made directly by one resident enterprise in another. The income from such equity investments as dividends and bonuses, as mentioned in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China, shall not include the investment income acquired by continuously holding the listed common share of the resident enterprise for less than 12 months.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulations on its implementation, enterprise income tax shall be levied on dividends acquired by shareholders of non-resident enterprises at a reduced rate of 10%.

(II) Holders of H shares

In accordance with the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348), individual income tax shall be withheld at a rate of 10% on the dividends distributed to offshore individual resident shareholders by a domestic enterprise with no foreign investment issuing shares in Hong Kong. Offshore individual resident shareholders may enjoy relevant tax preference in accordance with the provisions of the tax agreement signed between the home country of their identity and China as well as the tax arrangements between the Chinese mainland and Hong Kong (Macau). Regarding the matters in connection with distribution of dividends to individual holders of H shares whose names appeared on the register of holders of H shares on the record date of dividend distribution, the Bank shall withhold and pay individual income tax at a rate of 10%, unless otherwise provided by tax laws and regulations as well as relevant tax agreements.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulations on its implementation, the withholding agent shall withhold and pay enterprise income tax at a rate of 10% on the income of a non-resident enterprise acquired from the Chinese mainland. Therefore, any H shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited (香港中央結算(代理人)有限公司), other proxies or trustees or other organisations and groups, shall be deemed the shares held by shareholders of non-resident enterprise, and the Bank shall withhold and pay enterprise income tax at a rate of 10% when distributing dividends to the shareholders.

In accordance with the current practice of the Inland Revenue Department, there is no need to pay tax in Hong Kong on the H share dividends distributed by the Bank.

The tax matters regarding Shanghai-Hong Kong Stock Connect (滬港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

The tax matters regarding Shenzhen-Hong Kong Stock Connect (深港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

(III) Holders of domestic preference shares

The matters regarding payment of individual income tax on individually acquired dividends from non-publicly issued domestic preference shares shall be undertaken in accordance with relevant tax laws and regulations of China.

The resident enterprise shareholders (including institutional investors) as stipulated by the Enterprise Income Tax Law of the People's Republic of China shall pay tax on their income from cash dividends on their own; other shareholders shall pay tax on their income from cash dividends in compliance with relevant provisions.

In accordance with the Guiding Opinions of the State Council on Pilot Programme of Preference Shares (《國務院關於開展優先股試點的指導意見》), the dividends, bonuses, and other investment income that an enterprise acquires by investing in preference shares and that meets conditions as stipulated by the tax laws can be tax-exempt enterprise incomes.

IX. Substantial Shareholders

For details of substantial shareholders of the Bank, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" in this Report.

X. Share Capital and Issuance of Shares and Bonds

For details of share capital and issuance of shares and bonds of the Bank as at 31 December 2022, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" and "Chapter 5 Information on Preference Shares" in this Report.

XI. Auditing Opinions Issued by the Accounting Firm

The 2022 annual financial statements prepared in accordance with the IFRS of the Bank had been audited by PricewaterhouseCoopers, and the standard and unqualified auditors' report had been issued accordingly.

XII. Pre-Emptive Rights

Pre-Emptive rights are not prescribed in the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Articles of Association, and the Bank is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with Article 31 of the Articles of Association, the Bank may increase its registered capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XIII. Charity and Other Donations

During the Reporting Period, the total amount of charitable donations of the Group was RMB101 million.

XIV. Directors, Supervisors and Senior Management

For details of the name list, profiles, contract arrangements and remunerations of Directors, Supervisors and Senior Management of the Bank, please refer to “Chapter 6 Corporate Governance” in this Report. As at the date of the disclosure of this Annual Report, the directorship qualification of Mr. WENG Zhenjie is subject to the approval of the regulatory authorities of the banking industry in China. As loans of the Bank granted to China Oceanwide Holdings Group Co., Ltd. were overdue, according to relevant regulatory rules, the voting rights of Mr. LU Zhiqiang, a Vice Chairman of the Bank, in the Board of Directors were restricted.

Details of retirement benefits provided by the Bank to its employees during the Reporting Period are set out in Note 4.31 “Other liabilities” to the Financial Statements.

XV. Contracts of Management and Administrative Management

During the Reporting Period, the Bank did not enter into any administrative management contract relating to overall businesses or major businesses of the Bank.

XVI. Indemnity and Insurance of Directors, Supervisors and Senior Management

During the Reporting Period, the Bank has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of potential legal proceedings arising from the business operation of the Bank.

XVII. Relationship with Customers and Employees

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximise the value and return. In 2022, there were no significant or material disputes between the Group and its customers.

For details of the relationship between the Bank and its employees, please refer to the 2022 Social Responsibility Report and the 2022 Environmental, Social and Governance Report.

XVIII. Consumer Rights Protection

During the Reporting Period, the Bank continuously implemented the “people-centred” philosophy of development and practised the “customer-centric” business philosophy while performing its duties in consumer rights protection. The Bank continued to improve consumer rights protection with a focus on six areas including strengthening top-level design, optimising systems and mechanisms, focusing on key areas, reinforcing complaint management, promoting cultural development, and enhancing support and guarantee. In terms of strengthening top-level design, the Bank deeply integrated consumer rights protection into

corporate governance. In 2022, the Board of Directors revised the Articles of Association of the Bank, improved the system for duty performance of consumer rights protection, reviewed the annual work report on and plan for consumer rights protection, carried out special studies on key documents on consumer rights protection released by regulatory authorities, conducted research on major issues and policies concerning consumer rights protection, and offered work guidance and suggestions, so as to further improve duty performance of consumer rights protection. The Board of Supervisors optimised the performance evaluation methods, strengthened the performance supervision over the Board of Directors and the Senior Management, kept abreast of the consumer rights protection work in a timely manner in such forms as discussion in meetings and review of reports, and urged the Board of Directors and the Senior Management to attach importance to consumer rights protection and promote the rectification of problems in the form of issuing supervisory notices. The Senior Management earnestly implemented the requirements of regulatory authorities, the Board of Directors and the Board of Supervisors, and deployed, guided and supervised the implementation of consumer rights protection of the Bank through the work meetings of presidents, the meetings of the Consumer Rights Protection Committee, interviews and instructions. In terms of optimising systems and mechanisms, the Bank continued to improve its special rules, internal rules, operation specifications and other institutional management systems for consumer rights protection. The Bank optimised the mechanism for the review of consumer rights protection, perfected the review guidance system, strengthened the management of review and approval personnel, and established the post-review supervision mechanism, in a bid to form the closed-loop management of the review of consumer rights protection. Additionally, the Bank optimised the constraint system for the assessment of consumer rights protection, highlighted classified assessment, and reinforced assessment and application to promote the comprehensive improvement in the management of consumer rights protection. In terms of focusing on key areas, the Bank, in accordance with regulatory requirements and changes in the external market environment and in line with its internal management needs, further focused on protection of consumers' financial information, elderly-friendly financial services, consumer suitability management, management of consumer rights protection of cooperating organisations, service charge and other key areas, integrated consumer rights protection into its businesses, and pushed forward with specialised implementation, so as to improve the operation and service management of consumer rights protection. In terms of promoting cultural development, the Bank organised and launched the "15 March" Publicity Week, the Financial Knowledge Promotion Month and other centralised education and publicity activities, built the brand of "Minsheng's Consumer Rights Protection in Action", planned and carried out the city relay activity on financial knowledge promotion, and constantly strengthened the construction of online "consumer rights protection column" as well as offline public education zones and financial education demonstration bases, which were recognised by regulatory authorities and the public. Moreover, the Bank continued to conduct multi-level and multi-field consumer rights protection training, and strove to enhance the depth and breadth of publicity and training. In terms of enhancing support and guarantee, the Bank strengthened technological empowerment and team building, concentrated on building systems relating to consumer rights protection, and accelerated the digital transformation of the management of consumer rights protection. The Bank also increased staffing of financial consumer rights protection departments and reinforced qualification management, thus providing strong guarantee for the implementation of consumer rights protection.

In terms of complaint management, the Bank strictly implemented the requirements of regulatory authorities for complaint management. In 2022, the Bank comprehensively optimised the process of complaint handling to continuously improve the quality and efficiency of complaint handling, perfected the source-tracing and rectification mechanism to push forward the source control of complaints, and intensified coordinated promotion to advance the effective implementation of the mechanism for diversified settlement of disputes. In 2022, the Bank handled a total of 165,916 complaints from financial consumers. In terms of business distribution, the complaints were concentrated in credit card (67.93%), debit card (21.35%), loan (4.58%) and other business areas; in terms of geographic distribution, the complaints were concentrated in Beijing (71.80%, including the complaints related to Credit Card Centre), Guangdong (3.73%) and Shenzhen (2.07%). The Bank will continue to listen to the voice of customers, monitor and analyse customer complaints, tap into the real needs of customers, and strive to facilitate product optimisation, management improvement and service enhancement through complaint management, so as to effectively safeguard the legitimate rights and interests of consumers.

XIX. Evaluation on the Implementation of Administrative Rules for Information Disclosure by the Board of Directors

On 27 January 2022, the 17th meeting of the eighth session of the Board of Directors of the Bank discussed and passed the Proposal on Amending the Administrative Rules for Information Disclosure of China Minsheng Banking Corp., Ltd. (《關於修訂<中國民生銀行股份有限公司信息披露事務管理制度>的議案》) to continuously optimise and perfect the policy systems for information disclosure of the Bank. During the Reporting Period, the Bank, in strict compliance with the laws and regulations and regulatory requirements concerning information disclosure, actively performed the obligation of information disclosure, meticulously implemented the administrative rules for information disclosure, and disclosed true, accurate and complete information in a timely and fair manner.

By Order of the Board of Directors
GAO Yingxin
Chairman
27 March 2023

CHAPTER 8 REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, based on the duties and functions conferred by the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Articles of Association and the regulatory provisions, the Board of Supervisors adhered to the policy requirements of the CPC Central Committee, the State Council and the regulatory authorities. With a focus on implementation of macro-policies, execution of development strategies, risk management, internal control and compliance, financial management, performance supervision and evaluation, and other key areas, the Board of Supervisors was dedicated to extending dimensions, innovating means, enhancing strength and forming joint force in supervision. Meanwhile, it put ahead the supervision function of the Board of Supervisors, strengthened in-depth and substantive supervision research, and actively gave play to the supervisory role of the Board of Supervisors in corporate governance, so as to continuously improve corporate governance of the whole bank and accelerate its high-quality development.

During the Reporting Period, according to the regulatory requirements and needs for duty performance, a total of 23 meetings of the Board of Supervisors and its special committees were organised and convened throughout the year, including 5 meetings of the Board of Supervisors with 52 matters considered and reviewed, 2 non-resolution meetings of the Board of Supervisors with 10 matters reviewed, 4 meetings of the Nomination and Examination Committee with 11 matters considered and reviewed, and 12 meetings of the Supervisory Committee with 43 matters considered and reviewed. 44 important documents and matters were conveyed, studied and circulated with 2 matters reported. One shareholders' general meeting and 18 meetings of the Board of Directors (including 4 non-decision-making meetings) were attended according to law. 30 supervisory notices, 8 summaries of supervision work, 1 supervision report on business analysis, and 3 special supervision research reports on reform and transformation were issued to the Board of Directors and the Senior Management.

The Board of Supervisors continued to improve policy systems, optimise supervision mechanisms, and enhance the quality and efficiency of supervision work. Firstly, it revised the rules of procedure of the Board of Supervisors, the Articles of Association (the section concerning the Board of Supervisors) and other relevant rules and regulations to further clarify the responsibilities of corporate governance subjects such as the Board of Supervisors and the Supervisors. It formulated the rules for consideration and review of the meetings of the Board of Supervisors, and customised and launched the "Supervisor Work Information" platform to continuously advance the establishment of digital and standardised supervisory systems. Secondly, it put ahead the supervision function of the Board of Supervisors. The Supervisors were organised to attend the meetings of relevant committees of the Board of Directors as non-voting delegates to express objective and independent supervisory opinions on the accountability for writing-off bad loans and other major matters and report to the Board of Directors, and urged the whole bank to strengthen internal control, optimise business process, and improve accountability mechanism, with an aim to build a solid foundation for risk compliance. Thirdly, it continuously perfected the coordinated supervisory mechanism, and collaborated with supervisory departments related to discipline inspection and audit to promote the supervision over decision-making on significant matters, major financial expenditure, key reform and transformation, and key areas of risk compliance, carried out coordinated research, strengthened information sharing, forming joint supervisory forces.

Independent Opinions of the Board of Supervisors:

I. Law-abiding Operation of the Company

During the Reporting Period, the Bank maintained law-abiding operation and the decision-making procedures were in compliance with the applicable laws and regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association or any act which would harm the interests of the Bank and its shareholders by any Directors or Senior Management of the Bank in performing their duties.

II. Authenticity of the Financial Statements

The annual financial statements of the Bank have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the CAS and the ISAs, respectively. Standard and unqualified auditors' reports have been issued accordingly. The financial statements of the Bank for the year truthfully, accurately and completely reflected the Bank's financial position and business performance.

III. Use of Proceeds from Fund-Raising Activities

During the Reporting Period, the use of proceeds from fund-raising activities was consistent with the use of proceeds stated in the prospectus of the Bank.

IV. Acquisition and Disposal of Assets

During the Reporting Period, as far as the Board of Supervisors was aware, there was no acquisition and disposal of assets of the Bank that involved insider transaction, would harm the interests of shareholders or resulted in any loss of assets of the Bank.

V. Related Party Transactions

During the Reporting Period, the management of related party transactions was in compliance with the relevant national laws, regulations and the Articles of Association. There was no act which would harm the interests of the Bank and its shareholders.

VI. Implementation of Resolutions Approved at Shareholders' General Meetings

The Board of Supervisors raised no objection to the reports and proposals submitted by the Board to the shareholders' general meetings for consideration and approval in 2022 and supervised the implementation of the resolutions approved at general meetings. The Board of Supervisors is convinced that the Board implemented the resolutions in real earnest.

VII. Internal Control

The Bank continued to strengthen and improve its internal control. The Board of Supervisors raised no objection to the Evaluation Report on Internal Control for 2022 (《2022年度内部控制評價報告》) of the Bank. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonableness and effectiveness of the internal control mechanism and system of the Bank.

VIII. Implementation of Information Disclosure

During the Reporting Period, the Board of Supervisors raised no objection to the implementation of information disclosure of the Bank. The Bank earnestly implemented the administrative rules for information disclosure and performed the obligation of information disclosure. No violation of laws and regulations was found in connection with information disclosure.

By Order of the Board of Supervisors
ZHANG Juntong
Chairman of the Board of Supervisors
27 March 2023

CHAPTER 9 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In 2022, by taking the implementation of the ESG philosophy as an important point to promote sustainable development, the Bank continued to perfect the governance structure, policies and systems, resource allocation and evaluation mechanisms of ESG, and strove to incorporate ESG management requirements into various links of corporate governance and management. The Bank attached great importance to the common value of all stakeholders, focused on key areas of ESG, continuously improved ESG management, and actively performed environmental and social responsibilities.

For details of the performance of social responsibilities and ESG, please refer to the 2022 Social Responsibility Report (《2022年度社會責任報告》) and the 2022 Environmental, Social and Governance (ESG) Report (《2022年度環境、社會及管治(ESG)報告》).

I. ESG Governance

The Board of the Bank comprehensively supervised the implementation of ESG policies and plans to ensure the improvement of its sustainable development capability. It guided and supervised the management to carry out ESG-related works by regularly considering ESG reports and social responsibility reports, discussing ESG matters, and paid attention to the inspection and evaluation results made by the ESG regulatory authorities and external auditing institutions. The Strategic Development and Consumer Rights Protection Committee of the Board took charge of considering issues on the performance of economic, environmental and social responsibilities, providing professional opinions and suggestions to the Board, regularly paying attention to the implementation of policies and plans, supervising the implementation effects, and assisting the Board in supervising the management to carry out ESG-related work.

The Bank continuously improved the ESG working mechanism to ensure proper management of business-related ESG risks and effective fulfillment of ESG responsibilities. The Bank pushed forward the ESG work from the perspective of strategic planning, and built a three-level working mechanism including the “decision-making team, management team and implementation team”, among them, an ESG leading group has been set up with Chairman as the group leader and President as the deputy group leader, and an ESG working group composed of relevant departments was established, which managed, organised and executed ESG works from three aspects, namely overall planning, coordinated promotion and implementation.

During the Reporting Period, the Board considered and approved the 2021 Environmental, Social and Governance Report of China Minsheng Bank and the 2021 Social Responsibility Report of China Minsheng Bank, specifying ESG management strategies, risk analysis, important matters and other contents. The Board, on the basis of fully understanding the results and progress of ESG work of the Bank, took the global best practices of other banks as the objectives of ESG work, and worked with the management team to carry out targeted improvements in key areas of ESG, including financing environment impact, consumer rights protection, green finance, business ethics, etc. The Board also regularly received briefings on relevant work reports, and studied and considered the 2021 Work Report and 2022 Work Plan on Consumer Rights Protection of China Minsheng Bank (《中國民生銀行2021年度消費者權益保護工作報告及2022年度工作計劃》), the Development of Small Business Finance and Inclusive Finance in 2021 and the 2022 Work Plan of China Minsheng Bank (《中國民生銀行2021年小微金融暨普惠金融發展情況及2022年工作計劃》), and proposals on capital increase of certain rural banks, consistently promoting the continuous improvements in ESG management of the whole bank.

The Bank actively communicated with the stakeholders. By establishing a long-term communication mechanism, it understood the demands of stakeholders in a timely manner and made active response. The ESG issues to which the stakeholders paid close attention were taken as the direction of actions and reference for information disclosure of the Bank. During the Reporting Period, to have an in-depth and comprehensive understanding of the evaluation and feedback of internal and external stakeholders regarding the importance of ESG issues, the Bank conducted a special questionnaire survey of the shareholders, institutional investors, customers, suppliers and employees. It invited the participants to evaluate the importance of ESG issues of the Company from their own perspectives, and on the basis of investigations and researches, conducted analysis of material issues and evaluation of the importance. These initiatives provided help and guidance for the Company's ESG management and disclosure.

II. Performance of Environmental Responsibilities

The Bank paid high attention to the environmental protection and climate change, took the initiative to recognise the risks and opportunities of policies related to "carbon peak and carbon neutrality" and green finance for the Company, formulated green finance objectives, resolutely implemented the green development strategy, and constantly improved the green finance system. The philosophy of environmental protection and low carbon was incorporated into the procurement and operation process of the Company so that the carbon footprint during operation was continuously reduced and the construction of ecological civilisation was further promoted.

The Bank closely followed green development and established relevant mechanisms. During the Reporting Period, the Bank perfected and updated multiple ESG-related policies and systems, and established and perfected the mechanisms. In terms of green finance, the Bank implemented the Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025) (《中國民生銀行綠色金融五年發展規劃(2021-2025)》) and other work deployments, formulated the Administrative Measures on Green Finance of China Minsheng Bank (《中國民生銀行綠色金融管理辦法》), and specified the green finance management system in which “the Board undertakes primary responsibility, the Senior Management is responsible for organising implementation, and multiple departments execute in a coordinated manner”. In terms of green office, the Bank issued the Administrative Measures on Energy of China Minsheng Bank (《中國民生銀行能源管理辦法》), the Administrative Measures on Energy Conservation of China Minsheng Bank (《中國民生銀行節能管理辦法》) and the Administrative Measures on Green Office of China Minsheng Bank (《中國民生銀行綠色辦公管理辦法》), so as to promote energy conservation management and raise energy efficiency. It also revised the Administrative Measures on Budget Standards for Housing Construction and Decoration Projects of China Minsheng Bank (《中國民生銀行房產建設裝修工程預算標準管理辦法》), which clarified the incentive standards for green projects and encouraged diversified, intelligent and low-carbon factor inputs.

The Bank improved its products and services to respond to climate change. The Bank actively promoted the deployment of green finance, and improved its product system and service model. In terms of development of sustainable development products, the Bank continuously enriched the “Minsheng Bank ESG Series Indices” and relevant products, and innovatively developed the “Minsheng Bank Rural Revitalisation Series Indices”. During the Reporting Period, the Bank underwrote six green development bonds with total amount of RMB3,150 million, and the proceeds were used for low-carbon, energy-saving and other green projects, and helping six corporate issuers develop in a green, low-carbon and sustainable way. The Bank implemented differentiated credit policies for industries with “high pollution, high energy consumption and production overcapacity” and reduced and withdrew from existing businesses with outdated technologies, processes and production capacities in an orderly manner. As at the end of the Reporting Period, the balance of green credit amounted to RMB179,912 million, representing an increase of RMB72,595 million, or 67.65%, as compared with the previous year.

The Bank took diversified measures to reduce carbon emissions. The Bank increased support for key areas of green finance such as new energy and carbon emissions reduction, and organised and carried out the “Enchanting Scenery (風光無限)” series activities for customer groups in the new energy industries. It also continued to strengthen support in terms of policies, resources and efficiency, optimise the green credit risk policy, and reinforce the building of the Bank’s green finance brand of “Peak and Neutrality (峰和)”. As at the end of the Reporting Period, the green credit projects achieved energy conservation and emissions reduction in the year by saving 3,191.2 thousand tons of standard coal, and reducing emissions of 4,660.8 thousand tons of carbon dioxide equivalent, 507.0 thousand tons of chemical oxygen demand, 10.6 thousand tons of ammonia nitrogen, 95.5 thousand tons of sulfur dioxide and 30.9 thousand tons of nitrogen oxide, and saving 890 thousand tons of water.

The Bank carried out green operation to facilitate “carbon peak and carbon neutrality” goals. The Bank implemented the philosophy of resource conservation and environmental protection throughout the whole process and all aspects of business operation, so as to attain an organic unity of economic benefits, social benefits and environmental protection benefits, and achieve sustainable development. The Bank comprehensively built a green operation system, vigorously constructed the eco-bank and intelligent bank, and further carried out green operation. The Bank also constantly updated online services, innovated online products, increased the number of monthly active users of online platforms and expanded transaction scale of payment business, and cut down the consumption of various types of resources by reducing use of business paper and personnel travel. The Bank practised the philosophy of green publicity, and set up electronic advertising screens in all operating units, business outlets and office areas of the Bank to display promotion videos of corporate image and businesses.

The Bank advocated green office and practised the philosophy of environmental protection. The Bank thoroughly implemented the green, energy conservation and environmental protection philosophy in all links of daily work to reduce the consumption of energy resources and the discharge of greenhouse gas, waste water, household wastes and hazardous wastes. During the Reporting Period, the Bank established an energy management system, and strengthened energy conservation management and energy conservation technology transformation to improve the effectiveness of energy conservation and emissions reduction. The Bank strongly called on its employees to practise green, environment-friendly, cyclic and sustainable lifestyle, proactively conducted training and publicity related to energy conservation, emissions reduction and green office, and encouraged the recycling of resources and materials.

The Bank actively conveyed the philosophy of green procurement to its suppliers and encouraged them to incorporate the requirements of environmental protection, energy conservation and consumption reduction into their management systems, so as to promote suppliers to improve their environmental performance. At the same time, the Bank fully implemented the strategic positioning of “an agile and open bank”, encouraged flexible work schedule and actively promoted cloud-based conferences and video conferences. In 2022, a total of 103,028 online conferences were held, including 57,163 cloud-based conferences, 2,983 video conferences and 42,882 audio and video conferences via Lark (飛書).

III. Performance of Social Responsibilities

The Bank stuck to close integration of its own development with social progress, advanced the incorporation of ESG-related philosophy into business development, customer service, rural revitalisation, charity and public welfare, and promoted the sustainable development of the Company.

The Bank served the NSOEs and micro and small enterprises by implementing inclusive finance. Focusing on the strategic positioning of “a bank for the NSOEs”, the Bank gave full play to its advantages in serving the NSOEs and micro and small enterprises, and provided financial support for the development of the real economy. During the Reporting Period, the Bank made continuous innovations in products and services, and built a new service ecosystem featuring openness, cooperation and win-win situation based on customer needs. The Bank actively promoted digital transformation and online inclusive finance, upgraded and launched the Minsheng Small Business App 2.0, and optimised online financial services. As at the end of the Reporting Period, small business loans of the Bank amounted to RMB683,441 million, representing an increase of RMB82,691 million, or 13.76%, as compared with the end of the previous year. The balance of inclusive small business loans of the bank amounted to RMB549,051 million, representing an increase of RMB44,236 million, or 8.76%, as compared with the end of the previous year. During the Reporting Period, RMB625,697 million inclusive small business loans were granted cumulatively. The average interest rate of inclusive small business loans was 4.77%, representing a decrease of 47BP as compared with the end of the previous year. The NPL ratio of inclusive small business loans was 1.70%, representing a significant decrease of 0.59 percentage points as compared with the end of the previous year. Positive results were achieved in “increasing amount, expanding coverage and reducing costs”, and the sustainability of inclusive finance was improved.

The Bank provided high-quality services based on the value concept of “customer first”. By upholding the value concept of “customer first”, the Bank attached great importance to customer services, and continuously strengthened the protection of consumer rights. The Bank concentrated on elderly-friendly services, and enhanced the service quality and experience for elderly customers. It further expanded the coverage of financial service channels to ensure that its financial services benefited more underdeveloped regions. It also actively expanded diversified service channels and widely deployed new smart equipment to make its financial services more convenient and accessible. In terms of consumer rights protection, the Bank established fair advertising policies, privacy protection policies and complaint management process to protect financial information and privacy security of consumers and provide high-quality service experience.

The Bank facilitated common prosperity by promoting rural revitalisation. The Bank consciously integrated itself into the national strategy to financially support rural revitalisation and facilitate common prosperity. Through innovative products and models such as the “Photovoltaic Loan (光伏貸)”, “Agricultural Loan Express (農貸通)”, “E-Grain Finance (糧融 e)”, “Cotton Grower Loan (棉農貸)” and “Common Prosperity Loan (共富貸)”, the Bank continuously increased financial supply. During the Reporting Period, RMB41,184 million loans were granted to 832 state-level counties lifted out of poverty nationwide, total amount of consumption assistance to the areas lifted out of poverty nationwide was RMB48.25 million, and the donations of goods and materials amounted to RMB400 thousand. The Bank continued to steadily promote the paired assistance to Hua County and Fengqiu County in Henan Province by carrying out diversified assistance covering organisations, finance, industries, talents, culture, education and ecosystems, and organised 67 primary-level Party organisations of the whole bank to conduct paired construction with the village-level Party branches in the two counties. In 2022, the Bank provided free assistance fund of RMB37 million, introduced assistance fund of RMB32.31 million, and trained 18 thousand trainees from key groups for rural revitalisation, benefiting 22,807 persons. The rural revitalisation case of the Bank was awarded the “Excellent Case for Rural Revitalisation (鄉村振興優秀案例)” by China.com.cn, the “Top Ten Public Welfare Enterprises of the Year (年度十大公益企業)” by ifeng.com, the “Rural Revitalisation Contribution Award for Enterprise (鄉村振興貢獻企業獎)” by www.21jingji.com and other public awards. Dishang Village in Hua County, a “role model” for rural revitalisation built by the Bank, was rated as the only one “Provincial-level Demonstration Village for Rural Healthcare and Wellness Tourism (省級鄉村康養旅遊示範村)” in the whole county.

The Bank demonstrated the warmth of Minsheng through charity and public welfare works. Adhering to the philosophy of sharing development results with the society, the Bank donated RMB101 million fund and RMB2.7136 million goods and materials in 2022, benefiting more than 2.26 million persons. The Bank continued to optimise its public welfare management mechanism and revised the Administrative Measures on Public Welfare Funds of China Minsheng Bank (《中國民生銀行公益基金管理辦法》). The Bank donated RMB14.7 million to continue to launch its branded public welfare project of the seventh session of the “Power of Minsheng’s Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量——ME創新資助計劃)”, and provided financial support for 26 innovative public welfare projects dedicated to rural revitalisation, community development, educational support, health and well-being, ecological civilisation and other areas. The Bank has supported the “AIDS Prevention and Control Programme” of China Red Ribbon Foundation for 14 consecutive years. The Bank has carried out the “Medical Care Programme for Children with Congenital Heart Disease” for 10 consecutive years, and financially supported the treatment of 1,010 children with congenital heart disease in 61 batches. The Bank also focused on biodiversity conservation by supporting the programme of “Patrol Growth Plan – Biodiversity Conservation (巡護員成長計劃——生物多樣性保護)” initiated by the Yunnan Youth Development Foundation.

The Bank carried out cultural public welfare works and served the society with arts. During the Reporting Period, the art institutions sponsored and operated by the Bank remained committed to cultural public welfare by organising annual key exhibitions, and successfully explored an effective path to serve the national strategy and the public. In 2022, the art institutions held five key exhibitions including “The Trace of Civilisation • The Great Art of Dunhuang”, and organised 33 public education events, directly serving 157 thousand public participants and benefiting 4.8 million participants through online services. Meanwhile, the art institutions broke down the “walls” of art palace and adopted diversified ways, such as “going global”, “concerting online and offline efforts” and “Minsheng Art Empowerment Project (MA+)”, to inject fresh artistic nutrients and the cultural force of the Bank to public aesthetics education and rural revitalisation.

During the Reporting Period, the ESG practices of the Bank were highly recognised by various third parties such as government authorities, public welfare organisations and mainstream media, and has won a range of honours. The Bank was selected into the “ESG50 (ESG50榜單)” by Forbes China, ranked No.1 among 42 A-share listed banks in 2022 Wind ESG Rating, and was granted the “ESG Finance Pioneer of the Year (年度ESG金融先鋒獎)” in the 13th Jinding Awards (金鼎獎) by National Business Daily. **In terms of environmental responsibilities**, during the Reporting Period, the Bank was granted a series of honours and awards, including the “Advanced Unit in Green Bank Evaluation (綠色銀行評價先進單位)” by the Professional Committee for the Green Credit Business of the China Banking Association, two green finance awards by the Hong Kong Quality Assurance Agency (HKQAA), the “Low-carbon Role Model of 2022” by the China News Service, the “Best Financial Institution Award (最佳金融機構獎)” by the Green Finance Forum of 60 and the “Bank for Green Finance Services of 2022” by China Times. **In terms of social responsibilities**, the Bank won the honours and awards such as the “Top Ten NSOEs (民企十強) (Top One in the Banking Industry)” in the “Social Responsibility Development Index of Chinese Enterprises 2022 (2022中國企業社會責任發展指數)” by Chinese Academy of Social Sciences and the “Responsibility Golden Bull Award (責任金牛獎)” by the China Social Responsibility 100 Forum. The 2021 Social Responsibility Report was rated “Five-Star (Excellent) (五星級(卓越))” by the Expert Committee for China Corporate Social Responsibility Report Rating.

CHAPTER 10 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at the end of the Reporting Period, there were 19,619 pending litigations with disputed amounts of over RMB1 million (included) involving the Bank as plaintiff for approximately RMB125,606,037.5 thousand and 183 pending litigations involving the Bank as defendant for approximately RMB3,784,861.1 thousand.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Bank has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures on Fixed Assets (《固定資產管理辦法》) of the Bank. The Bank has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Bank has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. Currently, the pile foundation construction is under progress.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 in the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The main part of the project is going through the ending and rectification stage. The bid invitation work for refined redecoration, security engineering and advertising engineering has been completed. The redecoration team is cooperating with related parties in all preparatory work before construction.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The project was approved by the Board on 23 September 2020. The approval procedures of pile foundation construction permit were completed on 25 September 2020. The Bank signed the contract with entrusted construction firms in May 2021, and the construction management work is being carried out pursuant to the entrusted construction management model. The overall construction work commenced formally on 15 January 2022. The pile foundation construction was completed on 15 May 2022. The acceptance of pile foundation subdivisional engineering was completed on 10 December 2022. Basement floor cement construction was completed on 30 December 2022.

The Phase I of Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction have been completed and the transfer of property ownership is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted the Project Filing Certificate of Beijing Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備[2019]0008號)) on 14 May 2019, the Letter of Preliminary Review Opinions on “Plan Integration” Synergetic Platform of Shunyi Phase II Cloud Computing Centre of China Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) (《關於民生銀行順義二期雲計算數據中心項目“多規合一”協同平台初審意見的函》(京規自(順)初審[2019]0002號)) on 11 June 2019, and the Review Opinions on Energy Conservation of Shunyi Headquarters Phase II Cloud Computing Centre of China Minsheng Bank of the Development and Reform Commission of Beijing Municipality (Jing Fa Gai Neng Ping [2020] No. 8) (《北京市發展改革委員會關於中國民生銀行順義總部基地二期雲計算數據中心項目的節能審查意見》(京發改能評[2020]8號)) on 17 March 2020. The preliminary design was completed in April 2020. The project was granted the Letter of Consolidated Consulting Opinions on “Plan Integration” Synergetic Platform of Headquarters Phase II Cloud Computing Centre (《關於總部基地二期雲計算數據中心項目“多規合一”協同平台綜合會商意見的函》) on 15 May 2020 and the Planning Permit on Construction Project (2020 Gui Zi Shun Jian Zi No. 0032) (《建設工程規劃許可證》(2020規自順建字0032號)) on 17 July 2020. The general investment estimation and the construction plan of the project were approved by the Board on 30 December 2020. The construction permit was obtained for the project and the construction commenced on 7 December 2021. The major structure has been completed and the secondary structure engineering and curtain wall engineering are under construction currently.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Bank were required to be disclosed except for the financial guarantees provided within the business scope approved by the PBOC.

Specific Explanation and Independent Opinions of the Independent Directors Regarding External Guarantees of China Minsheng Banking Corp., Ltd.

In accordance with the Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Fund Transactions and External Guarantees of Listed Companies (《上市公司監管指引第8號——上市公司資金往來、對外擔保的監管要求》) and relevant rules of the SSE, Independent Directors of China Minsheng Banking Corp., Ltd. carried out an investigation on the external guarantees of the Bank in 2022 on an open, fair and objective basis. Specific explanation and independent opinions are issued as below:

Upon investigation, the external guarantee business carried out by the Bank in 2022 mainly involves issuing letters of guarantee. It is a regular banking business within the business scope of the Bank approved by relevant regulatory authorities. The Bank attached great importance to the compliance and risk management of guarantee business. Based on risk characteristics of this business, the Bank has formulated and strictly implemented relevant operating process and approval procedures. As at 31 December 2022, the balance of letters of guarantee issued by the Bank amounted to RMB134,400 million. Such business is normally operated.

During the Reporting Period, no material illegal guarantee was found in the Bank.

Independent Directors
LIU Jipeng, LI Hancheng, XIE Zhichun,
PENG Xuefeng, LIU Ningyu, QU Xinjiu
27 March 2023

V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. (《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》) at the first extraordinary meeting for 2016 on 1 February 2016 and the Proposal on Impacts on Dilution of Current Returns of the Public Issuance of A Shares Convertible Corporate Bonds and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. (《關於中國民生銀行股份有限公司公開發行A股可轉換公司債券攤薄即期回報及填補措施的議案》) at the 2016 Annual General Meeting on 16 June 2017, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares and the public issuance of A Share convertible corporate bonds by the Bank were formulated, respectively. These measures included strengthening capital management and optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

VI. Appointment of Accounting Firms

The 2021 Annual Shareholders' General Meeting of the Bank approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2022, respectively.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year, including (domestic and international) auditing of financial reports, review of interim report, agreed procedures for quarterly financial reports, internal control auditing and auditing of tier-2 capital bonds and financial bonds projects, was RMB9.6 million, including a service fee of RMB1.0 million for the audit of the effectiveness of internal control.

As at the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Bank for the fourth year. YAN Lin and ZHANG Honglei, the signing accountants, had provided services for the Bank for the fourth year.

VII. Material Related Party Transactions

There is no controlling relationship between the related parties of the Bank. During the Reporting Period, none of the related parties had material related party transactions of total transaction value of more than 5% of the audited net asset value of the Bank, and the related party transactions of the Bank were mainly provision of loans to shareholders and related parties. All loans to related parties were provided in compliance with relevant laws and regulations and according to the credit terms and approval procedures of the Bank. The loans did not have any adverse impacts on the operating results and financial position of the Bank. For other related party transactions of the Group, please refer to Note 9 “Related parties” to the financial report.

In accordance with the rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the related party transactions and continuing related party transactions of the Bank during the Reporting Period were as follows:

(I) Continuing related party transactions between the Bank and Dajia Life Insurance Co., Ltd. for agency sales of financial products

1. Details of the transactions

On 28 December 2021, the 16th meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Signing the Business Cooperation Framework Agreement on Agency Sales of Financial Products with Dajia Life Insurance Co., Ltd. and the Specific Business thereunder (《關於本行與大家人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》). The Bank would enter into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. in due time, with a term from 1 January 2022 to 31 December 2022. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Bank shall provide services of agency sales of financial products to Dajia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, asset management products, fund products and securities products, and charge for service fees. For the year ended 31 December 2022, the annual cap of the service fees was RMB300 million and the actual service fees for the related party transactions were RMB264 million.

The cooperation between the Bank and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased the Bank’s incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Bank.

As at the date of the agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Bank, and was therefore a substantial shareholder of the Bank. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Bank and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Bank, and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Bank published on 28 December 2021 on the HKEXnews website of the SEHK and the website of the Bank.

2. Opinions of the Independent Directors

The Independent Non-Executive Directors of the Bank have reviewed the continuing related party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sale services of financial products, and confirmed that the transactions were:

- (1) entered into in the ordinary and usual course of business of the Bank;
- (2) based on normal or more favourable commercial terms; and
- (3) based on the terms of agreement governing the relevant transactions, which are fair and reasonable, and in the interests of the Bank's shareholders as a whole.

3. Opinions of the auditors

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Bank, to perform relevant procedures on the continuing related party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sales of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Related Party Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related party transactions, nothing has come to the attention of the auditor that:

- (1) the continuing related party transactions have not been approved by the Board of the Bank;
- (2) for related party transactions involving the provision of goods or services by the Group, the transactions were not priced, in all material respects, in accordance with the pricing policies of the Group;
- (3) the related party transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- (4) the aggregate amount of each of the continuing related party transactions has exceeded the aggregate annual caps in the continuing related party transaction announcement of the Bank published on the HKEXnews website of the SEHK and the website of the Bank on 28 December 2021.

VIII. Repurchase, Sale or Redemption of Shares

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2022, the Group had neither sold any securities of the Bank nor repurchased or redeemed any listed share of the Bank.

IX. Restriction Commitments Regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Bank

Not applicable.

X. Administrative Penalties Imposed on the Bank and Directors, Supervisors, Senior Management and Controlling Shareholders of the Bank

During the Reporting Period, the Bank was not aware of the Bank or any of its incumbent Directors, Supervisors or Senior Management being subject to any investigation by the competent authorities or mandatory measures imposed by the judicial authorities or commission for discipline inspection, or handled over to judicial authorities for criminal liabilities, nor any of them being a subject to examination or administrative penalty by the CSRC, or prohibited from the securities market or deemed as ineligible persons, or subject to any material administrative penalty imposed by the environmental protection, safety, taxation and other administrative authorities or publicly censured by any stock exchanges.

XI. Integrity of the Bank, Controlling Shareholders and Ultimate Controllers

The Bank does not have any controlling shareholder or ultimate controller. Dajia Life Insurance Co., Ltd. is the largest shareholder. During the Reporting Period, the largest shareholder and its ultimate controller did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

XII. Non-Operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Bank does not have any controlling shareholder. Dajia Life Insurance Co., Ltd. is the largest shareholder. The Bank does not have any non-operating fund occupation by the largest shareholder and its ultimate controller and other related parties.

XIII. Illegal Guarantees

During the Reporting Period, the Bank did not enter into any guarantee contracts in violation of the guarantee procedures prescribed by laws, administrative regulations and the CSRC.

CHAPTER 11 FINANCIAL REPORTS

- I. Independent Auditor's Report
- II. Financial Statements for the Year 2022 (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)
- III. Notes to the Consolidated Financial Statements for the Year 2022
- IV. Unaudited Supplementary Financial Information for the Year 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Minsheng Banking Corp., Ltd.

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

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 269 to 429, comprise:

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

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments

Refer to Note 2.10, Note 3.2, Note 4.16 and Note 4.17 to the consolidated financial statements.

As at 31 December 2022, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated statement of financial position, amounted to RMB4,170,621 million, for which the management recognized an impairment allowance of RMB98,868 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,837,500 million, for which the management recognized an impairment allowance of RMB13,113 million.

The balances of allowances for impairment losses for loans and advances to customers and financial investments represent the management's best estimates of expected credit losses ("ECL") at the reporting date by applying ECL models under International Financial Reporting Standard 9: Financial Instruments.

We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the key internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including:

- (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;
- (2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults and credit-impaired and forward-looking adjustments;

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default and exposure at default. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model.	(3) Internal controls over the accuracy and completeness of key inputs used in the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement. (6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.
The models of ECL involves significant management judgments and assumptions, primarily including:	The substantive procedures we preformed primarily included:
(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;	According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted in ECL measurement by comparing with the industry practice. We also examined the ECL calculations on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.
(2) Criteria for determining whether or not there is a significant increase in credit risk, or a default and impairment loss is incurred;	
(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;	

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
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Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
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(4) The estimation of future cash flows for corporate loans and financial investments in stage 3.

The management established governance processes and internal controls for the measurement of ECL.

For the measurement of ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related impairment allowance involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.

We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the relevant parameters, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and borrowers' financial and non-financial information at historical and reporting date, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts on a sample basis and assessment of the reasonableness of exposure at default.

We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired.

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We evaluated the reasonableness of the prediction of economic indicators by performing back-testing and comparing with available forecasts from third-party institutions. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	

For corporate loans and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of impairment allowance.

Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in the ECL measurement together with the measurement results were acceptable.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements. Structured entities primarily included wealth management products, asset-backed securities, funds, trust plans and asset management plans invested, sponsored and managed by the Group. As at 31 December 2022, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB514,005 million. In addition, as at 31 December 2022, the balances of wealth management products, funds and asset management plans sponsored and managed by the Group which were not included in the consolidated statement of financial position were RMB883,977 million and RMB161,998 million, respectively. Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.	We understood, evaluated and tested the Group's relevant key internal controls over consolidation assessment of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as approval of the consolidation assessment results. We selected samples of structured entities and performed the following tests: • reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities. • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. • assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen, Shirley.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2022	2021
Interest income		262,937	277,679
Interest expense		(155,474)	(151,904)
Net interest income	1	107,463	125,775
Fee and commission income		25,470	33,135
Fee and commission expense		(5,196)	(5,569)
Net fee and commission income	2	20,274	27,566
Net trading gain	3	4,690	3,110
Net gain from investment securities	4	4,357	7,346
Including: disposals of financial assets measured at amortised cost		2,202	744
Net other operating income	5	2,435	1,757
Operating expenses	6	(52,602)	(51,181)
Credit impairment losses	7	(48,762)	(77,398)
Other impairment losses		(685)	(1,375)
Profit before income tax		37,170	35,600
Income tax expense	9	(1,393)	(747)
Net profit		35,777	34,853
Net profit attributable to:			
Equity holders of the Bank		35,269	34,381
Non-controlling interests		508	472
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	0.71	0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Net profit	35,777	34,853
Other comprehensive income of the year, net of tax	(846)	2,271
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,517	(12)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	(2,824)	1,934
Allowance for impairment losses	(521)	471
Effective hedging portion of gains or losses arising from cash flow hedging instruments	8	17
Exchange difference on translating foreign operations	974	(139)
Total comprehensive income of the year	34,931	37,124
Total comprehensive income attributable to:		
Equity holders of the Bank	34,143	36,614
Non-controlling interests	788	510

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2022	31 December 2021
ASSETS			
Cash and balances with central bank	11	338,552	361,302
Balances with banks and other financial institutions	12	88,705	92,546
Precious metals		25,167	13,189
Placements with banks and other financial institutions	13	182,434	158,768
Derivative financial assets	14	33,878	27,461
Financial assets held under resale agreements	15	3,010	1,362
Loans and advances to customers	16	4,072,982	3,967,679
Financial investments:	17		
– Financial assets at fair value through profit or loss		389,070	300,684
– Financial assets at fair value through other comprehensive income		473,211	435,529
– Financial assets measured at amortised cost		1,363,589	1,298,220
Long-term receivables	18	111,456	122,716
Property and equipment	19	58,896	56,786
Right-of-use assets	20(1)	13,146	14,105
Deferred income tax assets	21	55,701	51,904
Investments in associates	22(3)	–	2
Other assets	23	45,876	50,533
Total assets		7,255,673	6,952,786
LIABILITIES			
Borrowings from central bank		144,801	279,787
Deposits and placements from banks and other financial institutions	25	1,479,041	1,294,358
Financial liabilities at fair value through profit or loss		1,915	2,856
Borrowings from banks and other financial institutions	26	105,229	114,461
Derivative financial liabilities	14	32,675	26,114
Financial assets sold under repurchase agreements	27	104,140	36,485
Deposits from customers	28	4,051,592	3,825,693
Lease liabilities	20(2)	9,426	10,225
Provisions	29	2,456	2,250
Debt securities issued	30	648,107	711,024
Current income tax liabilities		5,040	8,811
Deferred income tax liabilities	21	236	247
Other liabilities	31	58,201	53,936
Total liabilities		6,642,859	6,366,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2022	31 December 2021
EQUITY			
Share capital	32	43,782	43,782
Other equity instrument		94,962	89,964
Including: Preference shares	33	19,975	19,975
Perpetual bonds	34	74,987	69,989
Reserves			
Capital reserve	32	58,149	58,149
Surplus reserve	36	55,276	51,843
General reserve	36	90,494	87,013
Other reserves		(612)	385
Retained earnings	36	257,877	243,144
Total equity attributable to equity holders of the Bank		599,928	574,280
Non-controlling interests		12,886	12,259
Total equity		612,814	586,539
Total liabilities and equity		7,255,673	6,952,786

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

Approved and authorised for issue by the Board of Directors on 27 March 2023.

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Liu Ningyu
Director

 (Company Seal)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Reserves											
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	32	33&34	32	36	36	39		39	36		37	
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539
(I) Net profit	-	-	-	-	-	-	-	-	35,269	35,269	508	35,777
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,781)	647	8	-	(1,126)	280	(846)
Total comprehensive income	-	-	-	-	-	(1,781)	647	8	35,269	34,143	788	34,931
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998	-	4,998
(IV) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-	-	-
2. Appropriation to general reserve	-	-	-	-	3,481	-	-	-	(3,481)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)	(129)	(10,331)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,230)	(3,230)	-	(3,230)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	129	-	-	(129)	-	-	-
(VI) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(61)	(61)	(32)	(93)
At 31 December 2022	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Reserves											
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	32	33&34	32	36	36	39		39	36		37	
At 31 December 2020	43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248
(I) Net profit	-	-	-	-	-	-	-	-	34,381	34,381	472	34,853
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,312	(96)	17	-	2,233	38	2,271
Total comprehensive income	-	-	-	-	-	2,312	(96)	17	34,381	36,614	510	37,124
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	29,996	-	-	-	-	-	-	-	29,996	-	29,996
2. Capital deduction by other equity instrument holders	-	(9,892)	730	-	-	-	-	-	-	(9,162)	-	(9,162)
(IV) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,364	-	-	-	-	(3,364)	-	-	-
2. Appropriation to general reserve	-	-	-	-	414	-	-	-	(414)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,714)	(10,714)	(72)	(10,786)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	1	-	-	(1)	-	-	-
(VI) Others												
1. Capital injection by subsidiaries	-	-	-	-	-	-	-	-	-	-	140	140
2. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(51)	(51)	(30)	(81)
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Cash flows from operating activities:		
Profit before income tax	37,170	35,600
<i>Adjustments for:</i>		
– Credit impairment losses	48,762	77,398
– Other impairment losses	685	1,375
– Depreciation and amortisation	7,805	7,407
– (Gains)/Losses on disposal of property and equipment and other long-term assets	(124)	11
– Losses from changes in fair value	8,089	1,472
– Net gains on disposal of investment securities	(9,707)	(8,785)
– Interest expense on debt securities issued	20,118	23,352
– Interest expense on lease liabilities	386	416
– Interest income from financial investments	(56,447)	(58,529)
Subtotal	56,737	79,717
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	829	17,681
Net (increase)/decrease in placements with banks and other financial institutions	(33,148)	50,663
Net (increase)/decrease in financial assets held under resale agreements	(1,649)	20,083
Net increase in loans and advances to customers	(144,656)	(244,767)
Net (increase)/decrease in financial assets held for trading purposes	(31,455)	18,604
Net (increase)/decrease in other operating assets	(16,380)	8,508
Subtotal	(226,459)	(129,228)
<i>Changes in operating liabilities:</i>		
Net decrease in borrowings from central bank	(133,367)	(12,605)
Net increase in deposits from customers	217,766	47,587
Net increase in deposits and placements from banks and other financial institutions	185,579	221,676
Net increase/(decrease) in financial assets sold under repurchase agreements	67,415	(28,541)
Income tax paid	(9,212)	(12,982)
Net increase/(decrease) in other operating liabilities	7,814	(10,207)
Subtotal	335,995	204,928
Net cash generated from operating activities	166,273	155,417

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note 4	2022	2021
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		1,035,119	1,353,113
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		3,071	2,810
Cash payment for investments		(1,139,805)	(1,228,550)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(10,712)	(9,465)
Net cash generated from investing activities		(112,327)	117,908
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		4,998	29,996
Proceeds from issue of debt securities		836,972	766,573
Capital injection by subsidiaries		–	140
Capital deduction by holders of other equity instruments		–	(9,162)
Repayment of debt securities issued		(910,525)	(1,025,490)
Subsidiaries shares repurchased		(93)	(81)
Interest paid on debt securities and perpetual bonds issued		(13,484)	(14,063)
Dividends paid		(10,382)	(10,736)
Cash payment in other financing activities		(3,691)	(3,897)
Net cash generated from financing activities		(96,205)	(266,720)
Effect of exchange rate changes on cash and cash equivalents		7,146	(1,106)
Net (decrease)/increase in cash and cash equivalents		(35,113)	5,499
Cash and cash equivalents at 1 January		163,418	157,919
Cash and cash equivalents at 31 December	40	128,305	163,418

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former “China Banking Regulatory Commission” and “China Insurance Regulatory Commission”, the “CBIRC”), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank’s A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In these consolidated financial statements for the year ended 31 December 2022, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2022, the Bank had 42 tier-one branches and 33 subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards and amendments effective in 2022 relevant to and adopted by the Group

In current period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”).

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 cycle

Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, ‘Business combinations’, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The adoption of the amendments did not have a significant impact on the Group’s consolidated financial statements.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract. The amendments clarify the meaning of ‘costs to fulfil a contract’, they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The amendments did not have a significant impact on the Group’s consolidated financial statements.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The amendments did not have a significant impact on the Group’s consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards and amendments effective in 2022 relevant to and adopted by the Group (continued)

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020 cycle

The Annual Improvements to IFRSs 2018 – 2020 Cycle include a number of amendments to various IFRSs:

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

The adoption of the amendments did not have a significant impact on the Group’s consolidated financial statements.

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee (“IFRIC”), that have been issued but are not yet effective.

Standards/Amendments	Effective date
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture The effective date has now been deferred.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies 1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates 1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction 1 January 2023
Amendments to IFRS 17	Insurance Contracts 1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback 1 January 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

And the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IAS 8: Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction

The main change in Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective from 1 January 2023. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts. The main impacts are as follows:

- IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.
- Investment components are no longer included in insurance revenue or insurance service expenses.
- Under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. Such unearned profits will be released and recognized as insurance revenue over the coverage period of the insurance contracts as services are provided.
- IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets in accordance with IFRS 9. In addition, the Group has an option to present the changes in the measurement of selected insurance contract liabilities due to changes in time value money and other financial risks in other comprehensive income.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Consolidation (continued)

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

For specific accounting policies related to the interest income of financial assets and the interest expense of financial liabilities, please refer to the Note 2.10(4) Subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2.7 Foreign currency translations

The functional currency of the Domestic Operations is Chinese Renminbi ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

- (1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;
- (2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translations (continued)

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

2.8 Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, 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 according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2.9 Employee benefits

(1) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss, including salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Employee benefits (continued)

(2) *Post-employment benefits-defined contribution plans*

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

Contributions to the post-employment benefits plans are recognised in the consolidated income statement for the period in which the related payment obligation is incurred.

2.10 Financial instruments

(1) *Initial recognition, classification and measurement of financial instruments*

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

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

(a) *Financial assets*

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

Amortized cost ("AC");

Fair value through other comprehensive income ("FVOCI"); or

Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(a) Financial assets (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading 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 leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds etc. Classification and measurement of debt instruments depend on the Group's business models for managing the financial asset and the cash flow characteristics of the financial asset.

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

- AC: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, and that are not designated at FVPL, are measured at amortized cost.
- FVOCI: Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the assets; and the contractual terms give rise on specified dates to cash flows that are SPPI, and that are not designated at FVPL, are measured at FVOCI.
- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) *Initial recognition, classification and measurement of financial instruments (continued)*

(b) *Financial liabilities*

The Group's financial liabilities are classified into financial liabilities at amortized cost and financial liabilities carried at FVPL on initial recognition. Financial liabilities at FVPL is applied to derivative financial liabilities, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability; In applying the continued involvement approach of accounting for the measurement of the transferred liability, please refer to the Note 2.10(7) Derecognition of financial assets.

(2) *Reclassification of financial assets*

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized 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 the Group reclassifying financial assets.

(3) *Determination of fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(3) *Determination of fair value (continued)*

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices in an orderly transaction, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

(4) *Subsequent measurement of financial instruments*

Subsequent measurement of financial instruments depends on the categories:

(a) *Amortized cost*

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

Interest income and interest expenses from these financial assets and liability is included in "Interest income" and "interest expenses" respectively using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost;
- Financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(4) *Subsequent measurement of financial instruments (continued)*

(b) *Fair value through other comprehensive income*

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

(c) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(5) *Impairment of financial instruments*

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

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

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(5) *Impairment of financial instruments (continued)*

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

(6) *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) *Derecognition of financial assets*

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset, and retains control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liabilities is recognized accordingly.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(8) *Derecognition of financial liabilities*

A financial liability (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

(9) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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 unfavorable 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 recorded at the fair value of proceeds received, net of direct issuance expenses.

(10) *Derivative financial instruments*

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

(11) *Embedded derivative financial instruments*

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (a) Their economic characteristics and risks are not closely related to those of the host contract;
- (b) A separate instrument with the same terms would meet the definition of a derivative; and
- (c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the consolidated income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(12) *Hedge accounting*

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(a) *Cash flow hedge*

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) *Fair value hedge*

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(13) Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position. Besides, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(14) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income over the term of the agreements using the effective interest method.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

2.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Property and equipment (continued)

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	5 – 30 years	5%	3.17% – 19.00%
Operating equipment	3 – 20 years	5%	4.75% – 31.67%
Scientific and technological equipment	3 – 10 years	5%	9.50% – 31.67%
Transportation facility	5 years	5%	19.00%
Other fixed assets	5 – 30 years	5%	3.17% – 19.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed financial assets are initially recognized at fair value, and foreclosed non-financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the assets. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of their carrying amount and fair value less costs to sell. When the fair value less costs to sell is lower than a foreclosed non-financial asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

When a foreclosed asset is disposed, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

When a foreclosed asset needs to be transferred for own use, it is transferred at its carrying amount including the impairment allowance at the transition day.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

2.16 Leases

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

(1) Lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercises a purchase option or a option to terminate the lease.

The right-of-use assets of the Group include buildings, land use rights, office equipment and others. The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss instead of the right-of-use asset or lease liabilities. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Leases (continued)

(2) 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.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis when the Group lease out owned buildings, machineries and equipment as well as motor vehicles.

(b) Finance leases

At the commencement date, the Group recognises finance lease receivables with the finance lease asset derecognized. The finance lease receivables are recorded as long-term receivables in the consolidated statement of financial position.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Dividend/Interest distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares or interests on perpetual bonds. Preference shares dividend or perpetual bonds interest distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends or interests are approved by the Board of Directors of the Bank.

2.21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Financial guarantee contracts and loan commitments (continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - a has control or joint control over the Group;
 - b has significant influence over the Group; or
 - c is a member of the key management personnel of the Group.
- (2) An entity is related to the Group if any of the following conditions applies:
 - a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - c Both entities are joint ventures of the same third party;
 - d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - e The entity is controlled or jointly controlled by a person identified in (1);
 - f A person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the possibility of default of customers and expected losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these *structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities*. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the “pass through” of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group’s estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group’s assessment on the extent that risks and rewards are transferred.
- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 Net interest income

	Year ended 31 December	
	2022	2021
Interest income arising from:		
Loans and advances to customers	186,386	197,251
Including: Corporate loans and advances	87,091	94,100
Personal loans and advances	93,061	95,864
Discounted bills	6,234	7,287
Financial investments	56,447	58,529
Including: Financial assets measured at amortised cost	43,673	44,503
Financial assets at fair value through other comprehensive income	12,774	14,026
Long-term receivables	6,799	7,902
Placements with banks and other financial institutions	5,742	6,868
Balances with central bank	5,034	5,150
Financial assets held under resale agreements	1,970	1,616
Balances with banks and other financial institutions	559	363
Subtotal	262,937	277,679
Interest expense arising from:		
Deposits from customers	(93,254)	(83,457)
Deposits and placements from banks and other financial institutions	(30,208)	(30,881)
Debt securities issued	(20,118)	(23,352)
Borrowings from central bank	(6,651)	(8,796)
Borrowings from banks and other financial institutions and others	(3,391)	(3,641)
Financial assets sold under repurchase agreements	(1,466)	(1,361)
Lease liabilities	(386)	(416)
Subtotal	(155,474)	(151,904)
Net interest income	107,463	125,775
Of which:		
Interest income from impaired loans and advances to customers	1,091	1,174

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.2 Net fee and commission income

	Year ended 31 December	
	2022	2021
Fee and commission income from		
Bank card services	10,909	11,473
Custodian and other fiduciary services	5,960	10,476
Agency services	5,469	6,422
Settlement services	1,619	2,001
Credit commitments	1,207	1,773
Others	306	990
Subtotal	25,470	33,135
Fee and commission expense	(5,196)	(5,569)
Net fee and commission income	20,274	27,566

4.3 Net trading gain

	Year ended 31 December	
	2022	2021
Net gain from interest rate products	1,193	2,017
Net gain from foreign exchange and foreign exchange products	2,228	461
Others	1,269	632
Total	4,690	3,110

4.4 Net gain from investment securities

	Year ended 31 December	
	2022	2021
Financial assets at fair value through profit or loss	(191)	5,409
Financial assets at fair value through other comprehensive income	2,346	1,193
Financial assets measured at amortised cost	2,202	744
Total	4,357	7,346

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.5 Net other operating income

	Year ended 31 December	
	2022	2021
Operating leases income	4,436	3,969
Operating leases costs	(2,505)	(2,302)
Others	504	90
Total	<u>2,435</u>	<u>1,757</u>

4.6 Operating expenses

	Year ended 31 December	
	2022	2021
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	29,004	28,612
– Post-employment benefits-defined contribution plan	2,451	2,403
Depreciation and amortisation	5,896	5,665
Short-term lease expenses, low-value lease expenses and property management expenses	912	843
Tax and surcharges	1,873	1,949
Office expenses, business expenses and others	12,466	11,709
Total	<u>52,602</u>	<u>51,181</u>

4.7 Credit impairment losses

	Year ended 31 December	
	2022	2021
Loans and advances to customers	41,695	58,660
Financial assets measured at amortised cost	4,038	14,115
Financial assets at fair value through other comprehensive income	370	577
Long-term receivables	1,900	2,845
Other receivables	472	571
Others	287	630
Total	<u>48,762</u>	<u>77,398</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Directors and supervisors' emoluments

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:*

For the year ended 31 December 2022 (in thousands of RMB)

	Year ended 31 December 2022			Total
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱ⁾	3,781	110	—	3,891
Zhang Hongwei	980	—	—	980
Lu Zhiqiang	980	—	—	980
Liu Yonghao	980	—	—	980
Zheng Wanchun ⁽ⁱ⁾⁽ⁱⁱ⁾	3,355	110	—	3,465
Shi Yuzhu	860	—	—	860
Wu Di	940	—	—	940
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	920	—	—	920
Yang Xiaoling	760	—	—	760
Zhao Peng	895	—	—	895
Liu Jipeng	1,005	—	—	1,005
Li Hancheng	1,105	—	—	1,105
Xie Zhichun	1,015	—	—	1,015
Peng Xuefeng	965	—	—	965
Liu Ningyu	1,240	—	—	1,240
Qu Xinjiu	965	—	—	965
Yuan Guijun ⁽ⁱ⁾⁽ⁱⁱ⁾	3,090	110	—	3,200
Zhang Juntong ⁽ⁱ⁾⁽ⁱⁱ⁾	3,088	110	—	3,198
Yang Yu ⁽ⁱ⁾⁽ⁱⁱ⁾	2,441	110	—	2,551
Lu Zhongnan	765	—	—	765
Li Yu	765	—	—	765
Wang Yugui	760	—	—	760
Zhao Fugao ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhang Liqing	710	—	—	710
Gong Zhijian	2,427	110	—	2,537
Zhao Linghuan ^(iv)	498	—	—	498

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Directors and supervisors' emoluments (continued)

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)*

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.
- (ii) The emoluments before tax of the Executive Directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have significant impacts on the Group's 2022 financial statements.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received the remuneration as a Director, and Mr. Zhao Fugao has not received the remuneration as a Supervisor.
- (iv) On 1 September 2022, Mr. Zhao Linghuan ceased to act as a Supervisor and a member of related special committee under the Board of Supervisors of the Bank due to his personal time and attention allocation.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Directors and supervisors' emoluments (continued)

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)*

For the year ended 31 December 2021 (in thousands of RMB)

	Year ended 31 December 2021			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱ⁾	3,918	107	2,306	6,331
Zhang Hongwei	935	—	—	935
Lu Zhiqiang	935	—	—	935
Liu Yonghao	935	—	—	935
Zheng Wanchun ⁽ⁱ⁾⁽ⁱⁱ⁾	3,483	107	2,092	5,682
Shi Yuzhu	815	—	—	815
Wu Di	905	—	—	905
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	875	—	—	875
Yang Xiaoling ^(iv)	745	—	—	745
Zhao Peng ^(iv)	850	—	—	850
Liu Jipeng	950	—	—	950
Li Hancheng	1,055	—	—	1,055
Xie Zhichun	990	—	—	990
Peng Xuefeng	890	—	—	890
Liu Ningyu	1,108	—	—	1,108
Qu Xinjiu ^(iv)	920	—	—	920
Yuan Guijun ^{(i)(ii)(iv)}	3,178	107	1,665	4,950
Zhang Juntong ⁽ⁱ⁾⁽ⁱⁱ⁾	3,191	107	1,428	4,726
Yang Yu ^{(i)(ii)(iv)}	205	10	92	307
Lu Zhongnan	760	—	—	760
Zhao Linghuan	685	—	—	685
Li Yu	770	—	—	770
Wang Yugui	760	—	—	760
Zhao Fugao ⁽ⁱⁱⁱ⁾	75	—	—	75
Zhang Liqing	710	—	—	710
Gong Zhijian ^(iv)	296	10	123	429
Guo Dong ^(v)	2,947	99	846	3,892
Li Jian ^(v)	3,015	90	567	3,672

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Directors and supervisors' emoluments (continued)

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.
- (ii) The total pre-tax remuneration of the executive director, chairman of the Board of Supervisors and vice-chairman of the Board of Supervisors on full salary of the Bank has been approved by the Compensation and Appraisal Committee of the Board of Directors. The bank has made a supplementary disclosure in the Supplementary Announcement of China Minsheng Banking Corporation Limited in 2021. The relevant compensation amounts have been restated.
- (iii) Since April 2020, Mr. Song Chunfeng has not received remuneration as a Director.

Since February 2021, Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) Mr. Yang Xiaoling's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

Mr. Zhao Peng's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in June 2021.

Mr. Qu Xinjiu's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In January 2021, Mr. Yuan Guijun was newly elected as the executive director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In November 2021, Mr. Yang Yu, Mr. Gong Zhijian were newly elected as the supervisors of the Bank.
- (v) In November 2021, Mr. Guo Dong and Mr. Li Jian retired the supervisors of the Bank.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Directors and supervisors' emoluments (continued)

- (2) None of the five individuals with the highest emoluments for the year ended 31 December 2022 were directors or supervisors of the Bank (2021: None of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows (in thousands of RMB):

	Year ended 31 December	
	2022	2021
Basic salaries, allowances and benefits	2,617	3,199
Contributions to pension schemes	309	347
Discretionary bonus	40,303	50,428
Total	43,229	53,974

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2022	2021
From RMB6,000,001 to RMB10,000,000	4	2
From RMB10,000,001 to RMB14,000,000	1	3

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.9 Income tax expense

	Year ended 31 December	
	2022	2021
Current income tax for the year	4,963	3,204
Deferred income tax (Note 4.21)	(3,570)	(2,457)
Total	<u>1,393</u>	<u>747</u>

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	37,170	35,600
Income tax at the tax rate of 25%	9,293	8,900
Effect of non-taxable income (a)	(9,445)	(9,252)
Effect of non-deductible expenses (b)	2,609	1,679
Effect of interest expense on perpetual debt	(808)	(485)
Settlement variance and others	(256)	(95)
Income tax expense	<u>1,393</u>	<u>747</u>

- (a) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, as well as dividends arising from fund investments, which are exempted from income tax.
- (b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

4.10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 and 2021 respectively under the terms and conditions as detailed in Note 4.33 Preference Shares and Note 4.34 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2022 and 31 December 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.10 Earnings per share (continued)

	Year ended 31 December	
	2022	2021
Profit for the year attributable to equity holders of the Bank	35,269	34,381
Less: profit for the year attributable to other equity instrument holders of the Bank	(4,106)	(3,328)
Net profit attributable to ordinary equity holders of the Bank	31,163	31,053
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB)	0.71	0.71

4.11 Cash and balances with central bank

	31 December 2022	31 December 2021
Cash	6,983	5,292
Balances with central bank		
Mandatory reserve deposits	311,294	313,375
Surplus reserve deposits	19,301	41,093
Fiscal deposits and others	837	1,409
Subtotal	331,432	355,877
Interest accrued	137	133
Total	338,552	361,302

The Group places mandatory reserve deposits in accordance with the relevant provisions of PBOC or local regulators. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 31 December 2022 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.5% (31 December 2021: 8.0%) and the reserve rate for foreign currency deposits is 6.0% (31 December 2021: 9.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.12 Balances with banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
– Banks	67,859	40,181
– Other financial institutions	4,936	4,950
Subtotal	72,795	45,131
Overseas		
– Banks	14,324	46,808
– Other financial institutions	1,508	552
Subtotal	15,832	47,360
Interest accrued	86	63
Less: allowance for impairment losses	(8)	(8)
Total	88,705	92,546

For the years ended 31 December 2022 and 2021, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

4.13 Placements with banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
– Banks	8,489	7,885
– Other financial institutions	162,399	138,194
Subtotal	170,888	146,079
Overseas		
– Banks	9,247	10,626
– Other financial institutions	3,806	3,412
Subtotal	13,053	14,038
Interest accrued	355	240
Less: allowance for impairment losses	(1,862)	(1,589)
Total	182,434	158,768

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.13 Placements with banks and other financial institutions (continued)

Movements in allowance for impairment losses of placements with banks and other financial institutions

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(411)	–	(1,178)	(1,589)
Net charge	(172)	–	(99)	(271)
Others	(2)	–	–	(2)
Balance as at 31 December 2022	<u>(585)</u>	<u>–</u>	<u>(1,277)</u>	<u>(1,862)</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(233)	–	(739)	(972)
Transfer:				
to stage 3	5	–	(5)	–
Net charge	(183)	–	(434)	(617)
Balance as at 31 December 2021	<u>(411)</u>	<u>–</u>	<u>(1,178)</u>	<u>(1,589)</u>

4.14 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

- (1) The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,311,820	29,129	(26,883)
Interest rate derivatives	1,428,101	2,889	(589)
Precious metal derivatives	70,434	1,836	(5,186)
Others	1,456	24	(17)
Total		<u>33,878</u>	<u>(32,675)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.14 Derivatives (continued)

(1) (continued)

31 December 2021			
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,611,330	24,790	(21,468)
Interest rate derivatives	1,422,507	1,047	(903)
Precious metal derivatives	59,693	1,521	(3,641)
Others	6,467	103	(102)
Total		<u>27,461</u>	<u>(26,114)</u>

(2) Hedges

31 December 2022				
		Notional	Fair value	
		amount	Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	6,498	150	–
Fair value hedges				
– Interest Rate swap contracts	(b)	28,353	1,603	(1)
Total			1,753	(1)

				31 December 2021		
			Notional	Fair value		
			amount	Assets	Liabilities	
Cash flow hedges						
– Currency swap contracts	(a)	4,272	96	–		
Fair value hedges						
– Interest Rate swap contracts	(b)	13,235	98	(26)		
Total			194	(26)		

- (a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2022 and 2021, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.
- (b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2022 and 2021, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were not significant.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.14 Derivatives (continued)

(3) Credit risk weighted amount

	31 December 2022	31 December 2021
Credit risk weighted amount for counterparty	<u>20,968</u>	<u>20,712</u>

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.15 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	31 December 2022	31 December 2021
Bonds	2,549	823
Others	<u>464</u>	<u>541</u>
Subtotal	<u>3,013</u>	<u>1,364</u>
Interest accrued	25	18
Less: allowance for impairment losses	<u>(28)</u>	<u>(20)</u>
Total	<u><u>3,010</u></u>	<u><u>1,362</u></u>

For the years ended 31 December 2022 and 2021, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.16 Loans and advances to customers

		<u>31 December 2022</u>	<u>31 December 2021</u>
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		<u>2,144,501</u>	<u>2,017,910</u>
Personal loans and advances			
– Micro lending	(1)	<u>621,598</u>	577,327
– Residential mortgage		<u>573,274</u>	595,468
– Credit cards		<u>462,788</u>	472,077
– Others		<u>84,208</u>	<u>96,459</u>
Gross balance		<u>1,741,868</u>	<u>1,741,331</u>
Less: allowance for impairment losses		<u>(97,639)</u>	<u>(103,806)</u>
Subtotal		<u>3,788,730</u>	<u>3,655,435</u>
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		<u>8,717</u>	5,577
– Discounted bills		<u>246,058</u>	<u>280,874</u>
Subtotal		<u>254,775</u>	<u>286,451</u>
Interest accrued		<u>29,477</u>	<u>25,793</u>
Total		<u><u>4,072,982</u></u>	<u><u>3,967,679</u></u>

(1) Micro lending is a loan product offered to the micro enterprise owners and proprietors.

(1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Amount</u>	<u>(%)</u>	<u>Amount</u>	<u>(%)</u>
Unsecured loans	<u>1,130,796</u>	<u>27.31</u>	1,010,309	24.97
Guaranteed loans	<u>671,437</u>	<u>16.21</u>	670,747	16.58
Loans secured by				
– Tangible assets other than monetary assets	<u>1,750,267</u>	<u>42.27</u>	1,739,357	42.99
– Monetary assets	<u>588,644</u>	<u>14.21</u>	625,279	15.46
Total	<u><u>4,141,144</u></u>	<u><u>100.00</u></u>	<u><u>4,045,692</u></u>	<u><u>100.00</u></u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.16 Loans and advances to customers (continued)

(2) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2022				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	14,037	9,305	4,493	1,111	28,946
Guaranteed loans	2,012	4,917	4,722	893	12,544
Loans secured by					
– Tangible assets other than monetary assets	6,167	11,233	15,827	1,637	34,864
– Monetary assets	292	3,025	2,027	663	6,007
Total	<u>22,508</u>	<u>28,480</u>	<u>27,069</u>	<u>4,304</u>	<u>82,361</u>
% of total loans and advances to customers	<u>0.54</u>	<u>0.69</u>	<u>0.66</u>	<u>0.10</u>	<u>1.99</u>
	31 December 2021				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	9,618	12,522	3,873	1,011	27,024
Guaranteed loans	7,152	5,923	2,240	1,145	16,460
Loans secured by					
– Tangible assets other than monetary assets	13,454	14,093	9,389	2,096	39,032
– Monetary assets	171	2,441	2,293	304	5,209
Total	<u>30,395</u>	<u>34,979</u>	<u>17,795</u>	<u>4,556</u>	<u>87,725</u>
% of total loans and advances to customers	<u>0.75</u>	<u>0.87</u>	<u>0.44</u>	<u>0.11</u>	<u>2.17</u>

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.16 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses

- (a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(20,197)	(37,076)	(46,533)	(103,806)
Transfer:				
to stage 1	(3,802)	3,303	499	–
to stage 2	998	(1,310)	312	–
to stage 3	722	10,456	(11,178)	–
Net charge	(1,016)	(8,858)	(31,812)	(41,686)
Write-offs and transfer out	–	–	53,757	53,757
Recoveries of amounts previously written off	–	–	(7,141)	(7,141)
Others	(84)	(117)	1,438	1,237
Balance as at 31 December 2022	<u>(23,379)</u>	<u>(33,602)</u>	<u>(40,658)</u>	<u>(97,639)</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(23,048)	(29,725)	(43,769)	(96,542)
Transfer:				
to stage 1	(1,084)	749	335	–
to stage 2	2,292	(4,346)	2,054	–
to stage 3	612	7,234	(7,846)	–
Net reversal/(charge)	1,038	(10,975)	(48,000)	(57,937)
Write-offs and transfer out	–	–	54,324	54,324
Recoveries of amounts previously written off	–	–	(5,204)	(5,204)
Others	(7)	(13)	1,573	1,553
Balance as at 31 December 2021	<u>(20,197)</u>	<u>(37,076)</u>	<u>(46,533)</u>	<u>(103,806)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.16 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses (continued)

- (b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(286)	(104)	(912)	(1,302)
Net (charge)/reversal	(75)	94	(28)	(9)
Write-offs	–	–	162	162
Recoveries of amounts previously written off	–	–	(80)	(80)
Balance as at 31 December 2022	<u>(361)</u>	<u>(10)</u>	<u>(858)</u>	<u>(1,229)</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(496)	–	(599)	(1,095)
Transfer:				
to stage 3	1	–	(1)	–
Net reversal/(charge)	209	(104)	(828)	(723)
Transfer out	–	–	516	516
Balance as at 31 December 2021	<u>(286)</u>	<u>(104)</u>	<u>(912)</u>	<u>(1,302)</u>

4.17 Financial investments

		31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	(1)	389,070	300,684
Financial assets at fair value through other comprehensive income	(2)	473,211	435,529
Financial assets measured at amortised cost	(3)	1,363,589	1,298,220
Total		<u>2,225,870</u>	<u>2,034,433</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(1) Financial assets at fair value through profit or loss

		<u>31 December 2022</u>	<u>31 December 2021</u>
Held for trading purpose			
Debt securities			
Government		1,843	4,512
Policy banks		3,253	12,686
Banks and non-bank financial institutions		16,225	15,353
Corporates		<u>78,685</u>	<u>32,268</u>
Subtotal		100,006	64,819
Equity investments		1,695	2,012
Investment funds	(a)	<u>8,835</u>	<u>13,694</u>
Subtotal		<u>110,536</u>	<u>80,525</u>
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		3,062	964
Banks and non-bank financial institutions		9,573	2,660
Equity investments		19,732	25,267
Investment funds	(a)	226,617	177,317
Trust and asset management plans	(b)	14,185	12,860
Others		<u>5,365</u>	<u>1,091</u>
Subtotal		<u>278,534</u>	<u>220,159</u>
Total		<u><u>389,070</u></u>	<u><u>300,684</u></u>
Listed		103,000	65,297
– Of which: listed in Hong Kong		7,787	8,237
Unlisted		<u>286,070</u>	<u>235,387</u>
Total		<u><u>389,070</u></u>	<u><u>300,684</u></u>

Debt securities traded in China Domestic Interbank Bond Market are classified as listed bonds.

- (a) As at 31 December 2022 and 31 December 2021, the underlying investment funds primarily include public bond funds and public money market funds.
- (b) As at 31 December 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(2) *Financial assets at fair value through other comprehensive income*

	31 December 2022	31 December 2021
Debt securities		
Government	142,060	112,163
Policy banks	27,957	55,571
Banks and non-bank financial institutions	163,628	126,751
Corporates	123,856	127,390
Subtotal	457,501	421,875
Equity investments	10,592	8,325
Interest accrued	5,118	5,329
Total	473,211	435,529
Listed	438,614	396,269
– Of which: listed in Hong Kong	49,013	41,619
Unlisted	29,479	33,931
Interest accrued	5,118	5,329
Total	473,211	435,529

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2022, dividend income of RMB64 million (for the year ended 31 December 2021: RMB28 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was insignificant for the year ended 31 December 2022 (for the year ended 31 December 2021: insignificant).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

Fair value

	31 December 2022	31 December 2021
Debt securities		
Cost	469,061	430,426
Cumulative amount of change in fair value that is accrued to other comprehensive income	(6,442)	(3,222)
Fair value	462,619	427,204
Equity investment		
Cost	8,270	8,327
Cumulative amount of change in fair value that is accrued to other comprehensive income	2,322	(2)
Fair value	10,592	8,325
Total	473,211	435,529

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

Movements in allowance for impairment losses

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(656)	(84)	(1,833)	(2,573)
Transfer:				
to stage 2	1	(1)	–	–
to stage 3	2	78	(80)	–
Net charge	(57)	(7)	(306)	(370)
Write-offs and transfer out	–	–	1,161	1,161
Others	(39)	–	–	(39)
Balance as at 31 December 2022	<u>(749)</u>	<u>(14)</u>	<u>(1,058)</u>	<u>(1,821)</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,292)	(11)	(826)	(2,129)
Transfer:				
to stage 2	5	(5)	–	–
to stage 3	1	–	(1)	–
Net reversal/(charge)	620	(68)	(1,129)	(577)
Write-offs and transfer out	–	–	72	72
Others	10	–	51	61
Balance as at 31 December 2021	<u>(656)</u>	<u>(84)</u>	<u>(1,833)</u>	<u>(2,573)</u>

As at 31 December 2022, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB1,139 million (31 December 2021: RMB635 million), with allowance for impairment losses of RMB1,058 million (31 December 2021: RMB1,833 million).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(3) Financial assets measured at amortised cost

	31 December 2022	31 December 2021
Debt securities		
Government	987,915	886,728
Policy banks	74,922	44,839
Banking and non-banking financial institutions	30,472	43,006
Corporates	199,825	219,172
Subtotal	1,293,134	1,193,745
Trust and asset management plans (a)	49,789	87,596
Debt financing plans	11,398	12,817
Others	2,708	2,446
Interest accrued	17,852	16,242
Less: allowance for impairment losses	(11,292)	(14,626)
Total	<u>1,363,589</u>	<u>1,298,220</u>
Listed	1,284,826	1,191,474
~ Of which: listed in Hong Kong	6,384	1,935
Unlisted	72,203	105,130
Interest accrued	17,852	16,242
Less: allowance for impairment losses	(11,292)	(14,626)
Total	<u>1,363,589</u>	<u>1,298,220</u>

(a) As at 31 December 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

Movements in allowance for impairment losses

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,809)	(496)	(12,321)	(14,626)
Transfer				
to stage 2	58	(58)	-	-
to stage 3	6	67	(73)	-
Net reversal/(charge)	343	(438)	(3,943)	(4,038)
Write-offs and transfer out	-	-	8,201	8,201
Recovered after write-off	-	-	(700)	(700)
Others	(98)	-	(31)	(129)
Balance as at 31 December 2022	<u>(1,500)</u>	<u>(925)</u>	<u>(8,867)</u>	<u>(11,292)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Financial investments (continued)

(3) Financial assets measured at amortised cost (continued)

Movements in allowance for impairment losses (continued)

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(2,618)	(37)	(7,420)	(10,075)
Transfer				
to stage 2	112	(112)	–	–
to stage 3	12	34	(46)	–
Net reversal/(charge)	694	(381)	(14,428)	(14,115)
Write-offs and transfer out	–	–	9,573	9,573
Others	(9)	–	–	(9)
Balance as at 31 December 2021	<u>(1,809)</u>	<u>(496)</u>	<u>(12,321)</u>	<u>(14,626)</u>

4.18 Long-term receivables

		31 December 2022	31 December 2021
Finance lease receivables	(1)	130,025	142,383
Less: unearned finance lease income		<u>(15,088)</u>	<u>(15,504)</u>
Present value of minimum finance lease receivables		114,937	126,879
Less: allowance for impairment losses	(2)	<u>(3,481)</u>	<u>(4,163)</u>
Total		<u>111,456</u>	<u>122,716</u>

(1) Finance lease receivables are analysed by the remaining terms as follows:

		31 December 2022	31 December 2021
Indefinite	(a)	8,889	8,297
Less than 1 year		52,666	64,259
1 year to 2 years		35,586	31,031
2 years to 3 years		17,127	17,506
3 years to 5 years		9,089	13,008
More than 5 years		<u>6,668</u>	<u>8,282</u>
Total		<u>130,025</u>	<u>142,383</u>

(a) The amount represents the balances being impaired or overdue for more than one month.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Long-term receivables (continued)

(2) Movements in allowance for impairment losses of long-term receivables:

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,503)	(1,250)	(1,410)	(4,163)
Transfer:				
to stage 1	(57)	35	22	-
to stage 2	128	(182)	54	-
to stage 3	66	325	(391)	-
Net reversal/(charge)	722	210	(2,832)	(1,900)
Write-offs and transfer out	-	-	2,652	2,652
Others	2	-	(72)	(70)
Balance as at 31 December 2022	<u>(642)</u>	<u>(862)</u>	<u>(1,977)</u>	<u>(3,481)</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,177)	(1,826)	(1,266)	(4,269)
Transfer:				
to stage 1	(108)	51	57	-
to stage 2	100	(100)	-	-
to stage 3	31	851	(882)	-
Net charge	(385)	(294)	(2,166)	(2,845)
Write-offs and transfer out	-	-	2,835	2,835
Others	36	68	12	116
Balance as at 31 December 2021	<u>(1,503)</u>	<u>(1,250)</u>	<u>(1,410)</u>	<u>(4,163)</u>

4.19 Property and equipment

	31 December 2022	31 December 2021
Property and equipment	58,889	56,781
Property and equipment to be disposed	7	5
Total	<u>58,896</u>	<u>56,786</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.19 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2022	22,249	4,135	8,705	470	38,315	7,523	81,397
Increase	238	519	1,020	22	3,418	1,193	6,410
CIP transfers	3	-	-	-	-	(3)	-
Decrease and other movement	(21)	(647)	(424)	(25)	755	(792)	(1,154)
Balance as at 31 December 2022	<u>22,469</u>	<u>4,007</u>	<u>9,301</u>	<u>467</u>	<u>42,488</u>	<u>7,921</u>	<u>86,653</u>
Accumulated depreciation							
Balance as at 1 January 2022	(5,729)	(2,860)	(6,860)	(392)	(8,272)	-	(24,113)
Increase	(729)	(520)	(567)	(22)	(1,909)	-	(3,747)
Decrease and other movement	2	605	400	24	(271)	-	760
Balance as at 31 December 2022	<u>(6,456)</u>	<u>(2,775)</u>	<u>(7,027)</u>	<u>(390)</u>	<u>(10,452)</u>	<u>-</u>	<u>(27,100)</u>
Impairment losses							
Balance as at 1 January 2022	-	-	-	-	(503)	-	(503)
Increase	-	-	-	-	(44)	(70)	(114)
Decrease and other movement	-	-	-	-	(47)	-	(47)
Balance as at 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(594)</u>	<u>(70)</u>	<u>(664)</u>
Carrying amount							
Balance as at 1 January 2022	<u>16,520</u>	<u>1,275</u>	<u>1,845</u>	<u>78</u>	<u>29,540</u>	<u>7,523</u>	<u>56,781</u>
Balance as at 31 December 2022	<u>16,013</u>	<u>1,232</u>	<u>2,274</u>	<u>77</u>	<u>31,442</u>	<u>7,851</u>	<u>58,889</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.19 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2021	21,114	4,285	8,634	491	36,175	6,191	76,890
Increase	1,177	435	659	22	4,619	1,333	8,245
CIP transfers	1	–	–	–	–	(1)	–
Decrease and other movement	(43)	(585)	(588)	(43)	(2,479)	–	(3,738)
Balance as at 31 December 2021	<u>22,249</u>	<u>4,135</u>	<u>8,705</u>	<u>470</u>	<u>38,315</u>	<u>7,523</u>	<u>81,397</u>
Accumulated depreciation							
Balance as at 1 January 2021	(5,059)	(2,913)	(6,917)	(408)	(6,955)	–	(22,252)
Increase	(677)	(536)	(500)	(25)	(1,742)	–	(3,480)
Decrease and other movement	7	589	557	41	425	–	1,619
Balance as at 31 December 2021	<u>(5,729)</u>	<u>(2,860)</u>	<u>(6,860)</u>	<u>(392)</u>	<u>(8,272)</u>	<u>–</u>	<u>(24,113)</u>
Impairment losses							
Balance as at 1 January 2021	–	–	–	–	(270)	–	(270)
Increase	–	–	–	–	(236)	–	(236)
Decrease and other movement	–	–	–	–	3	–	3
Balance as at 31 December 2021	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(503)</u>	<u>–</u>	<u>(503)</u>
Carrying amount							
Balance as at 1 January 2021	<u>16,055</u>	<u>1,372</u>	<u>1,717</u>	<u>83</u>	<u>28,950</u>	<u>6,191</u>	<u>54,368</u>
Balance as at 31 December 2021	<u>16,520</u>	<u>1,275</u>	<u>1,845</u>	<u>78</u>	<u>29,540</u>	<u>7,523</u>	<u>56,781</u>

As at 31 December 2022 and 31 December 2021, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 31 December 2022, there were still certain properties and buildings, with a carrying value of RMB458 million (31 December 2021: RMB487 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.20 Lease contract

(1) Right-of-use assets

	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Office equipment and others</u>	<u>Land use rights</u>	<u>Total</u>
Original cost					
Balance as at 1 January 2022	17,677	–	64	4,646	22,387
Increase	2,944	–	16	–	2,960
Decrease	(1,975)	–	(9)	–	(1,984)
Balance as at 31 December 2022	<u>18,646</u>	<u>–</u>	<u>71</u>	<u>4,646</u>	<u>23,363</u>
Accumulated depreciation/ amortization					
Balance as at 1 January 2022	(6,981)	–	(24)	(1,277)	(8,282)
Increase	(3,067)	–	(8)	(116)	(3,191)
Decrease	1,249	–	7	–	1,256
Balance as at 31 December 2022	<u>(8,799)</u>	<u>–</u>	<u>(25)</u>	<u>(1,393)</u>	<u>(10,217)</u>
Carrying amount					
Balance as at 1 January 2022	<u>10,696</u>	<u>–</u>	<u>40</u>	<u>3,369</u>	<u>14,105</u>
Balance as at 31 December 2022	<u>9,847</u>	<u>–</u>	<u>46</u>	<u>3,253</u>	<u>13,146</u>
Original cost					
Balance as at 1 January 2021	15,984	359	64	4,643	21,050
Increase	3,531	–	6	3	3,540
Decrease	(1,838)	(359)	(6)	–	(2,203)
Balance as at 31 December 2021	<u>17,677</u>	<u>–</u>	<u>64</u>	<u>4,646</u>	<u>22,387</u>
Accumulated depreciation/ amortization					
Balance as at 1 January 2021	(5,441)	(97)	(20)	(1,161)	(6,719)
Increase	(3,053)	(136)	(7)	(116)	(3,312)
Decrease	1,513	233	3	–	1,749
Balance as at 31 December 2021	<u>(6,981)</u>	<u>–</u>	<u>(24)</u>	<u>(1,277)</u>	<u>(8,282)</u>
Carrying amount					
Balance as at 1 January 2021	<u>10,543</u>	<u>262</u>	<u>44</u>	<u>3,482</u>	<u>14,331</u>
Balance as at 31 December 2021	<u>10,696</u>	<u>–</u>	<u>40</u>	<u>3,369</u>	<u>14,105</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.20 Lease contract (continued)

(2) Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	9,426	10,225

As at 31 December 2022, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB71 million (31 December 2021: RMB53 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2022	31 December 2021
Deferred income tax assets	55,701	51,904
Deferred income tax liabilities	(236)	(247)
Total	55,465	51,657

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.21 Deferred income tax assets and liabilities (continued)

- (2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	31 December 2022		31 December 2021	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	51,775	207,280	49,521	198,088
Employee benefits payable	3,502	14,009	3,136	12,544
Fair value losses of derivatives	8,168	32,674	6,500	26,000
Fair value losses of financial assets at fair value through other comprehensive loss	802	3,209	106	424
Financial assets at fair value through profit or loss	2,099	8,394	484	1,936
Others	364	1,482	399	1,618
Subtotal	66,710	267,048	60,146	240,610
Deferred income tax liabilities				
Fair value gains of derivatives	(7,989)	(31,958)	(6,817)	(27,267)
Fair value gain of financial assets at fair value through other comprehensive income	(779)	(3,117)	(322)	(1,288)
Financial assets at fair value through profit or income	(2,156)	(8,866)	(1,054)	(4,215)
Others	(321)	(1,287)	(296)	(1,186)
Subtotal	(11,245)	(45,228)	(8,489)	(33,956)
Deferred income tax assets, net	55,465	221,820	51,657	206,654

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.21 Deferred income tax assets and liabilities (continued)

- (3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2022	49,521	7,090	3,535	60,146	(8,489)
Recognised in profit or loss	2,254	3,283	331	5,868	(2,298)
Recognised in other comprehensive income	—	696	—	696	(458)
Balance as at 31 December 2022	<u>51,775</u>	<u>11,069</u>	<u>3,866</u>	<u>66,710</u>	<u>(11,245)</u>
Balance as at 1 January 2021	47,682	11,467	2,967	62,116	(12,200)
Recognised in profit or loss	1,839	(3,802)	568	(1,395)	3,852
Recognised in other comprehensive income	—	(575)	—	(575)	(141)
Balance as at 31 December 2021	<u>49,521</u>	<u>7,090</u>	<u>3,535</u>	<u>60,146</u>	<u>(8,489)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2022	31 December 2021
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	–
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	20	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	107	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	70	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	30	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	25	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	169	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	172	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	41	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	26	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	26	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	102	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	36	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	51	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	74	74
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	13	13
Total	<u>13,381</u>	<u>8,381</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB5,095 million	54.96%	54.96%
CMBC International		Hong Kong China	Investment banking	HKD4,207 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB300 million	63.33%	63.33%
CMBC Wealth Management	(a)	Beijing China	Wealth Management	RMB5,000 million	100.00%	100.00%
Pengzhou Rural Bank	(b)	Sichuan China	Commercial bank	RMB55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB189 million	64.68%	64.68%
Songjiang Rural Bank	(b)	Shanghai China	Commercial bank	RMB150 million	35.00%	35.00%
Qijiang Rural Bank	(c)	Chongqing China	Commercial bank	RMB61.57 million	48.73%	51.27%
Tongnan Rural Bank	(b)	Chongqing China	Commercial bank	RMB50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB50 million	51.00%	51.00%
Yidu Rural Bank		Hubei China	Commercial bank	RMB52.4 million	51.00%	51.00%
Jiading Rural Bank		Shanghai China	Commercial bank	RMB200 million	51.00%	51.00%
Zhongxiang Rural Bank		Hubei China	Commercial bank	RMB70 million	51.00%	51.00%
Penglai Rural Bank		Shandong China	Commercial bank	RMB100 million	51.00%	51.00%
Anxi Rural Bank		Fujian China	Commercial bank	RMB128 million	57.99%	57.99%
Funing Rural Bank		Jiangsu China	Commercial bank	RMB85 million	51.00%	51.00%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries (continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	51.00%	51.00%
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	51.00%	51.00%
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	51.00%	51.00%
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	51.00%	51.00%
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB75 million	80.40%	80.40%
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	51.00%	51.00%
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	51.00%	51.00%
Yuyang Rural Bank (d)	Shaanxi China	Commercial bank	RMB54 million	51.00%	51.00%
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	51.00%	51.00%
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	51.00%	51.00%
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	51.00%	51.00%
Tengchong Rural Bank (e)	Yunnan China	Commercial bank	RMB52 million	51.00%	51.00%
Xiang'an Rural Bank (f)	Fujian China	Commercial bank	RMB77 million	51.00%	51.00%
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	51.00%	51.00%

(a) Minsheng Wealth Management Co., Ltd. was established in June 2022 with the registered capital of RMB5 billion. The Bank holds 100% of the interest.

(b) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries (continued)

- (c) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take “concerted action” in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.
- (d) In 2020, Yuyang Rural Bank converted RMB4 million retained earnings to paid-in capital. After the increase of capital, the Bank’s ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Yuyang Rural Bank was RMB54 million as it had completed the registration of changes with industry and commerce authorities.
- (e) In 2021, Tengchong Rural Bank converted RMB4 million retained earnings to paid-in capital. After the increase of capital, the Bank’s ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Tengchong Rural Bank was RMB52 million as it had completed the registration of changes with industry and commerce authorities.
- (f) In 2022, Xiang’an Rural Bank converted RMB7 million retained earnings to paid-in capital. After the increase of capital, the Bank’s ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Xiang’an Rural Bank was RMB77 million as it had completed the registration of changes with industry and commerce authorities.

(3) Investment in associates

	31 December 2022	31 December 2021
Investment in associates	-	2

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Other assets

		31 December 2022	31 December 2021
Interest receivable	(1)	7,274	7,822
Items in the process of clearance and settlement		6,633	13,384
Foreclosed assets	(2)	5,479	5,471
Prepayments for leased assets	(3)	5,263	5,279
Investment properties		3,006	2,335
Other debt receivables and advances		4,715	4,518
Fee and commission receivable		4,153	3,351
Intangible assets	(4)	2,301	1,917
Prepayment		1,855	1,669
Long-term deferred expenses		1,413	586
Legal costs receivable		1,277	1,245
Continuously involved assets		1,038	1,038
Goodwill	(5)	205	188
Operating lease receivable		168	163
Others		5,687	5,631
Subtotal		50,467	54,597
Less: allowance for impairment losses			
– Repossessed assets		(959)	(731)
– Others		(3,632)	(3,333)
Total		<u>45,876</u>	<u>50,533</u>

- (1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.
- (2) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,426 million for the year ended 31 December 2022 (Year ended 31 December 2021: RMB1,588 million).
- (3) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Other assets (continued)

(4) Intangible assets

	Year ended 31 December 2022	Year ended 31 December 2021
Cost		
Balance as at 1 January	6,659	5,576
Increase	1,131	1,087
Decrease	–	(4)
Balance as at 31 December	<u>7,790</u>	<u>6,659</u>
Accumulated amortization		
Balance as at 1 January	(4,742)	(4,120)
Increase	(747)	(625)
Decrease	–	3
Balance as at 31 December	<u>(5,489)</u>	<u>(4,742)</u>
Carrying amount		
Balance as at 1 January	<u>1,917</u>	<u>1,456</u>
Balance as at 31 December	<u>2,301</u>	<u>1,917</u>

(5) Goodwill arising from CMBC International

	Year ended 31 December 2022	Year ended 31 December 2021
Balance as at 1 January	188	193
Exchange difference	17	(5)
Balance as at 31 December	<u>205</u>	<u>188</u>

As at 31 December 2022 and 31 December 2021, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.24 Allowances for impairment losses

		Year ended 31 December 2022			
	Note 4	Balances as at 1 January 2022	Net charge for the year	Write-offs and transfer out	Balance as at 31 December 2022
				Other	
Balances with banks and other financial institutions	12	8	1	–	8
Placements with banks and other financial institutions	13	1,589	271	–	1,862
Financial assets held under resale agreements	15	20	8	–	28
Loans and advances to customers	16	105,108	41,695	(53,919)	98,868
Financial investments	17	17,199	4,408	(9,362)	13,113
Long-term receivables	18	4,163	1,900	(2,652)	3,481
Property and equipment	19	503	114	–	664
Other assets	23	4,064	1,043	(553)	4,591
Total		<u>132,654</u>	<u>49,440</u>	<u>(66,486)</u>	<u>122,615</u>
Year ended 31 December 2021					
	Note 4	Balances as at 1 January 2021	Net charge for the year	Write-offs and transfer out	Balance as at 31 December 2021
				Other	
Balances with banks and other financial institutions	12	662	4	(658)	8
Placements with banks and other financial institutions	13	972	617	–	1,589
Financial assets held under resale agreements	15	4	16	–	20
Loans and advances to customers	16	97,637	58,660	(54,840)	105,108
Financial investments	17	12,204	14,692	(9,645)	17,199
Long-term receivables	18	4,269	2,845	(2,835)	4,163
Property and equipment	19	270	236	–	503
Other assets	23	4,047	1,695	(1,640)	4,064
Total		<u>120,065</u>	<u>78,765</u>	<u>(69,618)</u>	<u>132,654</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.25 Deposits and placements from banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
Banks	204,529	168,846
Other financial institutions	1,192,187	1,054,415
Overseas		
Banks	38,617	26,297
Other financial institutions	37,327	37,523
Subtotal	1,472,660	1,287,081
Interest accrued	6,381	7,277
Total	<u>1,479,041</u>	<u>1,294,358</u>

4.26 Borrowings from banks and other financial institutions

	31 December 2022	31 December 2021
Unsecured borrowings	88,333	96,859
Borrowings secured by		
– Tangible assets and monetary assets	16,323	16,853
Subtotal	104,656	113,712
Interest accrued	573	749
Total	<u>105,229</u>	<u>114,461</u>

As at 31 December 2022 and 31 December 2021, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.27 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2022	31 December 2021
Bonds	55,617	12,828
Bills rediscounted	48,163	23,537
Subtotal	103,780	36,365
Interest accrued	360	120
Total	104,140	36,485

4.28 Deposits from customers

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	1,014,133	1,215,239
– Personal customers	289,671	248,459
Time deposits (including call deposits)		
– Corporate customers	1,952,242	1,728,774
– Personal customers	730,873	576,964
Certificates of deposit	4,159	3,365
Outward remittance and remittance payables	2,449	2,960
Subtotal	3,993,527	3,775,761
Interest accrued	58,065	49,932
Total	4,051,592	3,825,693

The pledged deposits included in deposits from customers are analysed as follows:

	31 December 2022	31 December 2021
Pledged deposits for bank acceptances	184,557	121,906
Pledged deposits for letters of credit and guarantees	16,429	17,663
Other pledged deposits	49,234	53,510
Total	250,220	193,079

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.29 Provisions

		31 December 2022	31 December 2021
Credit loss of off-balance sheet credit commitments	(1)	1,844	1,834
Litigation provision		517	343
Others		95	73
Total		<u>2,456</u>	<u>2,250</u>

(1) The movements of credit loss of off-balance sheet assets are as follows:

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,227)	(524)	(83)	(1,834)
Transfer:				
to stage 1	(133)	109	24	–
to stage 2	29	(33)	4	–
to stage 3	12	84	(96)	–
Net (charge)/reversal	(102)	20	75	(7)
Other movements	(3)	–	–	(3)
Balance as at 31 December 2022	<u>(1,424)</u>	<u>(344)</u>	<u>(76)</u>	<u>(1,844)</u>

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,619)	(221)	(45)	(1,885)
Transfer:				
to stage 1	(61)	42	19	–
to stage 2	58	(138)	80	–
to stage 3	14	1	(15)	–
Net reversal/(charge)	323	(208)	(122)	(7)
Other movements	58	–	–	58
Balance as at 31 December 2021	<u>(1,227)</u>	<u>(524)</u>	<u>(83)</u>	<u>(1,834)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.30 Debt securities issued

		31 December 2022	31 December 2021
Certificates of interbank deposit		446,888	497,558
Financial bonds	(1)	99,992	79,989
Tier-two capital bonds	(2)	89,991	119,967
Medium-term and short-term notes	(3)	7,658	10,161
Subtotal		644,529	707,675
Interest accrued		3,578	3,349
Total		648,107	711,024

For the years ended 31 December 2022 and 2021, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(1) Financial bonds

		31 December 2022	31 December 2021
RMB20 billion-3-year fixed rate financial bonds 2022	(a)	19,998	–
RMB30 billion-3-year fixed rate financial bonds 2021	(b)	29,997	29,995
RMB30 billion-3-year fixed rate financial bonds 2021	(c)	29,997	29,995
RMB20 billion-3-year fixed rate financial bonds 2020	(d)	20,000	19,999
Total		99,992	79,989

- (a) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of three years, and a fixed coupon rate of 2.95% per annum.
- (b) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (c) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.
- (d) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.30 Debt securities issued (continued)

(2) Tier-two capital bonds

		31 December 2022	31 December 2021
RMB50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	49,996	49,995
RMB40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	39,995	39,994
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche	(c)	–	14,989
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche	(d)	–	14,989
Total		<u>89,991</u>	<u>119,967</u>

- (a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 14 September 2022.
- (d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 29 November 2022.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.30 Debt securities issued (continued)

(3) Medium-term and short-term notes

		31 December 2022	31 December 2021
2020-3-year medium-term notes	(a)	3,480	3,182
2018-5-year medium-term notes	(b)	4,178	3,824
2017-5-year medium-term notes	(c)	–	2,231
2021 short-term notes	(d)	–	924
Total		<u>7,658</u>	<u>10,161</u>

- (a) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 1.03%.
- (b) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 1.25%.
- (c) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued on 11 September 2017, with a term of 5 years. The coupon rate is 1.20%. The Bank has repaid all of them on 11 September 2022.
- (d) Three short-term notes with total nominal value of USD145 million of short-term notes were issued in 2021. The original maturities of the notes vary from 3 months to 1 year, and the interest rate range is 1.00%-1.80%. The Bank has repaid all of them before 31 December 2022.

4.31 Other liabilities

		31 December 2022	31 December 2021
Items in the process of clearance and settlement		16,134	8,773
Employee benefits payable	(1)	14,414	12,907
Lease payments received in advance		7,225	8,334
Notes payable		4,679	6,410
Other tax payable	(2)	4,039	4,674
Output value added tax to be transferred		2,211	2,054
Other payable		1,334	2,406
Continuously involved liabilities		1,038	1,038
Accrued expenses		942	879
Deferred fee and commission income		231	671
Intermediate collection and payment		251	669
Payable for long-term assets		495	328
Dividend payable		2	53
Others		5,206	4,740
Total		<u>58,201</u>	<u>53,936</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.31 Other liabilities (continued)

(1) Employee benefits payable

	1 January 2022	Increase	Decrease	31 December 2022
Short-term employee benefits				
– Salaries, bonuses and allowances	12,395	24,484	(23,113)	13,766
– Staff welfare fees	–	1,399	(1,399)	–
– Social insurance (a) and supplementary insurance	160	1,064	(1,048)	176
– Housing fund	98	1,504	(1,473)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,004	(27,585)	14,112
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	124	1,742	(1,707)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,451	(2,363)	302
Total	12,907	31,455	(29,948)	14,414
	1 January 2021	Increase	Decrease	31 December 2021
Short-term employee benefits				
– Salaries, bonuses and allowances	10,347	24,136	(22,088)	12,395
– Staff welfare fees	–	1,601	(1,601)	–
– Social insurance (a) and supplementary insurance	162	953	(955)	160
– Housing fund	127	1,359	(1,388)	98
– Labour union fee, staff and workers' education fee	34	563	(557)	40
Subtotal	10,670	28,612	(26,589)	12,693
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	136	1,529	(1,541)	124
– Unemployment insurance	21	55	(57)	19
– Annuity scheme (b)	50	819	(798)	71
Subtotal	207	2,403	(2,396)	214
Total	10,877	31,015	(28,985)	12,907

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.31 Other liabilities (continued)

(1) Employee benefits payable (continued)

- (a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.
- (b) For the year ended 31 December 2022, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at 3% of the employees' total annual salary (2021: 4%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

(2) Other tax payable

	31 December 2022	31 December 2021
Value added tax	2,967	3,439
Others	1,072	1,235
Total	<u>4,039</u>	<u>4,674</u>

4.32 Share capital and capital reserve

	31 December 2022	31 December 2021
Ordinary shares listed in China mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	<u>43,782</u>	<u>43,782</u>

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,149 million as at 31 December 2022 (31 December 2021: RMB58,149 million), mainly represents capital premium.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Preference Shares

(1) Outstanding Preference Shares at 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							<u>19,975</u>			

(2) Offshore Preference Shares Main Clauses

(a) Dividend

Fixed rate for a certain period after issuance. Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference Shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

(d) Order of distribution and liquidation method

In current period, the USD Offshore Preference Shareholders are at the same order of compensation. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier 2 capital bonds, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Preference Shares (continued)

(2) *Offshore Preference Shares Main Clauses (continued)*

(e) *Mandatory conversion trigger events*

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBIRC has determined that the Bank would become nonviable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become nonviable), the Bank shall have the right to convert all Preference Shares into H shares without the consent of Preference Shareholders. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

(f) *Redemption*

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has right to redeem all or some of offshore preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

(g) *Dividend setting mechanism*

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Preference Shares (continued)

(3) *Domestic Preference Shares Main Clauses*

(a) *Dividend*

The non-public offering of domestic preference shares (the “Domestic Preference Shares”) adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares issued this time shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(b) *Conditions to distribution of dividends*

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Bank’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder’s resolution to be passed and investors shall be informed in time.

(c) *Dividend stopper*

The Bank will not pay dividends to the common shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

(d) *Order of distribution and liquidation method*

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank’s remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) *Mandatory conversion trigger events*

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares issued this time shall be converted to shares on the same conditions in proportion.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Preference Shares (continued)

(3) Domestic Preference Shares Main Clauses (continued)

(e) Mandatory conversion trigger events (continued)

When the earlier of the following two situations occurs, the Domestic Preference Shares issued this time will be converted into A-share common shares in full: (1) CBIRC determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

(f) Redemption

With the prior approval of CBIRC, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the domestic Preferred Shares issued in this issue on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October, 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued in this issue will be redeemed on the same terms and in proportion.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Preference Shares (continued)

(4) Changes in preference shares outstanding

	<u>1 January 2022</u>		<u>Movements</u>		<u>31 December 2022</u>	
	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>
Domestic Preference Shares	200	19,975	–	–	200	19,975

	<u>1 January 2021</u>		<u>Movements</u>		<u>31 December 2021</u>	
	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>	<u>Amount</u> <u>(million</u> <u>shares)</u>	<u>Book</u> <u>value</u>
Offshore Preference Shares ⁽ⁱ⁾	72	9,892	(72)	(9,892)	–	–
Domestic Preference Shares	200	19,975	–	–	200	19,975

(i) Offshore preference shares have been redeemed on 14 December 2021.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.34 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Tier 1 Capital Bonds	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Tier 1 Capital Bonds										
- First Tranche	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
2022 Undated Tier 1 Capital Bonds										
- First Tranche	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							5,000			
Less: Issue fees							(2)			
Book value							4,998			
Total							74,987			

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.34 Perpetual Bonds (continued)

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

2022 Undated Tier 1 Capital Bonds – First Tranche RMB5 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on HYPERLINK "<http://www.chinabond/>" ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.34 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

4.35 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2022	31 December 2021
Total equity attributable to equity holders of the Bank	599,928	574,280
Equity attributable to ordinary equity holders of the Bank	504,966	484,316
Equity attributable to other equity holders of the Bank	94,962	89,964
Total equity attributable to non-controlling interests	12,886	12,259
Equity attributable to non-controlling interests of ordinary shares	12,886	12,259

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.36 Surplus reserve, general reserve and retained earnings

(1) *Surplus reserve*

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group appropriated RMB3,433 million statutory surplus reserve for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB3,364 million).

(2) *General reserve*

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB3,481 million of profits to the general reserve for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB414 million).

(3) *Retained earnings*

As at 31 December 2022, the retained earnings included the statutory surplus reserve of RMB848 million contributed by the subsidiaries and attributable to the Bank (31 December 2021: RMB728 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.37 Non-controlling interests

As at 31 December 2022, the non-controlling interests in the subsidiaries were RMB12,886 million (31 December 2021: RMB12,259 million).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.38 Dividends/Interests

(1) *Dividends for Ordinary Shares*

The Board of directors proposed the profit distribution plan for year 2022 in the meeting held on 27 March 2023. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.14 (including tax) for every 10 shares. A total dividend of RMB9,369 million (including tax) was based on the total number of shares of 43,782 million as on 31 December 2022. The plan is yet to be reviewed and approved by the shareholders in the annual general meeting of the Bank.

The shareholders approved the cash dividends distribution plan for 2021 at the Annual General Meeting on 10 June 2022. The cash dividends declared was RMB2.13 (including tax) for every 10 shares. A total dividend of RMB9,326 million (including tax) was based on total number of shares of 43,782 million as on 31 December 2021.

(2) *Dividends for Preference Shares*

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 29 September 2022, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2022.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 27 August 2021, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 4 August 2021, dividend approved was amounted to RMB512 million (including tax), calculated at the initial annual dividend rate of 4.95% (including tax). The dividend payment date was 14 December 2021.

(3) *Interests for Perpetual Bonds*

On 23 May 2022, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated tier 1 capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2021, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.39 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2022	573	(7)	566
Net changes in amount for the year	(1,652)	8	(1,644)
As at 31 December 2022	(1,079)	1	(1,078)
	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2021	(1,740)	(24)	(1,764)
Net changes in amount for the year	2,313	17	2,330
As at 31 December 2021	573	(7)	566

4.40 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	31 December 2022	31 December 2021
Cash (Note 4.11)	6,983	5,292
Surplus deposit reserves with central bank (Note 4.11)	19,301	41,093
Original maturity within 3 months:		
– Balances with banks and other financial institutions	82,921	88,609
– Placements with banks and other financial institutions	19,100	28,424
Total	128,305	163,418

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.41 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) *Securitization transactions*

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2022, securitisation transactions of RMB8,252 million were transferred by the Group (2021: RMB7,484 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) *Transfer of non-performing financial assets*

For the year ended 31 December 2022, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB34,785 million (2021: RMB32,963 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) *Securities lending transactions*

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2022, the carrying amount of debt securities lent to counterparties was RMB10,070 million (31 December 2021: nil).

5 SEGMENT INFORMATION

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

- | | |
|-----------------------|--|
| (a) Corporate banking | Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business. |
| (b) Retail banking | Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses. |
| (c) Others | Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries. |

5 SEGMENT INFORMATION (continued)

5.1 Business segments (continued)

Year ended 31 December 2022				
	Corporate banking	Retail banking	Others	Total
Operating income	67,966	64,951	6,302	139,219
Net interest income	55,563	52,262	(362)	107,463
Include: inter-segment net interest income/ (expense)	27,497	(19,504)	(7,993)	–
Net fee and commission income	5,939	12,445	1,890	20,274
Net other income	6,464	244	4,774	11,482
Operating expenses	(13,884)	(20,709)	(18,009)	(52,602)
Credit impairment losses	(24,221)	(21,212)	(3,329)	(48,762)
Other impairment losses	(571)	–	(114)	(685)
Profit before income tax	<u>29,290</u>	<u>23,030</u>	<u>(15,150)</u>	<u>37,170</u>
Depreciation and amortisation	2,815	2,690	2,300	7,805
Capital expenditure	<u>2,629</u>	<u>2,512</u>	<u>8,062</u>	<u>13,203</u>
As at 31 December 2022				
	Corporate banking	Retail banking	Others	Total
Segment assets	4,406,031	1,785,335	1,008,606	7,199,972
Include: Investments in associates				–
Deferred income tax assets				<u>55,701</u>
Total assets				<u>7,255,673</u>
Segment liabilities	(4,822,844)	(1,152,965)	(666,814)	(6,642,623)
Deferred income tax liabilities				<u>(236)</u>
Total liabilities				<u>(6,642,859)</u>
Credit commitments	<u>737,946</u>	<u>525,942</u>	<u>–</u>	<u>1,263,888</u>

5 SEGMENT INFORMATION (continued)

5.1 Business segments (continued)

	Year ended 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Operating income	86,686	70,391	8,477	165,554
Net interest income	67,930	54,659	3,186	125,775
Include: inter-segment net interest income/ (expense)	22,533	(22,333)	(200)	–
Net fee and commission income	11,992	15,535	39	27,566
Net other income	6,764	197	5,252	12,213
Operating expenses	(13,986)	(20,178)	(17,017)	(51,181)
Credit impairment losses	(54,724)	(22,130)	(544)	(77,398)
Other impairment losses	(1,112)	(1)	(262)	(1,375)
Profit before income tax	<u>16,864</u>	<u>28,082</u>	<u>(9,346)</u>	<u>35,600</u>
Depreciation and amortisation	2,909	2,363	2,135	7,407
Capital expenditure	<u>2,784</u>	<u>2,262</u>	<u>8,800</u>	<u>13,846</u>
	As at 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,475,982	1,765,982	658,918	6,900,882
Include: Investments in associates				2
Deferred income tax assets				51,904
Total assets				<u>6,952,786</u>
Segment liabilities	(4,640,062)	(945,879)	(780,059)	(6,366,000)
Deferred income tax liabilities				(247)
Total liabilities				<u>(6,366,247)</u>
Credit commitments	<u>554,808</u>	<u>525,796</u>	<u>–</u>	<u>1,080,604</u>

5 SEGMENT INFORMATION (continued)

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

5 SEGMENT INFORMATION (continued)

5.2 Geographical segments (continued)

	Year ended 31 December 2022		As at 31 December 2022
	Operating income	Profit before income tax	Segment assets (1)
Head Office	42,044	3,603	3,245,459
Yangtze River Delta	23,163	9,475	1,231,497
Pearl River Delta	16,357	3,834	684,996
Bohai Rim	19,108	8,764	1,332,535
Northeastern Region	1,950	22	169,176
Central Region	11,121	3,905	545,393
Western Region	15,097	3,334	633,344
Overseas and subsidiaries	10,379	4,233	364,375
Inter-segment elimination	–	–	(1,006,803)
Total	<u>139,219</u>	<u>37,170</u>	<u>7,199,972</u>

	Year ended 31 December 2021		As at 31 December 2021
	Operating income	Profit/(Loss) before income tax	Segment assets (1)
Head Office	54,768	4,438	3,060,640
Yangtze River Delta	28,453	12,634	1,236,380
Pearl River Delta	18,370	8,708	625,416
Bohai Rim	20,256	3,228	1,207,506
Northeastern Region	2,732	(210)	154,200
Central Region	15,696	969	502,893
Western Region	16,278	2,439	616,835
Overseas and subsidiaries	9,001	3,394	365,510
Inter-segment elimination	–	–	(868,498)
Total	<u>165,554</u>	<u>35,600</u>	<u>6,900,882</u>

(1) Segment assets do not include deferred tax assets.

6 CONTINGENT LIABILITIES AND COMMITMENTS

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	31 December 2022	31 December 2021
Bank acceptances	495,920	340,726
Guarantees	134,395	146,076
Letters of credit	82,175	77,382
Unused credit card commitments	489,137	491,370
Irrevocable credit commitments		
– original maturity date within 1 year	40,938	17,680
– original maturity date over 1 year (inclusive)	21,323	7,370
Total	<u>1,263,888</u>	<u>1,080,604</u>

Details of credit loss of off-balance-sheet credit commitments (Note 4.29).

	31 December 2022	31 December 2021
Credit risk weighted amounts of credit commitments	<u>359,477</u>	<u>297,342</u>

6.2 Capital commitments

	31 December 2022	31 December 2021
Contracted but not paid for	<u>25,339</u>	<u>22,134</u>

6 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2022	31 December 2021
Balances with banks and other financial institutions	3,394	4,201
Loans and advances to customers	195,237	100,340
Discounted bills	48,539	23,739
Bonds	61,244	248,307
Long-term receivables	15,701	14,203
Property and equipment	6,439	8,405
Others	–	32
Total	330,554	399,227

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2022, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2021: RMB632 million).

6.4 Underwriting of securities

As at 31 December 2022, there was no unexpired underwriting commitment for the Group (31 December 2021: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2022 was RMB1,706 million (31 December 2021: RMB1,888 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2022. With consideration of the professional advice, the Group's management believes that litigation matters will not have any material adverse effect on the Group financial position or operating results.

7 INTERESTS IN STRUCTURED ENTITIES

7.1 Consolidated structured entities

As at 31 December 2022 and 31 December 2021, the Group has no significant consolidated structured entities.

7.2 Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

31 December 2022				
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,448	184,301	30,193	215,942
Funds	235,452	–	–	235,452
Trust and asset management plans	14,185	43,061	–	57,246
Others	5,365	–	–	5,365
Total	<u>256,450</u>	<u>227,362</u>	<u>30,193</u>	<u>514,005</u>
31 December 2021				
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,347	220,181	43,503	265,031
Funds	191,011	–	–	191,011
Trust and asset management plans	12,860	76,724	–	89,584
Others	1,091	–	–	1,091
Total	<u>206,309</u>	<u>296,905</u>	<u>43,503</u>	<u>546,717</u>

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

7 INTERESTS IN STRUCTURED ENTITIES (continued)

7.2 Unconsolidated structured entities (continued)

(2) *Interests held in structured entities sponsored and managed but not consolidated by the Group*

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the *Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including new wealth management products undertaking, market-oriented transfer, and/or recognition in the balance sheet. The Bank is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2020 and 2021, the Group undertook part of the wealth management investment assets from non-principal-guaranteed wealth management products issued in the Group's financial investments.

As at 31 December 2022, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB883,977 million (31 December 2021: RMB1,012,833 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB161,998 million (31 December 2021: RMB195,548 million).

For the year ended 31 December 2022, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB4,756 million (for the year ended 31 December 2021: RMB9,611 million). As at 31 December 2022 and 31 December 2021, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

8 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2022	31 December 2021
Entrusted loans	275,934	243,371
Entrusted funds	275,934	243,371

9 RELATED PARTIES

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	31 December 2022		31 December 2021		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	1,803,182,618	4.12	1,803,182,618	4.12	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	604,300,950	1.38	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	138,442,500	0.32	138,442,500	0.32	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	8,237,520	0.02	8,237,520	0.02	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	713,501,653	1.63	713,501,653	1.63	Investment holding	Limited company	Zhang Lv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	343,177,327	0.78	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenye
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	268,340,026	0.61	249,340,026	0.57	Wholesaling	Limited company	Wu Di
Tibet Fu Ju Investment Co., Ltd.	Tibet	187,802,400	0.43	297,922,400	0.68	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	93,762,400	0.21	105,844,780	0.24	Commercial service	Limited company	Hong Zhizhua

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) *The Bank's major shareholders (continued)*

(a) *Particulars of principal operations:*

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations: (continued)

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Except for the items subject to approval according to law, the company shall independently carry out business activities according to law with its business license).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); Bean products manufacturing (branch operation); Crop seed management (branch operation); Job intermediary activities. General items: grain purchase; Import and export of goods; Technology import and export; Foreign contracted projects; estate management; Sales of light building materials; Sales of building materials; Sales of construction machinery; Furniture sales; Wholesale of hardware products; Sanitary ware sales; Sales of metal materials; Research and development of new material technology; Grain sales; Grain planting (branch operation); Enterprise headquarters management; Primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) *The Bank's major shareholders (continued)*

(a) *Particulars of principal operations: (continued)*

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

- (b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2022	31 December 2021
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
China Oceanwide Holdings Group Co., Ltd.	RMB20,000 million	RMB20,000 million
Oceanwide International Equity Investment Limited	USD0.05 million	USD0.05 million
Long Prosper Capital Company Limited	USD0.05 million	USD0.05 million
China Oceanwide International Investment Company Limited	HKD1,548 million	HKD1,548 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
Alpha Frontier Limited	USD17.5 thousand	USD0.05 million
Liberal Rise Limited	USD0.05 million	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
South Hope Industrial Co., Ltd.	RMB1,034 million	RMB1,034 million
Tongfang Guoxin Investment Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing International Trust Co., Ltd.	RMB15,000 million	RMB15,000 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Orient Group Incorporation	RMB3,659 million	RMB3,715 million
Oriental Group Co., Ltd.	RMB1,000 million	RMB1,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million
Tibet Fu Ju Investment Co., Ltd.	RMB300 million	RMB300 million
Tibet Heng Xun Corporate Management Co., Ltd.	RMB10 million	RMB10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd. (a)	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Bank Of Hebei Co., Ltd.	Related party of the Bank's insiders
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Shengshanling Business Management Co., Ltd. (b)	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Wangrun Asset Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Pension Co., Ltd.	Companies funded by the Labour Union Committee of the Bank and other companies
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Sanya Minsheng Tourism Co., Ltd.	Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

(a) As at 8 July 2022, Chongqing Cibi Business Information Consulting Co., Ltd. was renamed as Shanghai Cibi Business Information Consulting Co., Ltd.

(b) As at 27 December 2022, Xiamen Jingding Sports Culture Development Co., Ltd. was renamed as Xiamen Shengshanling Business Management Co., Ltd.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(5) *Related natural persons*

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As of 31 December 2022, the Bank has 12,284 related natural persons, including 186 who were directors of the Bank and their close family members, 108 who were supervisors of the Bank and their close family members, 179 who were senior executives of the head office and their close family members, 11,596 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members, 136 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 157 other natural persons.

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members, and 9 persons were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; among the Bank's supervisors and their close family members, 36 were also senior executives of the head office or their close family members.

9.2 Related party transactions

(1) *Material related party transactions*

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter. In 2021, the Bank provided to Dajia Life Insurance Inc. a RMB15.7 billion credit facility for a term of 2 years on normal commercial terms. The loan balance at the end of 2022 was RMB15.7 billion, whereas it was RMB11.5 billion at the end of 2021.

(2) *Pricing policy*

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2022	31 December 2021
Dajia Life Insurance Inc.	Pledged/Guaranteed	15,700	11,500
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	9,200	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	6,613	6,615
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	4,666	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Guaranteed	4,381	4,383
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,972	3,972
Guizhou Guoyuan Mining Development Co., Ltd.(a)	Pledged/ Collateralised/ Guaranteed	3,335	N/A
Wuhan CBD Co., Ltd.	Collateralised/Guaranteed	3,046	3,046
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	2,837	3,086
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/Guaranteed	2,208	3,099
Oriental Group Co., Ltd.	Pledged/Guaranteed	2,092	2,336
Bank Of Hebei Co., Ltd.(a)	Pledged	1,703	N/A
Beijing Dacheng Hotel Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,700	–
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,448	1,443
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,040	900

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2022	31 December 2021
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	950	1,000
Sichuan Dazhou Steel Group Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	725	N/A
Guangxi Xindi Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	596	–
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	590	450
SINO-OCEAN GROUP HOLDING LIMITED (a)	Pledged/Guaranteed	471	N/A
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	390	600
CHINA TONGHAI DCM LIMITED	Pledged/Guaranteed	301	335
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	250	250
Xiamen Hongfu Co., Ltd.	Guaranteed	199	299
Grass Green Group Co., Ltd.	Pledged/Guaranteed	167	179
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	150	150
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	147	148
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	130	150
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	71	230
New Hope Dairy Co., Ltd.	Pledged	69	115
Shenzhen Fanhai Sanjiang Science and Technology Development Co., Ltd.	Collateralised	15	–
Shanghai Rihou Steel Tube Leasing Company Ltd. (a)	Collateralised	8	N/A
Jiangsu Zhijun Power Equipment Co., Ltd. (a)	Collateralised	3	N/A
Quanzhou Fengze District best art auto parts shop (a)	Collateralised	2	N/A
Wenzhou Xinjintian Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	–	1,290
Xiamen Shengshanling Business Management Co., Ltd.	Pledged/Collateralised/ Guaranteed	–	795
Zhangzhou Tangcheng Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	–	116
Wuhan Guanggu Transportation Construction Co., Ltd. (b)	Pledged/Collateralised/ Guaranteed	N/A	195
Shandong Continental Enterprise Group Co., Ltd. (b)	Pledged/Collateralised/ Guaranteed	N/A	175

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

	Types of collateral	31 December 2022	31 December 2021
Nanjing Ruichi Trading Co., Ltd. (b)	Collateralised	N/A	8
Jiangsu Wanshun Tongbao Culture Co., Ltd. (b)	Collateralised	N/A	6
Shandong Yi He Yi Mei Home Furnishing Technology Co., Ltd. (b)	Guaranteed	N/A	2
Sichuan Dingen International Trade Co., Ltd. (b)	Collateralised	N/A	2
Quanzhou Haoyang Trade Co., Ltd. (b)	Collateralised	N/A	1
Individuals	Collateralised/Guaranteed	1,418	2,822
Total		<u>70,743</u>	<u>63,714</u>
Ratio to similar transactions (%)		<u>1.74</u>	<u>1.61</u>
Interest rate ranges		<u>2.61%-8.95%</u>	<u>3.16%-8.95%</u>

(a) In 2022, these companies became related parties of the Group.

(b) As at 31 December 2022, these companies were no longer related parties of the Group.

Amount of transactions:

	Year ended 31 December	
	2022	2021
Interest income from loans	<u>4,189</u>	<u>4,209</u>
Ratio to similar transactions (%)	<u>2.33</u>	<u>2.22</u>

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	31 December 2022		31 December 2021	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	9,588	0.70	7,609	0.59
– Financial assets at fair value through profit or loss	560	0.14	N/A	N/A
– Financial assets at fair value through other comprehensive income	993	0.21	706	0.16
Long-term receivables	178	0.16	401	0.33
Other assets (a)	940	2.05	–	–
Deposits and placements from banks and other financial institutions	3,305	0.22	12,975	1.00
Borrowings from banks and other financial institutions	1,004	0.95	N/A	N/A
Deposits from customers	32,232	0.80	32,357	0.85
Other liabilities	27	0.05	–	–

- (a) Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above mentioned service fees to be amortised.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Amount of transactions:

	Year ended 31 December			
	2022		2021	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	399	0.15	433	0.16
Interest expense	1,150	0.74	1,540	1.01
Fee and commission income (a)	329	1.29	251	0.76
Fee and commission expense	17	0.33	–	–
Operating expenses (b)	2,647	5.03	2,786	5.66
Net other operating income (c)	321	13.18	–	–

- (a) In 2022, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.

In 2021, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd., and the income from agency sales of trust products for Chongqing International Trust Co., Ltd.

- (b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.
- (c) In 2022, Minsheng Financial Leasing recognized RMB271 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

	31 December 2022	31 December 2021
Financial investments		
– Financial assets measured at amortised cost	2.80%-6.74%	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	2.70%-5.30%	5.25%-5.30%
Long-term receivables	4.23%-5.50%	3.62%-6.89%
Deposits and placements from banks and other financial institutions	0.00%-2.92%	0.00%-3.28%
Borrowings from banks and other financial institutions	3.20%	N/A
Deposits from customers	0.00%-5.35%	0.00%-5.35%

Balance of off-balance sheet items:

	31 December 2022		31 December 2021	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	2,472	0.50	2,252	0.66
Guarantees	204	0.15	2,289	1.57
Letters of credit	300	0.37	350	0.45
Unused credit card commitments	568	0.12	1,150	0.23

Balances of loans guaranteed by related parties:

	31 December 2022	31 December 2021
Loans guaranteed by related parties	27,331	30,663
Ratio to similar transactions (%)	0.67	0.77

For the year ended 31 December 2022, no loan transfer had taken place between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank. For the year ended 31 December 2021, the original value of loans transferred was RMB421 million, with the consideration of RMB395 million agreed upon by both parties. The risks and rewards of these loans have been fully transferred.

For the year ended 31 December 2022, the value of non-performing financial lease receivables transferred between Minsheng Financial Leasing and Xiamen Wangrun Asset Management Co., Ltd. was RMB94 million, with the consideration of RMB22 million. The risks and rewards of these debts have been fully transferred.

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2022 and 2021.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(6) *Transactions with key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.36 million as at 31 December 2022 (31 December 2021: RMB2.71 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB103 million for the year ended 31 December 2022 (2021: RMB128 million). Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB46 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2021: RMB51 million and no less than 50% respectively) in accordance with relevant regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by CBIRC as well as relevant rules of the Bank. The Bank subscribed RMB9 million for supplementary pension insurance for the key management personnel in 2022 (2021: RMB10 million). The related salaries and benefits of 2021 were restated in accordance with the Supplement to 2021 Annual Report of China Minsheng Banking Corp., Ltd.

The total 2022 pre-tax compensation for the Bank's executive directors, Chairman of the Board of Supervisors, Vice-Chairman of the Board of Supervisors and senior management is subject to approval by the Compensation and Evaluation Committee of the Board of Directors. Upon approval, the Bank will make separate disclosure. The unaccrued compensation is not expected to have a material impact on the financial statements of the Group and the Bank for the year 2022.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	31 December 2022	31 December 2021
Placements with banks and other financial institutions	27,489	32,340
Loans and advances to customers	2,412	1,637
Right-of-use assets	3	37
Other assets	35	455
Deposits and placements from banks and other financial institutions	12,110	7,652
Balances with banks and other financial institutions	160	–
Deposits from customers	522	652
Leasing liabilities	3	37
Other liabilities	2	1,985

Amount of transactions for the reporting period:

	Year ended 31 December 2022	2021
Interest income	1,085	1,076
Interest expense	110	103
Fee and commission income	214	223
Fee and commission expense	1,512	N/A
Operating expenses	–	75
Net other operating income	4	1

For the years ended 31 December 2022, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2022, the balance of the above transactions was RMB174 million (31 December 2021: RMB251 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

10 FINANCIAL RISK MANAGEMENT

10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(2) *Risk limit control and mitigation policies*

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

(a) *Collateral*

The Group and its subsidiaries have 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, debt securities and equities.
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/ require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) *Derivative instruments*

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(2) *Risk limit control and mitigation policies (continued)*

(c) *Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(3) *Expected Credit Loss ("ECL") measurement*

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, accounts receivable, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of Implementation Rules on Expected Credit Loss Approach of Commercial Banks (CBIRC [2022] No.10) Issued by CBIRC.

(a) *Financial instrument risk stages*

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

- | | |
|----------|---|
| Stage 1: | Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months. |
| Stage 2: | For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment. |
| Stage 3: | For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime. |

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) *Expected Credit Loss (“ECL”) measurement (continued)*

(b) *Criteria for significant increases in credit risk (“SICR”)*

The Group assesses, at each balance sheet date, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include days overdue of the principal or interest for more than 30 days, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

In accordance with relevant regulatory guidelines, the Group has entered into deferred repayment arrangements with some borrowers. However, the Group does not regard such arrangements as an automatic trigger that indicates a significant increase of their credit risk, but makes substantive assessment of the risk positions of these borrowers in light of their operational capability and repayment capability, among other factors.

(c) *Definition of credit-impaired financial asset*

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) *Expected Credit Loss (“ECL”) measurement (continued)*

(d) *Grouping of risk exposures*

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into groups. The Group groups corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) *Parameters for ECL measurement*

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss (“ECL”) measurement (continued)

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP) and Broad Money Supply (M2), and quarterly cumulative year-on-year (Y/Y) growth rates of Consumer Price Index (CPI). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

As at 31 December 2022, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	4.1%~8.6%
Quarterly Y/Y growth rate of M2	8.4%~9.5%
Quarterly cumulative Y/Y growth rate of CPI	2.0%~4.2%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 31 December 2022 and 31 December 2021, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	31 December 2022	31 December 2021
Balances with central bank	331,569	356,010
Balances with banks and other financial institutions	88,705	92,546
Derivative financial assets	33,878	27,461
Placements with banks and other financial institutions	182,434	158,768
Financial assets held under resale agreements	3,010	1,362
Loans and advances to customers	4,072,982	3,967,679
Financial investments		
– Financial assets at fair value through profit or loss	128,005	82,394
– Financial assets at fair value through other comprehensive income	462,619	427,204
– Financial assets measured at amortised cost	1,363,589	1,298,220
Long-term receivables	111,456	122,716
Other financial assets	30,153	36,209
Total	<u>6,808,400</u>	<u>6,570,569</u>
Off-balance sheet credit commitments	<u>1,263,888</u>	<u>1,080,604</u>
Maximum credit risk exposure	<u>8,072,288</u>	<u>7,651,173</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

- (a) As at 31 December 2022, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	331,569	-	-	331,569	-	-	-	-
Balances with banks and other financial institutions	88,713	-	-	88,713	(8)	-	-	(8)
Placements with banks and other financial institutions	182,352	-	1,944	184,296	(585)	-	(1,277)	(1,862)
Financial assets held under resale agreements	2,574	-	464	3,038	-	-	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,204,472	166,252	53,028	2,423,752	(15,327)	(21,983)	(24,513)	(61,823)
– Personal loans and advances	1,669,611	51,147	26,111	1,746,869	(8,413)	(11,629)	(17,003)	(37,045)
Financial investments	1,789,042	12,793	35,665	1,837,500	(2,249)	(939)	(9,925)	(13,113)
Long-term receivables	94,754	13,270	6,913	114,937	(642)	(862)	(1,977)	(3,481)
Off-balance sheet credit commitments	1,261,248	2,525	115	1,263,888	(1,424)	(344)	(76)	(1,844)

- (b) As at 31 December 2021, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	356,010	-	-	356,010	-	-	-	-
Balances with banks and other financial institutions	92,554	-	-	92,554	(8)	-	-	(8)
Placements with banks and other financial institutions	158,413	-	1,944	160,357	(411)	-	(1,178)	(1,589)
Financial assets held under resale agreements	841	-	541	1,382	-	-	(20)	(20)
Loans and advances to customers								
– Corporate loans and advances	2,134,955	138,247	51,658	2,324,860	(12,945)	(25,072)	(28,004)	(66,021)
– Personal loans and advances	1,669,322	48,632	28,671	1,746,625	(7,538)	(12,108)	(19,441)	(39,087)
Financial investments	1,682,275	13,717	44,058	1,740,050	(2,465)	(580)	(14,154)	(17,199)
Long-term receivables	107,739	13,152	5,988	126,879	(1,503)	(1,250)	(1,410)	(4,163)
Off-balance sheet credit commitments	1,076,774	3,571	259	1,080,604	(1,227)	(524)	(83)	(1,834)

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers

- (a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2022	31 December 2021
Stage 1		
Unsecured loans	1,087,615	965,895
Guaranteed loans	623,229	607,704
Loans secured by		
Tangible assets other than monetary assets	1,591,434	1,616,454
Monetary assets	542,328	588,431
Subtotal	3,844,606	3,778,484
Stage 2		
Unsecured loans	27,297	26,574
Guaranteed loans	31,630	43,259
Loans secured by		
Tangible assets other than monetary assets	122,535	86,316
Monetary assets	35,937	30,730
Subtotal	217,399	186,879
Stage 3		
Unsecured loans	15,884	17,840
Guaranteed loans	16,578	19,784
Loans secured by		
Tangible assets other than monetary assets	36,298	36,587
Monetary assets	10,379	6,118
Subtotal	79,139	80,329
Total	4,141,144	4,045,692
Credit-impaired loans secured by collateral	21,411	19,203

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

- (b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	523,343	12.64	514,854	12.73
Manufacturing	396,308	9.57	348,542	8.62
Real estate	363,344	8.77	360,302	8.91
Wholesale and retail	263,607	6.37	259,230	6.41
Water, environment and public utilities management	167,684	4.05	160,746	3.97
Transportation, storage and postal services	154,492	3.73	127,181	3.14
Financial services	115,764	2.79	117,470	2.90
Construction	109,689	2.65	112,875	2.79
Production and supply of electric power, heat, gas and water	103,403	2.50	86,436	2.14
Mining	72,705	1.76	88,396	2.18
Information transmission, software and IT services	41,727	1.01	44,566	1.10
Agriculture, forestry, animal husbandry and fishery	20,420	0.49	20,221	0.50
Accommodation and catering	17,578	0.42	13,891	0.34
Others	49,212	1.19	49,651	1.23
Subtotal	2,399,276	57.94	2,304,361	56.96
Personal loans and advances	1,741,868	42.06	1,741,331	43.04
Total	4,141,144	100.00	4,045,692	100.00

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Head Office	488,895	11.81	506,340	12.52
Yangtze River Delta	1,045,578	25.25	1,004,449	24.83
Bohai Rim	644,316	15.56	630,297	15.58
Western Region	630,687	15.23	616,229	15.23
Pearl River Delta	630,013	15.21	586,214	14.49
Central Region	497,398	12.01	508,645	12.57
Northeastern Region	97,380	2.35	97,272	2.40
Overseas and subsidiaries	106,877	2.58	96,246	2.38
Total	<u>4,141,144</u>	<u>100.00</u>	<u>4,045,692</u>	<u>100.00</u>

(7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 31 December 2022, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB13,554 million (31 December 2021: RMB17,743 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2022	31 December 2021
Loans and advances to customers	<u>3,659</u>	<u>5,753</u>
Ratio of total loans and advances to customers(%)	<u>0.09</u>	<u>0.14</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2022					Total
	Unrated (a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	30,823	–	–	–	–	30,823
– Corporates	2,416	–	13	–	616	3,045
Gross balance	<u>33,239</u>	<u>–</u>	<u>13</u>	<u>–</u>	<u>616</u>	<u>33,868</u>
Interest accrued						1,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						(8,867)
Subtotal						<u>26,798</u>
Not impaired						
– Government	806,557	324,153	–	1,108	–	1,131,818
– Policy banks	105,141	–	–	991	–	106,132
– Banks and non-bank financial institutions	79,905	127,057	2,054	24,344	19,689	253,049
– Corporates	128,461	225,807	32,025	11,749	19,626	417,668
Gross balance	<u>1,120,064</u>	<u>677,017</u>	<u>34,079</u>	<u>38,192</u>	<u>39,315</u>	<u>1,908,667</u>
Interest accrued						21,173
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,425)
Subtotal						<u>1,927,415</u>
Total						<u>1,954,213</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating (continued)

	31 December 2021					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	41,162	–	–	–	–	41,162
– Corporates	1,117	–	–	–	190	1,307
Gross balance	<u>42,279</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>190</u>	<u>42,469</u>
Interest accrued						1,589
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(12,321)</u>
Subtotal						<u>31,737</u>
Not impaired						
– Government	700,313	303,090	–	–	–	1,003,403
– Policy banks	112,058	–	–	1,038	–	113,096
– Banks and non-bank financial institutions	85,489	118,466	2,842	20,662	16,957	244,416
– Corporates	108,922	221,828	40,158	6,714	19,867	397,489
Gross balance	<u>1,006,782</u>	<u>643,384</u>	<u>43,000</u>	<u>28,414</u>	<u>36,824</u>	<u>1,758,404</u>
Interest accrued						19,982
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(2,305)</u>
Subtotal						<u>1,776,081</u>
Total						<u>1,807,818</u>

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(9) *Investments classified as trust and asset management plans analysed by type of underlying assets*

	31 December 2022	31 December 2021
Trust and asset management plans		
Credit assets	43,061	76,724
Bonds and others	14,185	12,860
Total	<u>57,246</u>	<u>89,584</u>

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	31 December 2022				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	296,558	41,538	292	164	338,552
Balances with banks and other financial institutions	61,541	20,898	3,388	2,878	88,705
Placements with banks and other financial institutions	166,669	11,307	1,975	2,483	182,434
Financial assets held under resale agreements	3,010	–	–	–	3,010
Loans and advances to customers	3,875,087	137,271	34,039	26,585	4,072,982
Financial investments	2,080,228	128,989	3,340	13,313	2,225,870
Long-term receivables	92,706	18,750	–	–	111,456
Other assets	157,821	44,088	5,608	25,147	232,664
Total assets	6,733,620	402,841	48,642	70,570	7,255,673
Liabilities:					
Borrowings from central bank	144,801	–	–	–	144,801
Deposits and placements from banks and other financial institutions	1,374,617	82,331	9,793	12,300	1,479,041
Borrowings from banks and other financial institutions	67,198	34,970	3,061	–	105,229
Financial assets sold under repurchase agreements	85,116	19,024	–	–	104,140
Deposits from customers	3,853,834	150,470	13,293	33,995	4,051,592
Debt securities issued	640,399	7,708	–	–	648,107
Lease liabilities	9,269	–	157	–	9,426
Other liabilities	86,121	12,429	1,937	36	100,523
Total liabilities	6,261,355	306,932	28,241	46,331	6,642,859
Net position	472,265	95,909	20,401	24,239	612,814
Foreign currency derivatives	58,646	(35,918)	(17,236)	(3,157)	2,335
Off-balance sheet credit commitments	1,214,705	44,030	1,672	3,481	1,263,888

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 2021				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	310,899	48,904	1,324	175	361,302
Balances with banks and other financial institutions	26,089	56,177	7,813	2,467	92,546
Placements with banks and other financial institutions	142,786	12,271	3,711	–	158,768
Financial assets held under resale agreements	733	629	–	–	1,362
Loans and advances to customers	3,788,631	121,968	28,415	28,665	3,967,679
Financial investments	1,912,327	104,533	5,049	12,524	2,034,433
Long-term receivables	101,567	21,149	–	–	122,716
Other assets	161,552	35,333	3,877	13,218	213,980
Total assets	6,444,584	400,964	50,189	57,049	6,952,786
Liabilities:					
Borrowings from central bank	279,787	–	–	–	279,787
Deposits and placements from banks and other financial institutions	1,222,667	57,097	12,135	2,459	1,294,358
Borrowings from banks and other financial institutions	71,742	40,614	2,105	–	114,461
Financial assets sold under repurchase agreements	27,662	8,823	–	–	36,485
Deposits from customers	3,556,164	231,863	27,243	10,423	3,825,693
Debt securities issued	701,140	9,884	–	–	711,024
Lease liabilities	9,992	–	233	–	10,225
Other liabilities	84,866	8,798	371	179	94,214
Total liabilities	5,954,020	357,079	42,087	13,061	6,366,247
Net position	490,564	43,885	8,102	43,988	586,539
Foreign currency derivatives	47,132	(14,563)	(3,560)	(27,754)	1,255
Off-balance sheet credit commitments	1,041,786	29,352	4,319	5,147	1,080,604

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) *Currency risk (continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2022, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB1,054 million (31 December 2021: increase by RMB720 million); a depreciation of 100 basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB1,054 million (31 December 2021: decrease by RMB720 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 100 basis points against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

(3) *Interest rate risk*

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group's is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk – Continued

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	31 December 2022					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:						
Cash and balances with central bank	331,432	–	–	–	7,120	338,552
Balances with banks and other financial institutions	84,762	3,857	–	–	86	88,705
Placements with banks and other financial institutions	53,394	128,685	–	–	355	182,434
Financial assets held under resale agreements	2,985	–	–	–	25	3,010
Loans and advances to customers	1,586,335	1,751,652	490,349	215,169	29,477	4,072,982
Financial investments	69,514	568,216	901,670	389,955	296,515	2,225,870
Long-term receivables	28,669	43,412	34,429	4,946	–	111,456
Other assets	779	165	41	–	231,679	232,664
Total assets	2,157,870	2,495,987	1,426,489	610,070	565,257	7,255,673
Liabilities:						
Borrowings from central bank	40,201	102,847	–	–	1,753	144,801
Deposits and placements from banks and other financial institutions	906,511	566,149	–	–	6,381	1,479,041
Borrowings from banks and other financial institutions	53,861	37,175	12,703	917	573	105,229
Financial assets sold under repurchase agreements	78,930	24,740	110	–	360	104,140
Deposits from customers	2,408,295	742,430	842,802	–	58,065	4,051,592
Debt securities issued	245,955	228,589	79,994	89,991	3,578	648,107
Lease liabilities	789	2,026	5,440	1,171	–	9,426
Other liabilities	–	4,679	–	–	95,844	100,523
Total liabilities	3,734,542	1,708,635	941,049	92,079	166,554	6,642,859
Interest rate gap	(1,576,672)	787,352	485,440	517,991	398,703	612,814

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

	31 December 2021					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:						
Cash and balances with central bank	355,877	–	–	–	5,425	361,302
Balances with banks and other financial institutions	90,066	2,417	–	–	63	92,546
Placements with banks and other financial institutions	58,681	93,899	5,948	–	240	158,768
Financial assets held under resale agreements	1,344	–	–	–	18	1,362
Loans and advances to customers	1,548,288	1,568,245	578,391	246,962	25,793	3,967,679
Financial investments	118,750	237,628	1,078,166	345,170	254,719	2,034,433
Long-term receivables	41,894	52,229	23,170	5,423	–	122,716
Other assets	–	1,025	59	1,128	211,768	213,980
Total assets	2,214,900	1,955,443	1,685,734	598,683	498,026	6,952,786
Liabilities:						
Borrowings from central bank	53,149	223,266	–	–	3,372	279,787
Deposits and placements from banks and other financial institutions	770,316	516,765	–	–	7,277	1,294,358
Borrowings from banks and other financial institutions	53,719	51,883	7,235	875	749	114,461
Financial assets sold under repurchase agreements	17,976	18,134	255	–	120	36,485
Deposits from customers	2,271,004	845,051	659,706	–	49,932	3,825,693
Debt securities issued	194,356	313,363	79,998	119,967	3,340	711,024
Lease liabilities	813	2,180	5,905	1,327	–	10,225
Other liabilities	632	6,410	–	–	87,172	94,214
Total liabilities	3,361,965	1,977,052	753,099	122,169	151,962	6,366,247
Interest rate gap	(1,147,065)	(21,609)	932,635	476,514	346,064	586,539

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	31 December 2022	31 December 2021
	(Loss)/Gain	(Loss)/Gain
Up 100 bps parallel shift in yield curves	(8,132)	(7,589)
Down 100 bps parallel shift in yield curves	8,132	7,589

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b. the impact of interest rate fluctuations on customers' behaviour;
- c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d. the impact of interest rate fluctuations on market prices;
- e. the impact of interest rate fluctuations on off-balance sheet products;
- f. the impact of interest rate fluctuations on fair value of financial instruments;
- g. other variables (including foreign exchange rate); and
- h. other risk management measures in the Group.

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

During the reporting period, the Bank was required to maintain 7.5% of the total RMB denominated deposits and 6% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) *Liquidity risk management policy*

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,919	1,279	2,629	3,878	–	–	88,705
Placements with banks and other financial institutions	669	–	18,657	34,219	128,889	–	–	182,434
Financial assets held under resale agreements	459	–	2,551	–	–	–	–	3,010
Loans and advances to customers	48,651	8,812	369,624	275,822	1,250,221	1,052,778	1,067,074	4,072,982
Financial investments	289,432	–	52,147	86,791	447,722	954,406	395,372	2,225,870
Long-term receivables	5,613	1,112	5,332	6,781	35,159	52,490	4,969	111,456
Other assets	174,042	3,465	9,206	15,548	19,644	7,815	2,944	232,664
Total assets	831,134	120,592	458,796	421,790	1,885,513	2,067,489	1,470,359	7,255,673

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	10,334	30,875	103,592	-	-	144,801
Deposits and placements from banks and other financial institutions	-	454,718	194,279	262,911	567,133	-	-	1,479,041
Borrowings from banks and other financial institutions	-	-	19,475	19,687	41,573	21,716	2,778	105,229
Financial assets sold under repurchase agreements	-	-	48,707	30,452	24,870	111	-	104,140
Deposits from customers	-	1,970,754	166,306	306,641	753,044	854,847	-	4,051,592
Debt securities issued	-	-	15,049	232,495	230,578	79,994	89,991	648,107
Lease liabilities	-	-	302	487	2,026	5,440	1,171	9,426
Other liabilities	5,226	345	13,607	25,777	41,601	13,272	695	100,523
Total liabilities	5,226	2,425,817	468,059	909,325	1,764,417	975,380	94,635	6,642,859
Net position	825,908	(2,305,225)	(9,263)	(487,535)	121,096	1,092,109	1,375,724	612,814
Notional amount of derivatives	-	-	606,557	762,778	1,610,652	825,589	6,235	3,811,811
	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	314,917	46,385	-	-	-	-	-	361,302
Balances with banks and other financial institutions	-	87,246	1,399	1,462	2,439	-	-	92,546
Placements with banks and other financial institutions	770	-	21,416	36,343	94,286	5,953	-	158,768
Financial assets held under resale agreements	521	-	329	512	-	-	-	1,362
Loans and advances to customers	42,852	7,802	362,467	240,933	1,238,033	1,055,910	1,019,682	3,967,679
Financial investments	260,491	277	28,616	34,230	248,031	1,105,872	356,916	2,034,433
Long-term receivables	6,086	2,421	6,239	9,560	40,954	51,518	5,938	122,716
Other assets	154,744	10,476	10,986	9,529	19,852	7,747	646	213,980
Total assets	780,381	154,607	431,452	332,569	1,643,595	2,227,000	1,383,182	6,952,786

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	19,362	34,468	225,957	-	-	279,787
Deposits and placements from banks and other financial institutions	-	347,893	170,785	242,081	533,599	-	-	1,294,358
Borrowings from banks and other financial institutions	-	-	19,488	23,298	54,132	14,198	3,345	114,461
Financial assets sold under repurchase agreements	-	-	10,449	7,608	18,172	256	-	36,485
Deposits from customers	-	1,529,820	544,182	227,920	855,868	667,903	-	3,825,693
Debt securities issued	-	-	46,672	140,401	316,980	87,004	119,967	711,024
Lease liabilities	-	-	316	497	2,180	5,905	1,327	10,225
Other liabilities	5,619	7,347	13,740	20,294	32,812	13,701	701	94,214
Total liabilities	5,619	1,885,060	824,994	696,567	2,039,700	788,967	125,340	6,366,247
Net position	774,762	(1,730,453)	(393,542)	(363,998)	(396,105)	1,438,033	1,257,842	586,539
Notional amount of derivatives	-	-	661,623	788,825	1,803,522	834,787	11,239	4,099,996

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

	31 December 2022						
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite
Assets:							
Cash and balances with central bank	312,268	26,284	-	-	-	-	338,552
Balances with banks and other financial institutions	-	80,922	1,280	2,640	3,913	-	88,755
Placements with banks and other financial institutions	1,946	-	19,323	35,239	130,545	-	187,053
Financial assets held under resale agreements	464	-	2,565	-	-	-	3,029
Loans and advances to customers	90,890	10,803	383,975	303,587	1,358,172	1,302,221	4,933,186
Financial investments	290,165	-	51,415	85,583	445,120	949,165	2,214,274
Long-term receivables	8,889	1,227	5,639	7,402	38,875	61,325	130,025
Other assets	175,556	3,464	3,165	4,041	7,546	4,727	203,931
Total assets (expected maturity date)	<u>880,178</u>	<u>122,700</u>	<u>467,362</u>	<u>438,492</u>	<u>1,984,171</u>	<u>2,317,438</u>	<u>8,098,805</u>
31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite
							Total
Liabilities:							
Borrowings from central bank	-	-	10,345	30,995	105,617	-	146,957
Deposits and placements from banks and other financial institutions	-	454,718	194,364	263,362	569,656	-	1,482,100
Borrowings from banks and other financial institutions	-	-	19,527	20,124	43,085	23,489	109,365
Financial assets sold under repurchase agreements	-	-	48,729	30,583	25,613	116	105,041
Deposits from customers	-	1,970,754	168,228	318,342	754,766	944,257	4,156,347
Debt securities issued	-	-	15,576	233,460	235,217	99,535	679,330
Lease liabilities	-	-	330	533	2,216	5,951	10,311
Other liabilities	5,226	345	7,763	21,811	26,432	11,712	73,964
Total liabilities (contractual maturity date)	<u>5,226</u>	<u>2,425,817</u>	<u>464,862</u>	<u>919,210</u>	<u>1,762,602</u>	<u>1,085,060</u>	<u>6,763,415</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

		31 December 2021							
		Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:									
Cash and balances with central bank	314,917	46,385	-	-	-	-	-	-	361,302
Balances with banks and other financial institutions	-	87,246	1,399	1,467	2,474	-	-	-	92,586
Placements with banks and other financial institutions	1,947	-	21,848	36,943	94,462	5,958	-	-	161,158
Financial assets held under resale agreements	541	-	329	512	-	-	-	-	1,382
Loans and advances to customers	91,557	9,799	376,681	267,625	1,341,872	1,302,898	1,412,295	4,802,727	
Financial investments	269,160	300	32,520	37,375	279,061	1,267,864	412,128	2,298,408	
Long-term receivables	8,297	2,669	6,724	10,404	44,998	61,009	8,282	142,383	
Other assets	156,370	10,503	6,030	2,410	6,628	6,034	3,116	191,091	
Total assets (expected maturity date)	842,789	156,902	445,531	356,736	1,769,495	2,643,763	1,835,821	8,051,037	
		31 December 2021							
		Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Liabilities:									
Borrowings from central bank	-	-	19,374	34,625	230,521	-	-	-	284,520
Deposits and placements from banks and other financial institutions	-	347,893	170,840	242,514	540,827	-	-	-	1,302,074
Borrowings from banks and other financial institutions	-	-	19,505	23,697	55,132	15,232	3,506	117,072	
Financial assets sold under repurchase agreements	-	-	10,456	7,634	18,273	261	-	36,624	
Deposits from customers	-	1,529,820	546,357	233,339	892,455	752,833	-	3,954,804	
Debt securities issued	-	-	46,740	141,429	326,797	111,532	134,286	760,784	
Lease liabilities	-	-	347	547	2,397	6,494	1,459	11,244	
Other liabilities	5,619	7,347	7,618	13,344	21,148	12,602	422	68,100	
Total liabilities (contractual maturity date)	5,619	1,885,060	821,237	697,129	2,087,550	898,954	139,673	6,535,222	

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

31 December 2022						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives	(129)	230	1,993	(2)	–	2,092
Interest rate derivatives	(30)	(36)	(101)	(85)	20	(232)
Credit derivatives	1	–	–	29	–	30
Total	<u>(158)</u>	<u>194</u>	<u>1,892</u>	<u>(58)</u>	<u>20</u>	<u>1,890</u>
31 December 2021						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(26)	(17)	(241)	(376)	(6)	(666)
Credit derivatives	–	–	(2)	(17)	–	(19)
Total	<u>(26)</u>	<u>(17)</u>	<u>(243)</u>	<u>(393)</u>	<u>(6)</u>	<u>(685)</u>

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives (continued)

(b) Derivatives settled on a gross basis (continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(94,432)	(120,764)	(138,759)	(129,570)	–	(483,525)
– Cash inflow	93,639	121,567	139,889	128,673	–	483,768
Precious metal derivatives						
– Cash outflow	(12,435)	(37,107)	(27,773)	–	–	(77,315)
– Cash inflow	12,611	35,468	26,003	–	–	74,082
Total cash outflow	<u>(106,867)</u>	<u>(157,871)</u>	<u>(166,532)</u>	<u>(129,570)</u>	<u>–</u>	<u>(560,840)</u>
Total cash inflow	<u>106,250</u>	<u>157,035</u>	<u>165,892</u>	<u>128,673</u>	<u>–</u>	<u>557,850</u>
31 December 2021						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(590,359)	(663,552)	(1,328,892)	(65,808)	–	(2,648,611)
– Cash inflow	590,397	660,015	1,333,168	66,286	–	2,649,866
Precious metal derivatives						
– Cash outflow	(16,543)	(12,513)	(31,593)	–	–	(60,649)
– Cash inflow	16,801	12,566	30,914	–	–	60,281
Total cash outflow	<u>(606,902)</u>	<u>(676,065)</u>	<u>(1,360,485)</u>	<u>(65,808)</u>	<u>–</u>	<u>(2,709,260)</u>
Total cash inflow	<u>607,198</u>	<u>672,581</u>	<u>1,364,082</u>	<u>66,286</u>	<u>–</u>	<u>2,710,147</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	31 December 2022			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	495,920	–	–	495,920
Letters of credit	81,938	237	–	82,175
Guarantees	94,865	37,652	1,878	134,395
Unused credit card commitments	489,137	–	–	489,137
Irrevocable credit commitments	45,147	16,351	763	62,261
Total	<u>1,207,007</u>	<u>54,240</u>	<u>2,641</u>	<u>1,263,888</u>

	31 December 2021			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	340,726	–	–	340,726
Letters of credit	77,103	279	–	77,382
Guarantees	92,490	51,526	2,060	146,076
Unused credit card commitments	491,370	–	–	491,370
Irrevocable credit commitments	18,428	6,351	271	25,050
Total	<u>1,020,117</u>	<u>58,156</u>	<u>2,331</u>	<u>1,080,604</u>

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank continues to strengthen its operational risk management, including enhancing the risk identification matrices and evaluation models, deepening information sharing and data-driven practices, and expanding its efforts to effectively cover all important business lines and management activities. As part of its efforts to improve its business continuity planning, response and recovery capabilities, the Bank conducts comprehensive business impact analyses and updates its emergency response plans regularly to step up emergency early warning, response, resolution and evaluation. In line with compliance requirements as well as cost-effective and prudential principles, the Bank also takes actions to improve the discipline and compliance in its outsourcing activities and service provider management, including regular in-process inspections and assessments of outsourcing activities, as well as selected on-site inspections of key institutions.

10 FINANCIAL RISK MANAGEMENT (continued)

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with The Capital Rules for Commercial Banks (Provisional) and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of The Capital Rules for Commercial Banks (Provisional), and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with The Capital Rules for Commercial Banks (Provisional). For the Group, 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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.7 Capital management (continued)

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with The Capital Rules for Commercial Banks (Provisional) and relevant requirements promulgated by the CBIRC as below:

	31 December 2022	31 December 2021
Core tier-one capital adequacy ratio	9.17%	9.04%
Tier-one capital adequacy ratio	10.91%	10.73%
Capital adequacy ratio	13.14%	13.64%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,149	58,149
Surplus reserve	55,276	51,843
General reserve	90,494	87,013
Retained earnings	257,877	243,144
Valid portion of non-controlling interests	7,943	7,070
Others	(612)	385
Core tier-one capital	<u>512,909</u>	<u>491,386</u>
Core tier-one capital deductions	<u>(6,931)</u>	<u>(4,834)</u>
Net core tier-one capital	505,978	486,552
Net other tier-one capital	<u>96,021</u>	<u>90,527</u>
Net tier-one capital	<u>601,999</u>	<u>577,079</u>
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	89,991	119,967
Surplus provision for loan impairment	31,028	34,772
Valid portion of non-controlling interests	<u>2,118</u>	<u>1,885</u>
Net tier-two capital	<u>123,137</u>	<u>156,624</u>
Net capital base	<u>725,136</u>	<u>733,703</u>
Credit risk-weighted assets	5,144,232	4,981,119
Market risk-weighted assets	72,760	71,775
Operational risk-weighted assets	<u>300,297</u>	<u>326,564</u>
Total risk-weighted assets	<u>5,517,289</u>	<u>5,379,458</u>

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.
- Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	110,412	2,229	112,641
Equity investments	1,047	1,698	18,682	21,427
Investment funds	220,666	12,311	2,475	235,452
Trust and asset management plans	–	9,412	4,773	14,185
Others	4,186	–	1,179	5,365
Financial assets at fair value through other comprehensive income				
Debt securities	–	461,778	841	462,619
Equity investments	–	5,331	5,261	10,592
Loans and advances to customers designated at fair value through other comprehensive income	–	254,775	–	254,775
Derivative financial assets				
Foreign exchange derivatives	–	29,129	–	29,129
Interest rate derivatives	–	2,889	–	2,889
Precious metal derivatives	–	1,836	–	1,836
Others	–	24	–	24
Total	<u>225,899</u>	<u>889,595</u>	<u>35,440</u>	<u>1,150,934</u>
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(26,883)	–	(26,883)
Interest rate derivatives	–	(589)	–	(589)
Precious metal derivatives	–	(5,186)	–	(5,186)
Others	–	(17)	–	(17)
Financial liabilities at fair value through profit or loss	–	(1,645)	(270)	(1,915)
Total	<u>–</u>	<u>(34,320)</u>	<u>(270)</u>	<u>(34,590)</u>

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	66,108	2,335	68,443
Equity investments	2,071	2,085	23,123	27,279
Investment funds	170,646	19,836	529	191,011
Trust and asset management plans	–	8,738	4,122	12,860
Others	–	–	1,091	1,091
Financial assets at fair value through other comprehensive income				
Debt securities	–	426,582	622	427,204
Equity investments	–	5,700	2,625	8,325
Loans and advances to customers designated at fair value through other comprehensive income	–	286,451	–	286,451
Derivative financial assets				
Foreign exchange derivatives	–	24,790	–	24,790
Interest rate derivatives	–	1,047	–	1,047
Precious metal derivatives	–	1,521	–	1,521
Others	–	103	–	103
Total	172,717	842,961	34,447	1,050,125
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(21,468)	–	(21,468)
Interest rate derivatives	–	(903)	–	(903)
Precious metal derivatives	–	(3,641)	–	(3,641)
Others	–	(102)	–	(102)
Financial liabilities at fair value through profit or loss	–	(2,856)	–	(2,856)
Total	–	(28,970)	–	(28,970)

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the year:

	Year ended 31 December 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities	Total	
As at 1 January 2022	31,200	622	2,625	34,447	-
Total gains/(losses)					
In profit or loss	(5,262)	(191)	-	(5,453)	-
In other comprehensive income	-	(74)	2,636	2,562	-
Purchase/transfer in	4,637	828	-	5,465	270
Settlement/transfer out	(1,237)	(344)	-	(1,581)	-
As at 31 December 2022	<u>29,338</u>	<u>841</u>	<u>5,261</u>	<u>35,440</u>	<u>270</u>
Total realised gains/(losses) included in the consolidated statement of profit or loss	<u>70</u>	<u>(135)</u>	<u>-</u>	<u>(65)</u>	<u>-</u>
Total unrealised losses included in the consolidated statement of profit or loss	<u>(5,332)</u>	<u>(56)</u>	<u>-</u>	<u>(5,388)</u>	<u>-</u>

	Year ended 31 December 2021			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
		Debt securities	Equity securities	
As at 1 January 2021		38,299	1,150	41,074
Total gains/(losses)				
In profit or loss		(2,653)	102	(2,551)
In other comprehensive income		-	(382)	(382)
Purchase/transfer in		13,128	617	14,745
Settlement/transfer out		(17,574)	(865)	(18,439)
As at 31 December 2021		<u>31,200</u>	<u>622</u>	<u>34,447</u>
Total realised (losses)/gains included in the consolidated statement of profit or loss		<u>(977)</u>	<u>102</u>	<u>(875)</u>
Total unrealised losses included in the consolidated statement of profit or loss		<u>(1,676)</u>	<u>-</u>	<u>(1,676)</u>

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.3 Fair value of financial assets and liabilities not carried at fair value

- (1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, central bank deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

- (2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

- (3) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.3 Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

		31 December 2022			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,363,589	1,368,109	–	1,308,374	59,735
Financial liabilities					
Debt securities issued	648,107	645,077	–	645,077	–
		31 December 2021			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,298,220	1,358,398	–	1,264,052	94,346
Financial liabilities					
Debt securities issued	711,024	711,896	9,240	701,732	924

12 SUBSEQUENT EVENTS

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

13 COMPARATIVE FIGURES

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2022	31 December 2021
ASSETS		
Cash and balances with central bank	335,491	357,855
Balances with banks and other financial institutions	69,476	72,964
Precious metals	25,167	13,189
Placements with banks and other financial institutions	209,923	191,108
Derivative financial assets	33,711	27,461
Financial assets held under resale agreements	2,551	823
Loans and advances to customers	4,051,123	3,945,707
Financial investments:	2,199,557	2,009,836
– Financial assets at fair value through profit or loss	380,523	294,753
– Financial assets at fair value through other comprehensive income	456,358	418,670
– Financial assets measured at amortised cost	1,362,676	1,296,413
Property and equipment	25,442	24,554
Right-of-use assets	12,150	13,137
Deferred income tax assets	53,037	48,983
Investment in subsidiaries	13,381	8,381
Other assets	30,604	40,869
Total assets	7,061,613	6,754,867
LIABILITIES		
Borrowings from central bank	144,357	278,835
Deposits and placements from banks and other financial institutions	1,478,545	1,292,062
<i>Financial liabilities at fair value through profit or loss</i>	1,645	2,856
Derivative financial liabilities	32,675	26,018
Financial assets sold under repurchase agreements	92,095	26,624
Deposits from customers	4,016,971	3,797,630
Lease liabilities	9,148	10,011
Provisions	2,455	2,250
Debt securities issued	648,107	710,092
Current income tax liabilities	4,308	8,135
Other liabilities	41,827	35,643
Total liabilities	6,472,133	6,190,156
EQUITY		
Share capital	43,782	43,782
Other equity instrument	94,962	89,964
Including: Preference shares	19,975	19,975
Perpetual bonds	74,987	69,989
Reserves		
Capital reserve	57,880	57,880
Surplus reserve	55,276	51,843
General reserve	86,911	85,278
Other reserves	(438)	686
Retained earnings	251,107	235,278
Total equity	589,480	564,711
Total liabilities and equity	7,061,613	6,754,867

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (continued)

	Reserves								Retained earnings	Total
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve		
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711
(I) Net profit	-	-	-	-	-	-	-	-	34,327	34,327
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,097)	(35)	8	-	(1,124)
Total comprehensive income	-	-	-	-	-	(1,097)	(35)	8	34,327	33,203
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998
(IV) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-
2. Appropriation to general reserve	-	-	-	-	1,633	-	-	-	(1,633)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,230)	(3,230)
At 31 December 2022	43,782	94,962	57,880	55,276	86,911	(347)	(92)	1	251,107	589,480

	Reserves								Retained earnings	Total
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve		
At 31 December 2020	43,782	69,860	57,150	48,479	85,029	(1,534)	(121)	(24)	217,909	520,530
(I) Net profit	-	-	-	-	-	-	-	-	33,636	33,636
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,284	64	17	-	2,365
Total comprehensive income	-	-	-	-	-	2,284	64	17	33,636	36,001
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	-	29,996	-	-	-	-	-	-	-	29,996
2. Capital deduction by other equity instrument holders	-	(9,892)	730	-	-	-	-	-	-	(9,162)
(IV) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,364	-	-	-	-	(3,364)	-
2. Appropriation to general reserve	-	-	-	-	249	-	-	-	(249)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,714)	(10,714)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(1,940)	(1,940)
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio

	As at 31 December 2022	Average for the year ended 31 December 2022	As at 31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (%) (RMB and foreign currency)	<u>134.89%</u>	<u>133.92%</u>	<u>133.42%</u>	<u>125.26%</u>

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

		31 December 2022			
		USD	HKD	Others	Total
Spot assets		392,363	48,213	71,325	511,901
Spot liabilities		313,080	29,156	46,331	388,567
Forward purchases		920,762	11,202	105,700	1,037,664
Forward sales		(947,289)	(28,438)	(133,218)	(1,108,945)
Net long position	(a)	<u>678,916</u>	<u>60,133</u>	<u>90,138</u>	<u>829,187</u>
		31 December 2021			
		USD	HKD	Others	Total
Spot assets		401,367	51,441	57,980	510,788
Spot liabilities		(359,811)	(42,255)	(13,061)	(415,127)
Forward purchases		1,149,335	16,201	49,213	1,214,749
Forward sales		(1,129,212)	(19,761)	(92,255)	(1,241,228)
Net long position	(a)	<u>61,679</u>	<u>5,626</u>	<u>1,877</u>	<u>69,182</u>

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	31 December 2022		31 December 2021	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	14,565	12,418	16,793	14,745
Western Region	15,637	6,392	11,131	5,278
Bohai Rim	14,484	8,281	12,825	7,913
Central Region	11,794	4,609	15,144	8,902
Pearl River Delta	10,101	4,428	9,694	3,989
Yangtze River Delta	8,837	3,877	12,395	5,447
Northeastern Region	2,369	785	1,763	772
Overseas and subsidiaries	1,352	726	584	399
Total	<u>79,139</u>	<u>41,516</u>	<u>80,329</u>	<u>47,445</u>

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2022		31 December 2021	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	13,746	11,970	15,967	13,983
Western Region	11,430	4,551	8,477	4,302
Pearl River Delta	9,854	4,335	5,914	3,399
Central Region	7,518	3,222	5,900	3,565
Yangtze River Delta	7,016	3,107	7,549	3,280
Bohai Rim	6,821	4,324	11,405	6,977
Northeastern Region	2,013	649	1,499	655
Overseas and subsidiaries	1,455	718	619	291
Total	<u>59,853</u>	<u>32,876</u>	<u>57,330</u>	<u>36,452</u>

4 International claims

31 December 2022					
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	32,615	27,320	14,223	832	74,990
Public sector	4,431	54,257	259	–	58,947
Non-bank private sector	113,349	138,441	28,825	20,535	301,150
Total	150,395	220,018	43,307	21,367	435,087
31 December 2021					
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	56,915	50,702	18,251	6,484	132,352
Public sector	2,575	49,601	257	–	52,433
Non-bank private sector	95,615	125,104	22,372	18,232	261,323
Total	155,105	225,407	40,880	24,716	446,108