

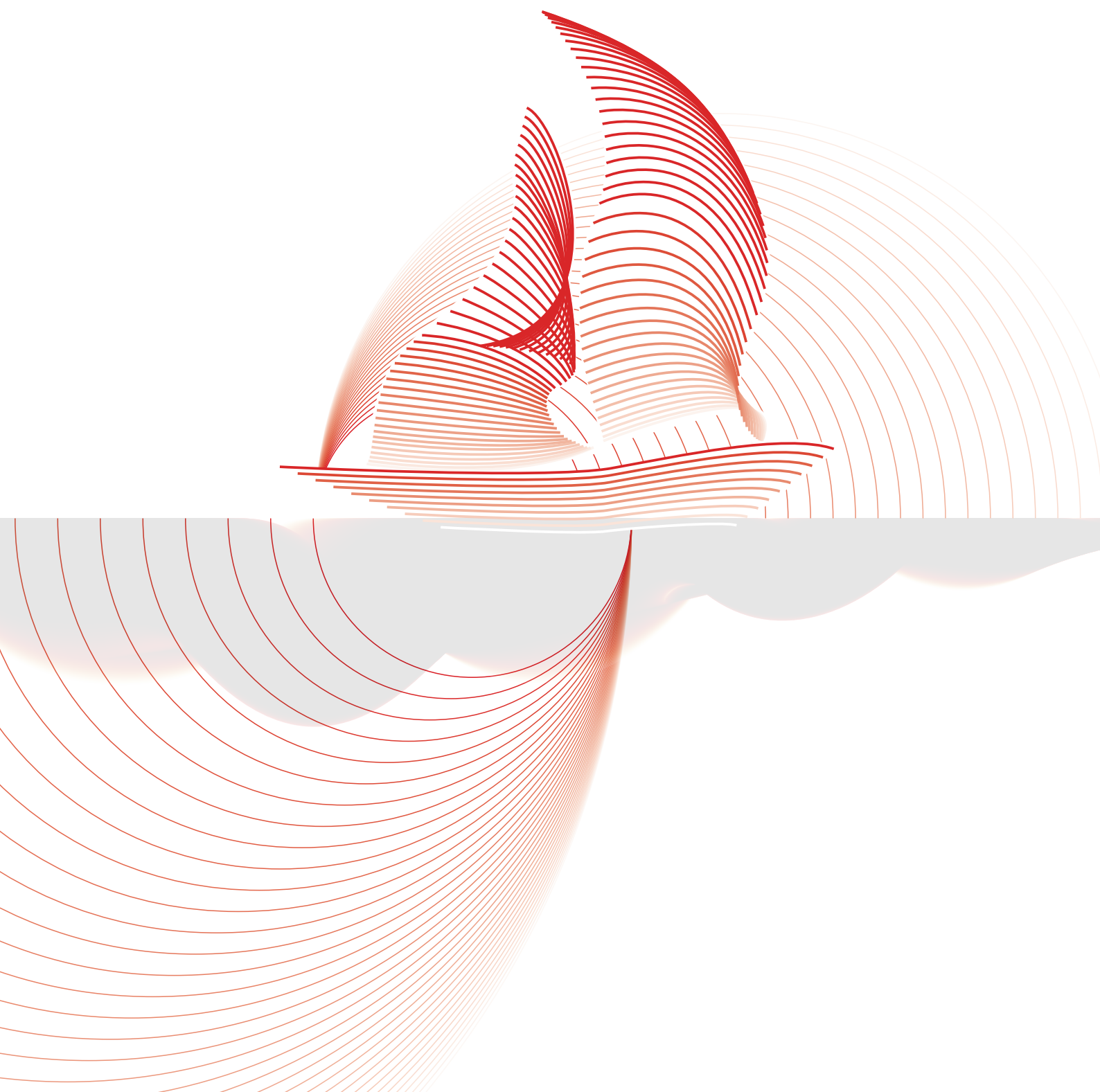
CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016

Annual Report 2022



Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.

The eighth meeting of the sixth session of the Board of the Company, held on March 27, 2023, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2022 and its Summary. The Company has 13 Directors, among which 11 Directors attended the meeting in person, and Mr. Chen Haiqiang appointed Ms. Ma Hong and Mr. Wang Guocai appointed Mr. Zhou Zhifang as proxies to attend the meeting on their behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, and 9 Supervisors of the Company attended the meeting.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2022 annual financial report of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards, and have issued standard unqualified audited reports, respectively.

Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The Board of the Company has proposed to declare a cash dividend of RMB2.10 per 10 shares (tax inclusive) for 2022, payable in RMB to holders of A Shares and in HK dollars to holders of H Shares. The above proposal on dividend distribution is subject to consideration and approval at the 2022 annual general meeting of the Company.

Zhang Rongsen (張榮森, President of the Bank and acting as Chairman) and Jing Feng (景峰, Principal in charge of Finance and Director of the Financial Department) warrant that the financial report in the annual report is true, accurate and complete.

Significant Risk Warning

Please refer to the section headed "Management Discussion and Analysis – Risk Management" of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company 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.

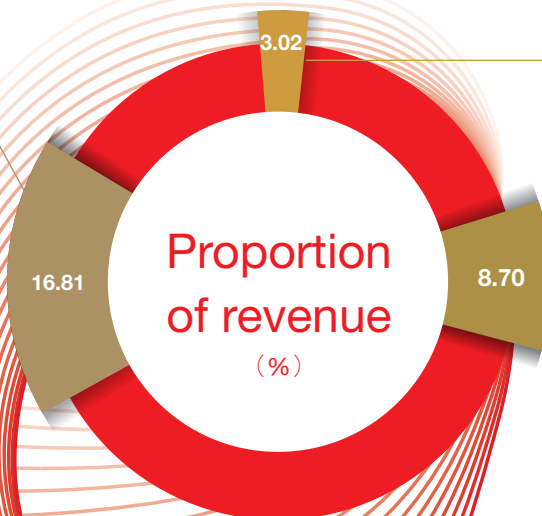
In 2022, the Bank's assets with low sensitivity to economic cycle realized revenue of RMB16.883 billion, accounting for **28.53%** of the revenue of the Bank (note)

Asset balance

RMB477.6 billion

Small diversified assets

Retail business	5.31%
Small loan business	10.92%
Supply chain finance	0.58%



Asset balance

RMB142.8 billion

Assets in weakly cyclical industries

Business volume

RMB6,012.9 billion

Customer service aggregate (CSA)

Asset under management (AUM)	2.63%
Finance product aggregate (FPA)	1.35%
Fixed income, currencies & commodities (FICC)	0.37%
International business	3.30%
Full-range product sales	0.23%
Custodian business	0.82%

Situation of “deepening Zhejiang development” in 2022

Main indicators in Zhejiang Province

Deposit and loan scale

Deposit balance
RMB462.8
billion
increasing by +11.89%

Loan balance
RMB499.7
billion
increasing by +14.95%

Total financing services

Balance
RMB839.8
billion
increasing by +6.53%

Serving the real economy

Small and micro enterprise loans under inclusive finance
RMB114.4
billion
increasing by +13.68% over the beginning of the year

Loans to manufacturing industries
RMB100.6
billion
increasing by +13.26% over the beginning of the year

Green loan
RMB70.0
billion
increasing by +32.37% over the beginning of the year

Balance of agricultural-related loans
RMB110.1
billion
increasing by +17.73% over the beginning of the year

Note: Excluding the subsidiaries in accordance with domestic standards

The business in the province achieved rapid growth. As of the end of 2022, the balance of deposits and loans in the province reached RMB462.8 billion and RMB499.7 billion, increasing by RMB49.2 billion and RMB65.0 billion, respectively, as compared with the beginning of the year, representing an increase of 11.89% and 14.95%.

Full coverage has been basically achieved for the contracts with local governments and the Federation of Industry and Commerce. Signing with 10 municipal governments in the province has been completed. We have signed cooperation contracts with the Federation of Industry and Commerce of 11 cities, achieving full coverage.

The image of the financial sector as a good and active player has been initially reshaped. The 35 measures to stabilize the economy were introduced at the first time, and the innovation of the "bailout loan" model achieved good results. The Bank has a total of 186 financial consultants at three levels of province, city and county, realizing the full coverage of financial consultant services in all cities and counties (cities and districts) in the province.

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The connection with provincial government departments has been strengthened in an all-round way. It has established close ties with more than 20 provincial departments and signed strategic cooperation agreements with the Provincial Department of Commerce, the Provincial Department of Economy and Information Technology and the Provincial Disabled Persons' Federation.

Breakthroughs were achieved in obtaining major business qualifications and special capital accounts. In 2022, 17 major business qualifications and special accounts at province, city and county level were newly obtained, including 4 at province level.

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Serving major projects has made positive progress. As of the end of 2022, 32 provincial key projects had been implemented, with a financing balance of more than RMB5.0 billion.

It has been affirmed by provincial leaders for many times. "Deepening Zhejiang development" and support for the construction plan of the common prosperity areas, 35 measures to stabilize the economy, support for 26 counties in mountainous areas and other works have been approved for affirmation by the main leaders of the provincial party committee and provincial government.

05

06

Services have been provided for multiple provincial digital platforms. It connected with the "Industrial Brain" (產業大腦) of the Provincial Department of Economy and Information Technology, the "Zhejiang Levy" (浙裡徵放心) of the Provincial Department of Construction, the electronic letter of guarantee platform of the Provincial Public Resource Trading Center and the non-financial fund settlement platform of "Zhejiang Report" (浙裡報), and won the bid for the project of the provincial natural resource intelligent trading platform.

It actively served local governments. RMB37.1 billion of Zhejiang local government bonds was underwritten, accounting for 10.07% of the issuance amount, ranking fourth in the provincial banking industry in the market, achieving a record high.

The Cooperation with provincial enterprises continued to deepen. In 2022, it signed strategic cooperation agreement with Zhejiang Tourism Investment (浙旅投), Zhejiang Provincial Financial Holdings (省金控), Zhejiang Guarantee (省擔保) and Wuchan Zhongda (物產中大), and was shortlisted as a strategic cooperation bank of Zhejiang Provincial Natural Resource Group (省自然資源集團), basically realizing the full coverage of cooperation with provincial enterprises.



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Definitions

“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“CBIRC”:	China Banking and Insurance Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”:	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to Hong Kong Listing Rules
“Zheyin Financial Leasing”:	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest
“Group”:	the Company and its subsidiary

Secretary of the Party Committee's Statement

2022 is a particularly memorable year. The victory of the 20th Party Congress has drawn up a grand blueprint for comprehensively promoting the great rejuvenation of the Chinese nation through Chinese modernization, and the Chinese economy managed to forge ahead in spite of volatilities. Being a very important turning point for CZBank, 2022 is a year to start a new journey of high-quality development comprehensively under the guidance of the vision of being “a first-class commercial bank”, and also a year for all CZBank employees to work together and forge ahead. In the past year, CZBank focused on three themes of strengthening its integrity, improving its foundation and reshaping its image to raise position, promote integrity, improve status and enhance efficiency, the spirit of the whole bank was refreshed, the working environment was fully activated, and the business performance was strong against the trend. As such, the major indicators of the Group such as total assets, revenue, deposits and loans recorded double-digit growth, with the growth rate of revenue and loans ranking first among joint-stock banks in China. The costs of customer deposits recorded the biggest drop among comparable peers, and the non-performing loan ratio declined for the first time in five years. Both the speed and quality of the development have seen a big jump.

“Focus on fundamentals”. In 2022, we were well-positioned to take a new step in the right direction and with a clear mission. With the establishment of the “Three First-Class” objective: first-class positive social influence, first-class professional and focused industry competitiveness and first-class corporate cohesion for common progress and prosperity; the four strategic focuses: digital transformation, in-depth development, synergetic development of all five segments and wealth management; and the twelve-word operation approach: “consolidate corporate foundation, adjust corporate structure, control corporate risks, increase corporate profitability”, we implemented the strategy of “assets with low sensitivity to economic cycle” to reshape our strategic system and started a new journey of high-quality development with the vision of being “a first-class commercial bank”. As a result, all the five segments have been developed in a synergetic manner, seeing continuous improvement in the comprehensive service capability; digital transformation, as the main line of our development, achieved outstanding performance, with the “185N” structure being promoted systematically; the three-year campaign of “deepening Zhejiang development” has been implemented comprehensively to develop our foundation in Zhejiang together with the party committee and government; and the wealth management business has been planned systematically, starting a new voyage with restructuring.

“Uphold and promote integrity”. In 2022, we upheld, promoted and strengthened integrity. Starting from the development of our five-word ecosystem, i.e., “integrity, simplicity, professionalism, cooperation and honesty”, the management took the lead and played a demonstrative role in upgrading business positioning, strengthening collaboration and promoting the “Four Dos” spirit in a comprehensive manner. With a focus on introducing and promoting a number of outstanding young talents, we have insisted on the direction of combining market motivation with career motivation, and promoted the reform of human resources, remuneration and performance assessment systems to effectively stimulate the vitality of our officers. We enhanced our values on a group-wide basis and revitalized our corporate culture system to form a cultural consensus of respect, gratitude, integrity and responsibility. In addition, the first “8•18 CZBank Day”, the employee retirement ceremony and the first “Most Beautiful CZBank People” competition were organized as a fulfilment of our commitment to improving public welfare and enhance employee care and creating a positive and harmonious environment.



Mr. Lu Jianqiang
*Secretary of the Party
Committee*

Secretary of the Party Committee's Statement

“Get back to basics”. In 2022, we endeavoured to materialize the political nature and the people-oriented nature of finance, holding fast to our principal business and strengthening our commitment. Securing the positioning of finance to serve the “top priorities of the country”, we took the functionality of finance as the first principle to get back to basics and focus on our principal business, and launched the “Six Projects” in supply chain finance, inclusive finance, technology and innovation finance, digital finance, green finance and integrated finance, aiming to support the financing demand of the manufacturing industry and other real economies. Among other achievements, we ranked top in terms of the conversion ratio of refinance for facility upgrading and transformation in China; our strategic cooperation with local governments, state-owned and central enterprises and private enterprises achieved a record high, we became the only national joint-stock bank recognized as “First-Class Bank” during the evaluation of small and micro finance services by the CBIRC for the second consecutive year; and our application of supply chain comprehensive financial services was selected as the best application of digital transformation in Zhejiang. We launched a financial consulting system in an active and innovative manner to explore a replicable and extensible financial supply-side reform sample in Zhejiang. We were one of the first to explore and implement financial practices to promote capital for good and drive the upgrading of entrepreneurs’ wealth. Further, we made active contribution to rural revitalisation, and deepened the implementation of the Rainbow program and the “one bank for one school” education support program. Our MSCI ESG Rating has been improved to the highest grade A.

“Improve system reliability”. In 2022, we established strict disciplines and strengthened mechanism development to enhance our risk control capabilities. We continued to improve our corporate governance and risk control systems by implementing a systematic reshaping of the three major systems: authorisation, control and supervision. We strengthened risk control at source and established a sound mechanism based on the three principles of “no overstepping of authority, no frequent interference and no excessive coordination”. The “Year of Risk Prevention and Enhancement” activity was organized during the year to systematically promote four major campaigns, namely risk management, problem rectification, system establishment and compliance education, which significantly improved our compliance and risk control capabilities. We co-ordinated the four major internal supervisory areas to develop a comprehensive supervisory system and formulated the “eight prohibitions” (八個嚴禁) and “six musts” (六個一律) for employees to strengthen regulations, atmosphere and bottom line, and to promote strict disciplines as the keynote of CZBank.

2023 is a year of endeavour as China stands at a new and higher historical starting point, as well as a year of gorgeous transformation, foundation building and further development for CZBank. Under the guidance of the spirit of the 20th Party Congress, we will be determined to implement the decisions and plans of the party committee and government and the regulatory authorities, insist on the vision of being a “first-class commercial bank”, deepen the implementation of the four strategic focuses and the twelve-word operation approach, strengthen financial functionality, promote finance to be a force for good, maintain strategic determination, improve fundamental skills and increase vigour and vitality. Meanwhile, we will take digital transformation as the main line, consolidating customer base as the first project, building a talent pipeline as the first strategy, and adopting cultural values as the first standard to enhance our initiative, accuracy and leadership, upgrade our development strategy and effectiveness, further improve our “three first-class” vision and target and make our quality development reach a new level, thus creating higher value for our country, community, customers, employees and shareholders.

Lu Jianqiang

Secretary of the Party Committee

March 27, 2023

President's Statement

Never stop fighting as long as the river of time rushes onward. Walking in tandem with the Chinese economy, we took the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability” as the guidance, firmly blazed a new path for intensive and endogenous growth, and recorded hard-earned results. Over the past year, our Bank’s operating income increased at the highest speed among national joint-stock banks for the sixth consecutive quarter, loans increased at the highest speed among national joint-stock banks, deposits increased at the second highest speed among national joint-stock banks, and the interest payment rate on deposits decreased the most among comparable banks, driving a notable increase in endogenous growth momentum. Over the past year, we stick to the provision of small amount and diversified loans and moving forward the risk checkpoint, resulting in the drop of non-performing loan ratio for the first time in five years, and continuous drop of non-performing formation rate of new businesses, which enabled the quality of assets to show a notable positive trend.

Bank operation is a marathon without an end. To achieve our great original intention to “pursue sound, but not the best, bank operation during good economic times; maintain not-too-bad operation condition during weak economic times; and seek stable operation generally”, we officially proposed to “lay the assets with low sensitivity to economic cycle as a ballast stone”. As at the end of last year, the operating income from assets with low sensitivity to economic cycle accounted for 28.53%, representing a significant increase of 4.19 percentage points as compared with the end of the half year. We continued to strengthen the customer base, expand retail, microfinance and supply chain finance businesses, and increase the proportion of intermediate business revenue. This year, we will continue our endogenous development with our own characteristics, and implement our “321” business strategy focusing on smart management. In particular, “3” is to give priority to retail, microfinance and supply chain finance, “2” is to increase green intermediate income and green revenue, and “1” is to continue to reduce the interest payment rate on deposits.

The standard of a good bank is “good customers, good assets and good employees”. Customers are the foundation, and it will become chaotic in case of unstable foundation. Over the past year, we took customer value as the starting point for innovation and change. “For customer is for the Bank”, our first task is to consolidate our customer base this year, and shift from “product first, customer second” to accompany customer growth, thus to build a customer structure comprising “large, medium, small and micro” customers regardless of size. Over the past year, we continued to promote the simultaneous and synergistic development of the five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border. This year, we will break down stereotypical restrictions, try coordinated operations across lines, sectors and branches, and pay more attention to our unique advantages of the five major business segments to provide comprehensive services.



Mr. Zhang Rongsen
President

President's Statement

We are the only national joint-stock bank in Zhejiang. We have an inherent responsibility to “deepen Zhejiang development and serve Zhejiang merchants”. Over the past year, the recognition and reputation of “Zhejiang, Zhejiang merchants and the bank of Zhejiang people” have been improved, and we has served more than 50,000 enterprises with facilities over RMB400 billion through “financial consulting” activity, providing facilities of more than RMB800 billion in aggregate in Zhejiang Province. The operating income from assets with low sensitivity to economic cycle accounted for 33.69% in its stronghold in Zhejiang, being 5.16 percentage points higher than that of the whole bank. We also entered into comprehensive strategic cooperation agreements with the provincial and municipal governments in Zhejiang, Federation of Industry and Commerce, Zhejiang Provincial Financial Holdings and other large provincial enterprises, and successively obtained 17 important qualifications such as social security card. This year, while further implementing the primary strategy of “deepening Zhejiang development”, we will systematically implement the regional strategy of “deepening Zhejiang, focusing on key regions and establishing nationwide presence”, endeavor to gain a toehold in Zhejiang, establish nationwide presence, and effectively serve the national development as a national joint-stock bank with banking license.

Currently, customers focus on efficiency, scenario and experience of a bank. Over the past year, we held high the banner of “technology-driven bank development”, made ourselves integrate into the tide of digital reform, and formulated the “185N” digital reform system framework and the Digital CZBank “MICROSEA” ecosystem. We proactively made ourselves integrate into the digital reform in Zhejiang, and our application of supply chain comprehensive financial services was selected as the “Best Application of Digital Transformation in Zhejiang in 2022”. We also first implemented the IT Business Partnership (ITBP) to cover 36 domestic and foreign branches, so as to explore an operation process of supporting front line of business by technology. This year, we will continue to unswervingly promote the construction of system fundamentals, accelerate the building of first-class scientific and technological capabilities, and truly realize “digital operation and digital value”.

Although the road ahead is difficult, we will get through as long as we keep going; and although the going gets tough, we will make it as long as we keep working. 2023 will witness CZBank's efforts on the full implementation of the spirit of the 20th Party Congress, and the transformation, consolidation and new progress of CZBank in the new journey of the new era. In the new year, we will continue to implement the strategies and tactics that have been tested in practices, maintain strategic determination, enhance basic capabilities, increase vigor, and be sober, determined and pragmatic to strive for the realization of our vision of being a “first-class commercial bank”, seeing the action, seeing the heart, and seeing the future.

Zhang Rongsen

President

March 27, 2023

Company Profile

1. **Company name in Chinese:** 浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行)
Company name in English: CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK)
2. **Legal Representative:** Zhang Rongsen (acting as Legal Representative)
3. **Registered address:** No. 1788, Hongning Road, Xiaoshan District,
Hangzhou, Zhejiang Province, the PRC
Postcode: 311200
Principal office address: No. 288, Qingchun Road, Hangzhou, Zhejiang Province,
the PRC
Postcode: 310006
E-mail: ir@czbank.com
Website: www.czbank.com
Customer service hotline: 95527
Tel for investor relations management: 86-571-88268966
Fax: 86-571-87659826
4. **Principal place of business in Hong Kong:** 15/F, Three Exchange Square, No. 8 Connaught Place,
Central, Hong Kong
5. **Authorized representatives:** Zhang Rongsen, Liu Long
6. **Secretary to the Board and company secretary:** Liu Long
Representative of securities affairs: Chen Sheng
7. **A Shares**
Stock exchange where the securities are listed: Shanghai Stock Exchange
Stock abbreviation: CZBANK
Stock code: 601916
H Shares
Stock exchange where the securities are listed: Hong Kong Stock Exchange
Stock abbreviation: CZBANK
Stock code: 2016
8. **Share registrar:**
A Shares: China Securities Depository and Clearing Corporation
Limited Shanghai Branch
No.188 South Yanggao Road, Shanghai
H Shares: Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17/F, Hopewell Center,
183 Queen's Road East, Wanchai, Hong Kong

Company Profile

9. **Legal advisers:**
As to Mainland PRC Laws: Zhejiang T&C Law Firm
As to Hong Kong Laws: Freshfields Bruckhaus Deringer
10. **Accounting firms engaged by the Company:**
Domestic auditor: KPMG Huazhen LLP
Office address: 8/F, Tower E2, Oriental Plaza,
1 East Chang'an Avenue, Dongcheng District, Beijing
Signing certificated accountants: Chen Sijie, Pan Sheng
- International auditor:** KPMG
Office address: 8/F, Prince's Building, 10 Chater Road,
Central, Hong Kong
11. **Newspapers and websites designated for information disclosure:**
Mainland China: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Company (www.czbank.com)
Hong Kong: Website of the Hong Kong Stock Exchange (www.hkex.com.hk)
Website of the Company (www.czbank.com)
Place for inspection of the annual report: Office of the Board of the Company
(No. 288, Qingchun Road, Hangzhou, Zhejiang Province, the PRC)
12. **Other information about the Company:** Uniform social credit code: 91330000761336668H
Financial institution license serial number: B0010H133010001
Registration date: July 26, 2004

Corporate Overview

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank is the 13th “A+H” listed bank in China. Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses nationwide, and has developed into a high-quality commercial bank with a solid foundation, strong profitability and prudent risk control.

Under the guidance of the vision of being “a first-class commercial bank”, CZBank adheres to its twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”; and the main line of digital reform, taking deepening development in Zhejiang as its first priority and promoting the coordinated development of its five major business segments, so as to embark on a new journey of wealth management. CZBank strengthens its integrity, improves its foundation, and reshapes its image. CZBank will give top priority to stability, carry forward the spirit of “Four Dos”, comprehensively build a five-pronged political ecosystem, comprehensively improve its ability to provide comprehensive financial services, and comprehensively build a system of risk control and oversight, so as to embark on a new journey of high-quality development.

In 2022, CZBank’s operating income was RMB61.152 billion, representing an increase of 12.03% over last year; net profit attributable to shareholders of the Bank was RMB13.618 billion, representing an increase of 7.67% over last year. As at the end of the reporting period, the total assets were RMB2.62 trillion, representing an increase of 14.66% compared with that at the end of last year, and total loans and advances to customers were RMB1.53 trillion, representing an increase of 13.20% compared with that at the end of last year; the total liabilities were RMB2.46 trillion, representing an increase of 15.86% compared with that at the end of last year, and balance of customer deposits were RMB1.68 trillion, representing an increase of 18.77% compared with that at the end of last year; the non-performing loan ratio was 1.47% and allowance to non-performing loans was 182.19%; the capital adequacy ratio was 11.60%, the tier-one capital adequacy ratio was 9.54%, and the core tier-one capital adequacy ratio was 8.05%, all maintaining at a reasonable level.

CZBank has established 310 branch outlets in 22 provinces, autonomous regions, municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, Bohai Rim, Pearl River Delta, Economic Zone on the Western Coast of the Taiwan Straits and certain areas in the Midwestern China. In the “Top 1000 World Banks 2022” ranking by The Banker, U.K., we ranked 79th in terms of tier-one capital, up by 20 places from the previous year. China Chengxin International gave CZBank the highest AAA corporate credit rating among financial institutions.

For more details, please refer to sections headed Secretary of the Party Committee’s Statement and President’s Statement.

Development Strategies and Core Competitiveness

(I) OVERALL DEVELOPMENT PLAN

Embark on a new journey of high-quality development with the vision of becoming “a first-class commercial bank”.

Targets of “a first-class commercial bank”: first-class positive social influence, first-class professional and focused industry competitiveness and first-class corporate cohesion for common progress and prosperity.

(II) MANAGEMENT CONCEPTS

Culture: Promote shared values, namely “respect, gratitude, integrity and responsibility”.

Ecosystem: Establish a five-word ecosystem, namely integrity, simplicity, professionalism, cooperation and honesty.

Practice: Adhere to the keynote of strictness and develop “Four Dos” spirit (do it, do good, do it well and do well in it).

(III) OPERATION APPROACH AND STRATEGY

Twelve-word operation approach: consolidate corporate foundation, adjust corporate structure, control corporate risks, increase corporate profitability.

Four strategic focuses: introduce systematic digital transformation, deepen comprehensive development in all aspects, seek synergetic development of all five segments and embark on a new journey of wealth management.

(IV) OPERATING STRATEGY

Take the assets with low sensitivity to economic cycle as ballast stone, and build a first-class management system with high quality development.

(V) CORE COMPETITIVENESS

Clear and specific strategic positioning. Guided by the spirit of General Secretary Xi’s important instructions and upholding high standard political positioning with the vision of being “a first-class commercial bank”, the Company adheres to its twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”; and to the main line of digital reform, take deepening development in Zhejiang as its first priority and promote the coordinated development of its five major business segments, achieve a new start in wealth management and, so as to comprehensively embark on a new journey of high-quality development.

Sound and organized corporate governance. The Company strengthens the establishment of modern corporate systems in all aspects and has improved the level of corporate governance continuously, resulting in a more diversified equity structure and better governance systems. The Board of Directors, the Board of Supervisors and General Meetings and its Senior Management with specified and definite duties and responsibilities have formed a corporate governance structure appropriate for the Company. Through standard information disclosure system processes, we have improved the quality of information disclosure continuously.

Development Strategies and Core Competitiveness

Unique regional advantage. The headquarters of the Company is located in Zhejiang Province which boasts strong economic foundation, high market-oriented system and mechanism, sound legal and regulatory environment, outstanding industrial cluster advantage, and complete urban system. The operating strategy of the Company is in line with the resource advantage and development plan of Zhejiang Province, so “deepening development in Zhejiang with services nationwide” naturally enjoys excellent regional advantage and external environment.

Improving business system. The Company has focused on the coordinated development of its five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, providing customers with comprehensive, three-dimensional and systematic financial services to achieve the diversified operation, global layout, comprehensive services and high-quality development. In particular, its professional service ability in many fields such as supply chain finance, intelligent manufacturing services, science and innovation finance, and small and micro enterprise business has been highly recognized by the customers in the market.

Prudent and steady risk management. Oriented with serving the real economy, the Company adheres to a prudent and healthy risk appetite and the principle of “small and diversified” in granting credit in an appropriate manner, builds an asset structure with weak sensitive assets of economic cycle as ballast stone, implements a distinctive risk control officer assignment system, and continuously improves the risk management system to maintain stable quality of assets.

Financial technology with distinctive edges. The Company has systematically initiated the digital reform, built the “185N” reform system architecture, launched the “Weihai” digital brand and has taken the lead in exploring the deepened integration of the cutting-edge technologies with banking business, so as to build several major digital applications with CZBank identification and competitiveness in the industry.

Scientific and reasonable talent reserves. The Company strengthens the construction of its cadre team. The management of the Company has broad strategic vision and extraordinary business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. The employees of the Company are young, energetic, highly-educated with strong professional competence.

Refreshed corporate culture. The Company adheres to the entrepreneurial spirit of “seeing the action, seeing the heart, and seeing the future”, takes the “first-class positive social influence, first-class professional and focused industry competitiveness, first-class corporate cohesion for common prosperity and progress” as its target and vision, the “service, compliance, excellence and harmony” as basic cultural elements and the “CZBank Convention” as a cultural consensus, and implements the four key projects, namely culture shaping, culture rooting, culture nourishing and culture promotion, so as to build the “four beams and eight pillars” of the Bank’s corporate culture system.

Innovation-led concept of public welfare. The Company fulfills the mission of “national priorities” in finance, focuses on the function and public welfare of finance to proactively support the “financial consulting system” initiated in Zhejiang Province, takes the lead in exploring financial services incorporating charity features, carries out comprehensive financial service model innovation and system innovation, acts as the “financial army” of the government, the “financial family doctor” of enterprises and the “financial consultant” of residents, leads the new trend of positive financial practices and emphasizes the social value of finance.

Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
79th in the “Top 1000 World Banks 2022” ranking The “Top 500 Brand Value of World Banks 2022” with record brand value of US\$2.79 billion	<i>The Banker</i> , magazine of the UK	Jul. 2022
Maintain double “investment grade” in the international rating	S&P, Moody’s	Mar. 2022
“A” in MSCI ESG rating	MSCI	Nov. 2022
First Prize for Outstanding Unit in Supporting Zhejiang’s Economic and Social Development in 2021	The general office of Zhejiang Provincial Government	Apr. 2022
Most Satisfactory Bank for Private Enterprises in Zhejiang Province 2021	Hangzhou Central Sub-Branch of the People’s Bank of China, Zhejiang Federation of Industry and Commerce	Mar. 2022
“Supply chain comprehensive financial services platform” was awarded the best application among the most series of digital reform in Zhejiang Province	Reform Office of Zhejiang Provincial Committee, Political Research Office of Zhejiang Provincial Committee, Legal and Labor Affairs Committee of Zhejiang People’s Congress, Market Supervision Bureau and Big Data Bureau of Zhejiang Province	Oct. 2022
Financial consulting work won the “Golden Goose Award” in the 2nd “Zhejiang Golden Canal” Honor List	The financial services committee of The General Association of Zhejiang Entrepreneurs (浙商總會)	Mar. 2022
Demonstration institutions for innovative characteristic services at bank outlets	National Financial Technology Certification Center (Beijing)	Nov. 2022
2021 Annual Market Influence Award in Interbank Local Currency Market	Foreign Exchange Trading Center	Apr. 2022
2021 Outstanding Issuer	Shanghai Clearing House	Apr. 2022
2021 Annual Outstanding Member Award	Shanghai Futures Exchange	Apr. 2022
2021 Best Quotation and Trading Institution	Shanghai Gold Exchange	Apr. 2022
2021 Excellent Market Institution and Excellent Acceptance Institution	Shanghai Commercial Paper Exchange	Oct. 2022
Evaluation results of A on information disclosure work for 2021-2022	Shanghai Stock Exchange	Aug. 2022
The 8th Jiefu Award for Asset Securitization and Bonds – Outstanding ABN Lead Underwriter	CaiShiV (財視中國)	Sep. 2022

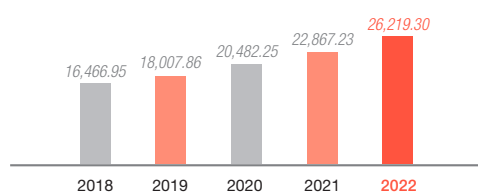
Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
"Big data-based marketing platform" won the gold award of the 2022 Digital Finance Innovation Competition	www.cebnet.com.cn (中國電子銀行網)	Aug. 2022
2022 Best User Experience Award for Mobile Banking and Best Digital Bank Award	China Financial Certification Authority (CFCA), www.cebnet.com.cn (中國電子銀行網)	Dec. 2022
"Jijianbaoxiao (極簡報銷)" won the 2022 Digital Pioneer Product Award	The 11th CFS Finance Summit	Aug. 2022
"DI CZBANK" won the Most Innovative Bank Award	<i>Global Finance</i> , magazine of the USA	Sep. 2022
2022 Best Technological Innovation Financial Services Bank Award	<i>Treasury China</i>	Oct. 2022
2022 Mobile Payment Pilot Bank Award	The Economic Observer	Nov. 2022
"Internet of Things + big data" risk control platform won the Top Ten FinTech Innovator Award	<i>The Banker</i> , magazine of the UK	Sep. 2022
Small and Micro Finance Brand Bank of the Year 2021	Sina Finance	Mar. 2022
Top 10 Socially Responsible Organizations of the Year 2022	China Banking and Insurance News	May 2022
"One Bank for One School" education support program won the Excellent Practice Case Award in Rural Education in China	2022 Dream Builder Charity Conference (築夢者公益大會) of www.infzm.com (南方週末)	Nov. 2022
Favorite Employers by Chinese College Students 2022	www.51job.com (前程無憂)	Aug. 2022

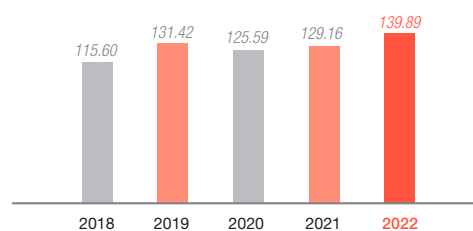
Financial Summary

(The financial data and indicators set forth in this annual report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified)

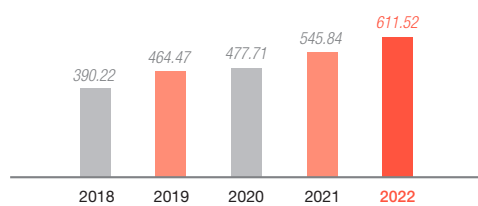
Total assets
In 100 millions of RMB



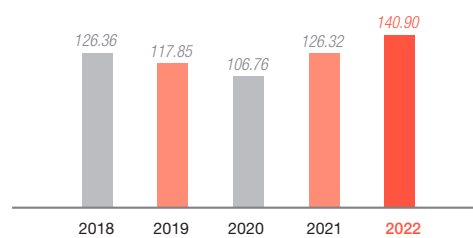
Net profit
In 100 millions of RMB



Operating income
In 100 millions of RMB

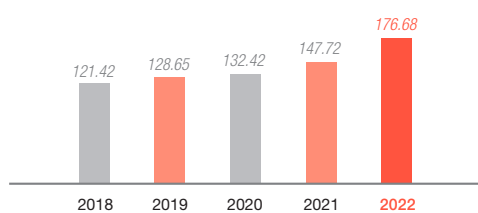


Net non-interest income
In 100 millions of RMB

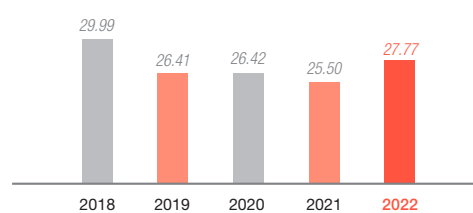


Financial Summary

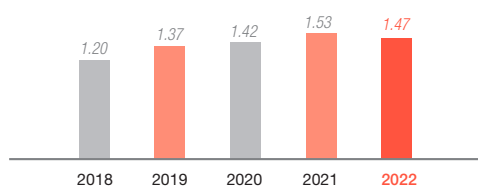
Operating expenses
In 100 millions of RMB



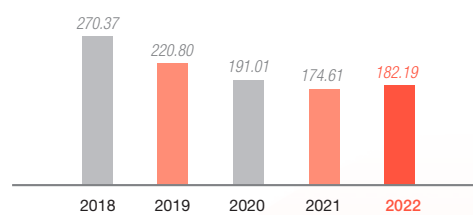
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2022	2021	2020	2019	2018
Operating results (RMB million)					
Operating income	61,152	54,584	47,771	46,447	39,022
Profit before taxation	15,831	14,981	14,363	14,680	13,851
Net profit attributable to shareholders of the Bank	13,618	12,648	12,309	12,924	11,490
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	2,621,930	2,286,723	2,048,225	1,800,786	1,646,695
Total loans and advances to customers	1,525,030	1,347,239	1,197,698	1,030,171	865,233
Total liabilities	2,456,000	2,119,840	1,915,682	1,672,759	1,544,246
Customer deposits	1,681,443	1,415,705	1,335,636	1,143,741	974,770
Equity attributable to shareholders of the Bank	162,933	164,169	130,512	126,246	100,885
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	6.49	5.84	5.43	5.23	4.59
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.56	0.55	0.53	0.64	0.61
Diluted earnings per share attributable to shareholders of the Bank	0.56	0.55	0.53	0.64	0.61
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.57	0.60	0.65	0.76	0.73
Return on average equity ⁽⁴⁾	9.02	9.83	10.03	12.21	14.17
Net interest margin	2.21	2.27	2.19	2.39	1.93
Net interest spread	2.02	2.07	1.99	2.13	1.76
Net non-interest income to operating income	23.04	23.14	22.35	25.37	32.38
Cost-to-income ratio ⁽⁵⁾	27.77	25.50	26.42	26.41	29.99
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.47	1.53	1.42	1.37	1.20
Allowance to non-performing loans ⁽⁷⁾	182.19	174.61	191.01	220.80	270.37
Allowance to total loans ⁽⁸⁾	2.67	2.68	2.72	3.03	3.25
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio	8.05	8.13	8.75	9.64	8.38
Tier-one capital adequacy ratio	9.54	10.80	9.88	10.94	9.83
Capital adequacy ratio	11.60	12.89	12.93	14.24	13.38

Financial Summary

Notes:

- (1) Net assets per share attributable to shareholders of the Bank = (equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period
- (2) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (net profit for the year excluding dividend of preference shares and interest of perpetual bonds of the Bank) divided by weighted average number of ordinary shares outstanding.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (net profit for the year excluding dividend of preference shares and interest of perpetual bonds of the Bank) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (5) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (6) Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers.
- (7) Allowance to non-performing loans = Balance of impairment allowances on loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to non-performing loans shall not be less than 140%.
- (8) Allowance to total loans = Balance of impairment allowances on loans divided by total loans and advances to customers. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to total loans shall not be less than 2.1%.

Explanation of Differences between Financial Statements Prepared under Domestic and International Accounting Policies

The net profit attributable to shareholders of the Bank for the reporting period ended December 31, 2022 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environments

In 2022, from the global angle, under various impacts from escalated geopolitical conflicts and trade protectionism, global economic growth slowed down, operation of industrial and supply chains was hampered and investment activities remained sluggish, generally showing a stagflation trend of “high inflation, high interest rate, high debt and low growth”. Meanwhile, the US Federal Reserve continued to raise interest rate, which led to tightened global financial environment and higher financial risks, and brought many challenges to the sustainable recovery of the global economy.

2022 is an extremely important year in the history of the Party and the country. The victory of the 20th Party Congress has drawn up a grand blueprint for comprehensively promoting the great rejuvenation of the Chinese nation through Chinese modernization, which has made solid strides on a new journey to comprehensively build a modern socialist country. In the face of significant changes unseen in a century, China has steadily improved the quality of development, deepened reform and opening up generally, kept employment and prices basically stable, and maintained overall economic and social stability. China’s annual gross domestic product (GDP) was RMB121.02 trillion, representing an increase of 3.0% over the previous year if calculated at constant prices. At the same time, however, the foundation for domestic economic recovery was not yet solid, triple pressure from contracting demand, supply shocks and weakening expectations continued to evolve, consumption upgrading faced more difficulties and there were more constraints on expanding effective investments. Under the impact of unexpected factors, the development environment is becoming more complex, severe and uncertain.

In 2022, the People’s Bank of China intensified the implementation of a prudent monetary policy, played the dual functions of monetary policy tools in terms of total size and structure, maintained reasonably sufficient liquidity and steady growth of the total amount of money and credit, managed market expectations scientifically, effectively served the real economy, and helped reduce the comprehensive finance costs of the real economy. The two reductions in the reserve requirement ratio provided over RMB1 trillion long-term liquidity for the real economy. The 1-year LPR (loan market quoted interest rate) and 5-year LPR dropped by 15 BPS and 35 BPS respectively, and the weighted average interest rate of new corporate loans decreased by 34 BPS from the previous year. At the end of 2022, the broad money (M2) supply grew by 11.8% year-on-year, the existing social financing increased by 9.6% year-on-year, the balance of loans of financial institutions in domestic and foreign currencies was RMB219.1 trillion, representing an increase of 10.4% year-on-year, and the balance of deposits of financial institutions in domestic and foreign currencies was RMB264.45 trillion, representing an increase of 10.8% year-on-year. The RMB exchange rate fluctuated in both directions with enhanced flexibility, and remained basically stable at a reasonable and balanced level.

The banking industry focused on improving the quality and efficiency of services for the real economy and strengthening credit support for key fields and weak links. At the end of 2022, the assets of banking financial institutions in domestic and foreign currencies were RMB379.4 trillion, increased by 10.0% year-on-year; the liabilities of banking financial institutions in domestic and foreign currencies were RMB348.0 trillion, increased by 10.4% year-on-year; the loans for small and micro enterprises under inclusive finance and agricultural-related loans increased by 23.6% and 13.7% over the beginning of the year, respectively; and the balance of loans to manufacturing industries increased by 20.8% over the beginning of the year. Commercial banks (as legal persons) achieved an annual net profit of RMB2.3 trillion, with a non-performing loan balance of RMB2.98 trillion and a non-performing loan ratio of 1.63%, thus generally maintaining the stable asset quality.

Management Discussion and Analysis

(II) Analysis of Overall Operation Performance

Stable increase of business scale

As at the end of the reporting period, total assets of the Group amounted to RMB2,621.930 billion, representing an increase of RMB335.207 billion or 14.66% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,525.030 billion, representing an increase of RMB177.791 billion or 13.20% as compared to that at the end of last year. Total liabilities amounted to RMB2,456.000 billion, representing an increase of RMB336.160 billion or 15.86% as compared to that at the end of last year, of which customer deposits amounted to RMB1,681.443 billion, representing an increase of RMB265.738 billion or 18.77% as compared to that at the end of last year.

Positive trend in operating efficiencies

During the reporting period, operating income of the Group amounted to RMB61.152 billion, representing an increase of RMB6.568 billion or 12.03% as compared to that of last year, of which net interest income amounted to RMB47.062 billion, representing an increase of RMB5.110 billion or 12.18% as compared to that of last year, and net non-interest income amounted to RMB14.090 billion, representing an increase of RMB1.458 billion or 11.54% as compared to that of last year. Net profit attributable to shareholders of the Bank amounted to RMB13.618 billion, representing an increase of RMB970 million or 7.67% as compared to that of last year.

Maintaining sound asset quality

As at the end of the reporting period, the non-performing loan ratio was 1.47%, representing a decrease of 0.06 percentage point as compared to that at the end of last year; allowance to non-performing loan ratio was 182.19%, representing an increase of 7.58 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.67%, representing a decrease of 0.01 percentage point as compared to that at the end of last year.

Maintaining capital adequacy ratio at reasonable level

As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 11.60%, representing a decrease of 1.29 percentage points as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.54%, representing a decrease of 1.26 percentage points as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.05%, representing a decrease of 0.08 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

(III) Analysis of Financial Statements

1. Analysis of consolidated statement of profit or loss

In 2022, the Group has effectively improved its operating quality and profitability under the guidance of the vision of being “a first-class commercial bank” by centering on the twelve-word operation policy and taking the assets with low sensitivity to economic cycle as ballast stone. In 2022, the Group achieved a net profit attributable to shareholders of the Bank of RMB13.618 billion, increased by 7.67% as compared to that of last year; the return on average total assets was 0.57% and the return on average equity was 9.02%. Operating income was RMB61.152 billion, increased by 12.03% as compared to that of last year, including, among others, net interest income of RMB47.062 billion, increased by 12.18% as compared to that of last year; net non-interest income of RMB14.090 billion, increased by 11.54% as compared to that of last year. Operating expense was RMB17.668 billion, increased by 19.60% as compared to that of last year; cost-to-income ratio was 27.77%, increased by 2.27 percentage points as compared to that of last year. Provision for expected credit losses was RMB27.653 billion, increased by 11.36% as compared to that of last year. The income tax expense was RMB1.842 billion, decreased by 10.80% as compared to that of last year.

Changes of the main items in the consolidated statement of profit or loss

In RMB million, except percentages

Item	2022	2021	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	47,062	41,952	5,110	12.18
Net non-interest income	14,090	12,632	1,458	11.54
Operating income	61,152	54,584	6,568	12.03
Less: operating expenses	17,668	14,772	2,896	19.60
Less: expected credit losses	27,653	24,831	2,822	11.36
Profit before taxation	15,831	14,981	850	5.67
Less: income tax expense	1,842	2,065	(223)	(10.80)
Net profit	13,989	12,916	1,073	8.31
Attributable to:				
Shareholders of the Bank	13,618	12,648	970	7.67
Non-controlling interests	371	268	103	38.43

Management Discussion and Analysis

(1) Net interest income

In 2022, net interest income was RMB47.062 billion, representing an increase of RMB5.110 billion or 12.18% as compared to that of last year, accounting for 76.96% of operating income; interest income was RMB101.983 billion, representing an increase of RMB9.226 billion or 9.95% as compared to that of last year; interest expense was RMB54.921 billion, representing an increase of RMB4.116 billion or 8.10% as compared to that of last year. Net interest spread and net interest margin were 2.02% and 2.21%, respectively, representing a decrease of 0.05 and 0.06 percentage point as compared to that of last year, respectively.

Average yields on interest-earning assets and average costs of interest-bearing liabilities

In RMB million, except percentages

Item	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,471,374	75,352	5.12	1,305,272	69,938	5.36
Investments ⁽¹⁾	567,315	22,076	3.89	465,971	19,259	4.13
Due from banks and other financial institutions ⁽²⁾	156,634	2,526	1.61	106,213	1,592	1.50
Balances with central bank ⁽³⁾	140,201	2,029	1.45	133,366	1,968	1.48
Total interest-earning assets	2,335,524	101,983	4.37	2,010,822	92,757	4.61
Item	2022			2021		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,606,141	36,714	2.29	1,371,108	33,886	2.47
Due to banks and other financial institutions ⁽⁴⁾	357,732	8,097	2.26	287,531	6,725	2.34
Due to central bank	57,327	1,526	2.66	57,498	1,600	2.78
Debt securities issued ⁽⁵⁾	315,881	8,445	2.67	282,887	8,453	2.99
Lease liabilities	3,002	139	4.63	2,999	141	4.70
Total Interest-bearing liabilities	2,340,083	54,921	2.35	2,002,023	50,805	2.54
Net interest income		47,062			41,952	
Net interest spread			2.02			2.07
Net interest margin ⁽⁶⁾			2.21			2.27

Management Discussion and Analysis

Notes:

- (1) Including financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and finance lease receivables.
- (2) Including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) Including statutory deposit reserves, surplus deposit reserves and foreign exchange reserve of deposits.
- (4) Including deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.
- (5) Including issued inter-bank certificates of deposits, financial bonds and subordinated bonds.
- (6) Net interest margin: the income generated from the business of financial assets measured at fair value through profit or loss was not classified as interest income categorized by accounting item, and its corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

Analysis of changes in interest income and interest expense

In RMB million

Item	Comparison between 2022 and 2021		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	8,900	(3,486)	5,414
Investments	4,189	(1,372)	2,817
Due from banks and other financial institutions	756	178	934
Balances with central bank	101	(40)	61
Changes in interest income	13,946	(4,720)	9,226
Interest-bearing liabilities			
Customer deposits	5,809	(2,981)	2,828
Due to banks and other financial institutions	1,642	(270)	1,372
Due to central bank	(5)	(69)	(74)
Debt securities issued	986	(994)	(8)
Lease liabilities	0	(2)	(2)
Changes in interest expense	8,432	(4,316)	4,116
Changes in net interest income	5,514	(404)	5,110

Management Discussion and Analysis

Notes:

- (1) Change in volume represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or average cost for the previous year.
- (2) Change in interest rate represents the average yield or average cost for the year minus the average yield or average cost for the previous year, multiplied by the average balance for the year.
- (3) Net increase or decrease represents interest income or expense for the year minus interest income or expense for the previous year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB75.352 billion, increased by RMB5.414 billion or 7.74% as compared to last year, mainly due to the increase in the size of loans and advances to customers.

Analysis of average income from loans and advances to customers by business type

In RMB million, except percentages

	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances ⁽¹⁾	1,089,094	50,621	4.65	946,006	45,627	4.82
Personal loans and advances	382,280	24,731	6.47	359,266	24,311	6.77
Total loans and advances to customers	1,471,374	75,352	5.12	1,305,272	69,938	5.36

Note:

- (1) Including discounted bills.

Interest income from investments

Interest income from investments was RMB22.076 billion, increased by RMB2.817 billion or 14.63% as compared to that of last year, mainly due to the increase in the size.

Interest income from due from banks and other financial institutions

Interest income from due from banks and other financial institutions was RMB2.526 billion, representing an increase of RMB934 million or 58.67% as compared to that of last year, primarily due to the increased size of due from banks and other financial institutions.

Management Discussion and Analysis

(3) Interest expenses

Interest expenses on customer deposits

Interest expenses on customer deposits amounted to RMB36.714 billion, representing an increase of RMB2.828 billion or 8.35% as compared to that of last year, primarily due to the increased size of customer deposits.

Interest expenses on customer deposits

In RMB million, except percentages

	2022			2021		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	873,987	23,479	2.69	644,211	17,428	2.71
Demand	554,874	8,737	1.57	439,309	6,807	1.55
Subtotal	1,428,861	32,216	2.25	1,083,520	24,235	2.24
Personal deposits						
Time	121,259	4,161	3.43	226,026	8,633	3.82
Demand	56,021	337	0.60	61,562	1,018	1.65
Subtotal	177,280	4,498	2.54	287,588	9,651	3.36
Total	1,606,141	36,714	2.29	1,371,108	33,886	2.47

Note:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

Interest expenses on due to banks and other financial institutions

Interest expense on due to banks and other financial institutions amounted to RMB8.097 billion, representing an increase of RMB1.372 billion or 20.40% as compared to that of last year, primarily due to the increase in deposits from banks and other financial institutions.

Management Discussion and Analysis

(4) Net non-interest income

Net non-interest income in 2022 amounted to RMB14.090 billion, representing an increase of RMB1.458 billion or 11.54% as compared to that of last year. Specifically, the net fee and commission income was RMB4.791 billion, representing an increase of RMB741 million as compared to that of last year, while other net non-interest income was RMB9.299 billion, representing an increase of RMB717 million as compared to that of last year.

Net fee and commission income

In RMB million, except percentages

Item	2022	2021	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	1,802	1,384	418	30.20
Commitment and guarantee service	1,315	1,088	227	20.86
Underwriting and consultation service	947	766	181	23.63
Settlement and clearing service	628	498	130	26.10
Custodian and fiduciary service	531	487	44	9.03
Fee from bank cards	217	263	(46)	(17.49)
Others	81	219	(138)	(63.01)
Fee and commission income	5,521	4,705	816	17.34
Less: fee and commission expense	730	655	75	11.45
Net fee and commission income	4,791	4,050	741	18.30

Fee income from agency and entrustment service was RMB1.802 billion, representing an increase of RMB418 million as compared to that of last year, primarily due to the increased scale of the agency and entrustment business.

Fee income from commitment and guarantee service was RMB1.315 billion, representing an increase of RMB227 million as compared to that of last year, primarily due to the increased scale of the guarantee commitment business.

Fee income from underwriting and consultation service was RMB947 million, representing an increase of RMB181 million as compared to that of last year, primarily due to the increased scale of the bond underwriting business.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2022	2021	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	6,590	7,238	(648)	(8.95)
Net gains on financial investments	2,008	773	1,235	159.77
Other operating income	701	571	130	22.77
Total	9,299	8,582	717	8.35

Other net non-interest income was RMB9.299 billion, representing an increase of RMB717 million or 8.35% as compared to that of last year.

(5) Operating expenses

In RMB million, except percentages

Item	2022	2021	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	10,896	9,182	1,714	18.67
General and administrative expenses	4,076	2,866	1,210	42.22
Depreciation and amortization	1,736	1,679	57	3.39
Tax and surcharges	685	853	(168)	(19.70)
Others	275	192	83	43.23
Total	17,668	14,772	2,896	19.60

Operating expenses amounted to RMB17.668 billion, representing an increase of RMB2.896 billion or 19.60% as compared to last year, primarily due to the increase in our investments in strategic business and technology.

(6) Expected credit losses

In RMB million, except percentages

Item	2022	2021
Deposits with banks and other financial institutions	8	(2)
Placements with banks and other financial institutions	165	74
Financial assets purchased under resale agreements	(11)	18
Loans and advances to customers	17,245	11,994
Financial investments	12,611	12,728
Finance lease receivables	500	510
Off-balance sheet items	(3,116)	(727)
Other assets	251	236
Total	27,653	24,831

Management Discussion and Analysis

(7) Income tax expenses

The income tax expenses were RMB1.842 billion, representing a year-on-year decrease of RMB223 million or 10.80%, and the effective tax rate was 11.64%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Note VI to Financial Statements – 10 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

In RMB million, except percentages

Item	2022		2021	
	Amount	Proportion	Amount	Proportion
Corporate banking	32,490	53.13	27,791	50.91
Retail banking	13,141	21.49	12,816	23.48
Treasury operations	13,357	21.84	12,241	22.43
Others	2,164	3.54	1,736	3.18
Total operating income	61,152	100.00	54,584	100.00

Segment operating results by geographic region

In RMB million, except percentages

Item	2022		2021	
	Amount	Proportion	Amount	Proportion
Yangtze River Delta Region	33,460	54.72	32,339	59.25
Bohai Rim Region	10,508	17.18	7,954	14.57
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	5,905	9.66	4,407	8.07
Midwestern China Region	11,279	18.44	9,884	18.11
Total operating income	61,152	100.00	54,584	100.00

For details of business segment and regional division, please see “Note VIII to Financial Statements – Segment Reporting”.

2. Analysis on Consolidated Statement of Financial Position

In 2022, the Group focused on our main responsibilities and principal businesses while optimizing resource allocation to blaze a new path for endogenous and intensive development, thereby achieving coordinated development of its five major business segments, continuous optimization of our business structure and steady growth in assets and liabilities.

Management Discussion and Analysis

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB2,621.930 billion, representing an increase of RMB335.207 billion or 14.66% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,486.291 billion, representing an increase of RMB174.402 billion or 13.29% as compared to that at the end of last year. Financial investments amounted to RMB751.849 billion, representing an increase of RMB100.027 billion or 15.35% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 56.69% of total assets, decreased by 0.68 percentage point as compared to that at the end of last year, and the financial investments accounted for 28.67%, increased by 0.17 percentage point as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,525,030		1,347,239	
Less: allowance for ECLs of loans ⁽¹⁾	38,739		35,350	
Net loans and advances to customers	1,486,291	56.69	1,311,889	57.37
Financial investments ⁽²⁾	751,849	28.67	651,822	28.50
Cash and balances with central bank	185,625	7.08	141,510	6.19
Precious metals	13,860	0.53	5,899	0.26
Due from banks and other financial institutions ⁽³⁾	68,928	2.63	74,505	3.26
Other assets	115,377	4.40	101,098	4.42
Total assets	2,621,930	100.00	2,286,723	100.00

Notes:

- (1) Allowance for ECL of loans represents allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) The financial investments include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

Management Discussion and Analysis

Loans and advances to customers

The Group actively implemented the plans of the CPC Central Committee, the State Council and the regulatory authorities in relation to serving the real economy and helping the enterprises to alleviate their difficulties, adhered to the origin of financial services for the real economy, continued to strengthen credit investment to key areas and industries supported by the State, and intensified its development in our stronghold in Zhejiang Province. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,525.030 billion, representing an increase of RMB177.791 billion or 13.20% as compared to that at the end of last year.

Loans and advances to customers structure by business type

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	987,079	64.73	882,990	65.54
Discounted bills	112,374	7.37	78,855	5.85
Personal loans and advances	417,881	27.40	381,494	28.32
Changes in fair value through other comprehensive income	2,605	0.17	238	0.02
Interest accrued	5,091	0.33	3,662	0.27
Total	1,525,030	100.00	1,347,239	100.00

Corporate loans and advances

By continuously improving its customer service capabilities and customer acquisition capabilities, accelerating the grant of loans in less cyclical industries and optimizing the structure of corporate loans, the Group comprehensively created its advantages in characteristic financial services in supply chain underpinned by digital transformation. As at the end of the reporting period, total corporate loans and advances amounted to RMB987.079 billion, representing an increase of 11.79% as compared to that at the end of last year.

Discounted bills

Through measures such as optimizing structure and promoting multi-level market interaction, the Group improved the overall returns on bill assets. As at the end of the reporting period, discounted bills amounted to RMB112.374 billion, representing an increase of 42.51% as compared to that at the end of last year.

Management Discussion and Analysis

Personal loans and advances

The Group vigorously developed its wealth management business with agency as its core, focused on developing its private bank business by upholding the customer-oriented philosophy, enhanced the operating capability of personnel customers by upholding the service-oriented philosophy, continued to develop its personal consumer credit business, strengthened cross-line collaboration, expanded its customer base, continued to optimise the structure of personal loans and promoted the growth of the personal loan business. As at the end of the reporting period, total personal loans and advances amounted to RMB417.881 billion, representing an increase of 9.54% as compared to that at the end of last year.

Financial investments

The Group made better use of capital and optimized investment portfolio and structure on the basis of ensuring liquidity and risk control. As at the end of the reporting period, total financial investments amounted to RMB751.849 billion, representing an increase of 15.35% as compared to that at the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	126,128	16.78	88,881	13.64
Bond investments	546,824	72.73	466,736	71.60
Trust schemes and asset management plans	84,114	11.19	98,122	15.05
Other financial investments	6,624	0.88	6,945	1.07
Interest accrued	9,207	1.22	7,813	1.20
Allowance for ECLs	(21,048)	(2.80)	(16,675)	(2.56)
Total	751,849	100.00	651,822	100.00

Note: Other financial investments include equity investments, other debt instruments and wealth management products.

Management Discussion and Analysis

(2) Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB2,456.000 billion, representing an increase of RMB336.160 billion or 15.86% as compared to that at the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	97,170	3.96	50,990	2.41
Customer deposits	1,681,443	68.46	1,415,705	66.79
Due to banks and other financial institutions	312,035	12.71	277,997	13.11
Debt securities issued	323,033	13.15	318,908	15.04
Others	42,319	1.72	56,240	2.65
Total liabilities	2,456,000	100.00	2,119,840	100.00

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

Customer deposits

The Group continuously enhanced the management of debt quality and actively responded to the changes in market demand to continuously optimize the deposit structure and keep its costs well under control. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,681.443 billion, representing an increase of RMB265.738 billion or 18.77% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB233.124 billion or 19.24%; and personal deposits increased by RMB28.039 billion or 15.12%. With respect to term structures, time deposits increased by RMB219.256 billion or 28.78%; and demand deposits increased by RMB41.907 billion or 6.60%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	614,537	36.55	566,580	40.02
Time	830,064	49.37	644,897	45.56
Sub-total	1,444,601	85.92	1,211,477	85.58
Personal deposits				
Demand	62,575	3.72	68,625	4.85
Time	150,916	8.97	116,827	8.25
Sub-total	213,491	12.69	185,452	13.10
Other deposits	1,297	0.08	1,758	0.12
Interest accrued	22,054	1.31	17,018	1.20
Total	1,681,443	100.00	1,415,705	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB162.933 billion in total, representing a decrease of RMB1.236 billion or 0.75% as compared to that at the end of last year. Please see "Financial Statements-Consolidated Statement of Changes in Shareholders' Equity".

Management Discussion and Analysis

(IV) Analysis of the Loan Quality

1. Loans distribution by risk classification

In RMB million, except percentages

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	1,458,410	95.63	1,292,789	95.96
Special mention	36,571	2.40	29,883	2.22
Non-performing	22,353	1.47	20,667	1.53
Substandard	11,399	0.75	5,275	0.39
Doubtful	8,334	0.55	12,452	0.92
Loss	2,620	0.17	2,940	0.22
Changes in fair value through other comprehensive income	2,605	0.17	238	0.02
Interest accrued	5,091	0.33	3,662	0.27
Total loans and advances to customers	1,525,030	100.00	1,347,239	100.00

The loan quality of our Group was kept at a stable level. As at the end of the reporting period, according to the risk classification of the supervision system, the pass loans amounted to RMB1,458.410 billion, representing an increase of RMB165.621 billion as compared with that at the end of last year, accounting for 95.63% of total loans and advances to customers. Loans classified as special mention were RMB36.571 billion, representing an increase of RMB6.688 billion as compared with that at the end of last year, accounting for 2.40% of total loans and advances to customers. The non-performing loans were RMB22.353 billion, representing an increase of RMB1.686 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.47%, representing a decrease of 0.06 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

2. Distribution of loans and non-performing loans by business type

In RMB million, except percentages

Item	December 31, 2022				December 31, 2021			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	987,079	64.73	16,105	1.63	882,990	65.54	16,581	1.88
Personal loans	417,881	27.40	6,248	1.50	381,494	28.32	4,086	1.07
Discounted bills	112,374	7.37	0	0.00	78,855	5.85	0	0.00
Changes in fair value through other comprehensive income	2,605	0.17	N/A	N/A	238	0.02	N/A	N/A
Interest accrued	5,091	0.33	N/A	N/A	3,662	0.27	N/A	N/A
Total loans and advances to customers	1,525,030	100.00	22,353	1.47	1,347,239	100.00	20,667	1.53

As at the end of the reporting period, our corporate non-performing loans amounted to RMB16.105 billion, representing a decrease of RMB476 million as compared with that at the end of last year, with a non-performing loan ratio of 1.63%, representing a decrease of 0.25 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB6.248 billion, representing an increase of RMB2.162 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.50%, representing an increase of 0.43 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In RMB million, except percentages

Item	December 31, 2022				December 31, 2021			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	987,079	64.73	16,105	1.63	882,990	65.54	16,581	1.88
Manufacturing	216,921	14.22	5,612	2.59	174,473	12.96	6,927	3.97
Leasing and commercial services	209,367	13.73	5,149	2.46	189,602	14.07	2,586	1.36
Wholesale and retail trade	167,816	11.00	1,478	0.88	127,356	9.45	1,641	1.29
Real estate	166,827	10.94	2,770	1.66	168,724	12.52	1,052	0.62
Administration of water conservancy, environment and public facilities	63,103	4.14	12	0.02	50,091	3.72	264	0.53
Construction	50,662	3.32	572	1.13	57,425	4.26	761	1.33
Financing	18,259	1.20	28	0.15	30,277	2.25	0	0.00
Electricity, heat, gas and water production and supply	14,294	0.94	37	0.26	14,999	1.11	37	0.25
Transportation, storage and postal service	13,232	0.87	40	0.30	11,466	0.85	64	0.56
Accommodation and Catering	12,074	0.79	93	0.77	12,493	0.93	160	1.28
Mining	8,483	0.56	91	1.07	8,113	0.60	332	4.09
Others ⁽¹⁾	46,041	3.02	223	0.48	37,971	2.82	2,757	7.26
Personal loans	417,881	27.40	6,248	1.50	381,494	28.32	4,086	1.07
Discounted bills	112,374	7.37	0	0.00	78,855	5.85	0	0.00
Changes in fair value through other comprehensive income	2,605	0.17	N/A	N/A	238	0.02	N/A	N/A
Interest accrued	5,091	0.33	N/A	N/A	3,662	0.27	N/A	N/A
Total loans and advances to customers	1,525,030	100.00	22,353	1.47	1,347,239	100.00	20,667	1.53

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In 2022, our Group actively supported the development of the real economy and followed the national economic restructuring, with a priority focus on national economy basic industries and national strategic emerging industries. Differential risk prevention and control strategies were formulated for areas such as real estate with a view to optimizing the allocation of credit resources continually.

Management Discussion and Analysis

4. Distribution of loans and non-performing loans by geographic region

In RMB million, except percentages

Item	December 31, 2022				December 31, 2021			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	843,069	55.29	11,058	1.31	731,277	54.28	14,519	1.99
Midwestern China Region	281,109	18.43	5,341	1.90	242,868	18.03	3,216	1.32
Bohai Rim Region	222,300	14.58	4,566	2.05	193,924	14.39	2,207	1.14
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	170,856	11.20	1,388	0.81	175,270	13.01	725	0.41
Changes in fair value through other comprehensive income	2,605	0.17	N/A	N/A	238	0.02	N/A	N/A
Interest accrued	5,091	0.33	N/A	N/A	3,662	0.27	N/A	N/A
Total loans and advances to customers	1,525,030	100.00	22,353	1.47	1,347,239	100.00	20,667	1.53

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to actively prevent regional risks and support regional development.

5. Distribution of loans and non-performing loans by security type

In RMB million, except percentages

Item	December 31, 2022				December 31, 2021			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	675,821	44.32	10,750	1.59	599,867	44.52	5,913	0.99
Pledged loans	72,303	4.74	931	1.29	100,573	7.47	777	0.77
Guaranteed loans	289,524	18.98	6,498	2.24	199,474	14.81	10,197	5.11
Unsecured loans	367,312	24.09	4,174	1.14	364,570	27.06	3,780	1.04
Discounted bills	112,374	7.37	0	0.00	78,855	5.85	0	0.00
Changes in fair value through other comprehensive income	2,605	0.17	N/A	N/A	238	0.02	N/A	N/A
Interest accrued	5,091	0.33	N/A	N/A	3,662	0.27	N/A	N/A
Total loans and advances to customers	1,525,030	100.00	22,353	1.47	1,347,239	100.00	20,667	1.53

Management Discussion and Analysis

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans accounted for 44.32% of the total loans and advances to customers, which was a relatively high percentage; the mortgage loans balance was RMB675.821 billion, representing an increase of RMB75.954 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB10.750 billion, with the non-performing loan ratio of 1.59%, representing an increase of 0.60 percentage point compared with that at the end of last year.

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Percentages of total loans and advances to customers (%)
A	Real estate	6,300	0.41
B	Real estate	3,950	0.26
C	Leasing and commercial services	3,920	0.26
D	Real estate	3,079	0.20
E	Leasing and commercial services	3,038	0.20
F	Manufacturing	2,947	0.19
G	Manufacturing	2,781	0.18
H	Real estate	2,500	0.16
I	Leasing and commercial services	2,292	0.15
J	Real estate	2,280	0.15
Total		33,087	2.16

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB6.300 billion, representing 3.22% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB33.087 billion, representing 16.89% of the net capital and 2.16% of the total loans and advances to customers of the Group.

Management Discussion and Analysis

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2022		December 31, 2021	
	Amount	Percentages of total loans and advances to customers (%)	Amount	Percentages of total loans and advances to customers (%)
Overdue by 1 day to 90 days	12,305	0.81	5,166	0.38
Overdue by 90 days to one year	10,075	0.66	6,554	0.49
Overdue by one year to three years	7,196	0.47	10,461	0.78
Overdue by more than three years	366	0.02	235	0.02
Total	29,942	1.96	22,416	1.66

As at the end of the reporting period, the balance of overdue loans amounted to RMB29.942 billion, representing an increase of RMB7.526 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB17.637 billion, representing an increase of RMB387 million as compared with that at the end of last year.

8. Renegotiated loans

The Group conducted strict and prudent control over loan renegotiation. As at the end of the reporting period, total renegotiated loans and advances amounted to RMB452 million, representing a decrease of RMB383 million as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB101 million, representing an increase of RMB15 million as compared with that at the end of last year.

9. Movements in the expected credit loss (“ECL”) allowance on loans

In RMB million

Item	Amount
Balance at the beginning of the year	36,087
Charge for the period	17,245
Unwinding of discount on allowance for ECLs	(243)
Write-offs	(11,057)
Transfer out	(3,331)
Recoveries of loans and advances previously written off	1,972
Impact of exchange rate fluctuations	52
Balance at the end of the year⁽¹⁾	40,725

Note:

- (1) Balance at the end of the year includes provision made for the loss of loans and advances to customers measured at amortized cost and measured at fair value through other comprehensive income.

Management Discussion and Analysis

(V) Capital Management

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》, the measurement range of the Group's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.

As at the end of the reporting period, capital adequacy ratio of the Group was 11.60%, tier-one capital adequacy ratio was 9.54%, core tier-one capital adequacy ratio was 8.05%, and leverage ratio was 5.12%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2022	December 31, 2021
Net core tier-one capital	135,925	122,602
Other tier-one capital	25,253	40,224
Net tier-one capital	161,178	162,826
Tier-two capital	34,693	31,530
Net capital base	195,871	194,356
Risk-weighted assets	1,689,148	1,507,438
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement	—	—
Core tier-one capital adequacy ratio (%)	8.05	8.13
Tier-one capital adequacy ratio (%)	9.54	10.80
Capital adequacy ratio (%)	11.60	12.89

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2022	December 31, 2021
Leverage ratio (%)	5.12	5.93
Net tier-one capital	161,178	162,826
Adjusted asset balance inside and outside the balance sheet	3,146,094	2,747,016

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Company was 11.56%, tier-one capital adequacy ratio was 9.53%, core tier-one capital adequacy ratio was 8.00%, and leverage ratio was 5.04%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

Item	<i>In RMB million, except percentages</i>	
	December 31, 2022	December 31, 2021
Net core tier-one capital	130,881	118,229
Other tier-one capital	24,995	39,953
Net tier-one capital	155,876	158,182
Tier-two capital	33,224	30,147
Net capital base	189,100	188,329
Risk-weighted assets	1,635,987	1,463,022
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement	–	–
Core tier-one capital adequacy ratio (%)	8.00	8.08
Tier-one capital adequacy ratio (%)	9.53	10.81
Capital adequacy ratio (%)	11.56	12.87

Leverage ratio (the Company)

Item	<i>In RMB million, except percentages</i>	
	December 31, 2022	December 31, 2021
Leverage ratio (%)	5.04	5.84
Net tier-one capital	155,876	158,182
Adjusted asset balance inside and outside the balance sheet	3,094,666	2,706,360

(VI) Risk Management

1. Comprehensive risk management system

Adopting a “prudent and solid” risk appetite and adhering to the principle of “small and diversified” credit granting, the Company is committed to serving the real economy, strengthens the guidance of policies, focuses on credit-granting as the principal business, optimizes asset allocation, enhances customer bases and establishes an asset structure that is less sensitive to the economic cycle. The Group also strictly controls the risk of new business and accelerates the disposal of existing risk assets to maintain stable asset quality, deepens the application of financial technology to improve the digital risk control system, strengthens the risk management of the whole process and risk control in key areas to accelerate the construction of a comprehensive risk management system adaptive to the new situation and support the high-quality and sustainable development of the five business segments.

Management Discussion and Analysis

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Board of Supervisors is responsible for supervision of comprehensive risk management; and the Senior Management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The Senior Management has established special committees including the risk management and internal control committee, asset and liability management committee, credit review committee, asset risk classification review committee and business continuity management committee.

The risk management department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at our head office is the leading executive department for operational risk and compliance risk management. The general office of the Board at our head office is the leading executive department for reputational risk management. The development and planning department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to departments subject to higher business complexity and relatively concentration risks at our head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organize risk management. They are independent of such departments and directly report to our head office. They make business judgment and report on risk issues independently. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit risk management, strengthen the supervision and evaluation of risk management of branches and are independent of such branches and directly report to our head office. They make business judgment and report on risk issues independently.

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on – and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Board of Supervisors, the Senior Management, the risk management and internal control committee, the credit review committee of the head office, the credit, investment and transaction review committee of the branches, the credit review teams of sub-branches, the risk management department of the head office and other credit risk control departments, business operation and management departments, financial technology department, audit department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

Management Discussion and Analysis

The Company formulates credit policies based on changes in external operating environment, internal operating and risk conditions. Such policies expressly set out guidance on certain aspects of our credit business, such as customer structure, industry structure, product structure, regional structure and key strategic areas. In addition, the Company regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro economy and the industry.

The Company classifies its credit assets by reference to the standards set forth in the Guidelines on Risk-Based Classification of Loans 《貸款風險分類指引》 of the CBIRC, comprehensively taking into account such factors as a borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of a credit project and status of a guarantee. The Company has the classification and identification procedures where the credit asset risks are initially classified by client managers, then reviewed by the head of the marketing department and examined by risk management personnel and finally determined by authorized people.

(1) Credit risk management for corporate customers

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with relevant regulatory requirements of the CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factoring, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company continues to improve the credit risk limit indicator system, and reasonably determines limit indicators of single corporate customers and group customers.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of loan risks related to financing platforms of local governments (defined in the Company's policy as state-owned enterprises in urban construction and public services categories; similarly hereinafter), strictly complies with various loan policies and regulatory requirements of the CBIRC on financing platforms of local governments, makes dynamic adjustments to credit strategies, and further optimizes the loan structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits for loans to local governments' financing platforms and enhances our monitoring and management on the loan risks.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management in a dynamic manner, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

Management Discussion and Analysis

(2) Credit risk management for small and micro enterprises

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business and intensifies measures for risk mitigation. The Company strictly controls overdue loans and non-performing loans by measures, such as tracking overdue loans and on-site and off-site monitoring.

(3) Credit risk management for retail customers

The Company actively builds its credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance capability. The Company formulates the entry barriers for different groups of customers, adopts controls over overall limits of personal loans, restrains risks associated with loans with multiple borrowers as well as improves and optimizes the management mechanism of credit risks associated with personal loans. The Company continuously enhances selection and management of guarantees and improves its ability to mitigate credit risks. The Company continues to strengthen subsequent management of personal loans such as post-loan monitoring, collection of overdue loans and disposal of non-performing loans.

The Company has established a credit card risk management system featuring pre-business risk prevention, on-going risk monitoring during the process and post-business risk management. The Company has formulated a complete set of rules and regulations to standardize various credit card business procedures, such as marketing and promotion procedures of credit cards and credit extension approval procedures. The Company continues to improve the design and operation of procedures for card issuance business, the determination and control of overall business risk tolerance, as well as the identifying, measuring, monitoring, assessment, control, mitigation and disposal of risks during and after the grant of a loan.

(4) Credit risk management for financial institution customers

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies.

Management Discussion and Analysis

3. Market risk management

Market risk refers to the risk of losses of on – and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s market risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, capital operation center, audit department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Management Discussion and Analysis

4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk, continuously strengthen liquidity risk management, and continue to improve the foresight and initiative of liquidity management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the management of high quality liquid assets to ensure that the size of high quality liquid assets matches the potential financing needs of the whole bank, and enhance its ability to mitigate liquidity risk; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 58.13%. Our liquidity coverage ratio was 148.48%, among which, high quality liquid assets amounted to RMB325.615 billion, and the net cash outflows over the next 30 days was RMB219.302 billion. The Company's net stable fund ratio was 107.99%, among which, stable fund available was RMB1,408.198 billion and stable fund required was RMB1,303.990 billion.

Management Discussion and Analysis

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 58.46%. Our liquidity coverage ratio was 148.11%, among which, the high quality liquid assets amounted to RMB325.615 billion, and the net cash outflows over the next 30 days was RMB219.840 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2022	106.79	14,306.96	13,397.40
As at September 30, 2022	106.46	14,168.93	13,308.80

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud, external fraud, employment systems and safety incidents at working places, incidents related to clients, products and business activities, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, internal control and compliance and legal department, audit department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing its operational risk management as well as formulation and implementation of basic systems and policies of the Bank for operational risk management.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us and maximize comprehensive benefits of the Bank after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, controls (mitigates) the operational risks by enhancing our internal control as an effective means to operational risk management.

During the reporting period, the Company followed the management principles of "full coverage, clearly defined duties, honest reporting and quick response", adjusted its management strategies and priorities in due time according to changes in internal and external financial situations, continued to improve its operational risk management systems appropriate to our business nature, size and complexity to effectively identify, evaluate, monitor and control (mitigate) operational risks. The Company improved its operational risk management systems by sorting out and optimizing system and process; steadily promoted the systematic construction in key areas, and strengthened operation and maintenance management of information systems to improve the rigid control and service capabilities of these systems; actively implemented the latest requirements in the new standard method of Basel III by continuously promoting the operational risk project to advance the new capital regulations; strengthened

Management Discussion and Analysis

legal risk prevention and control, and carried out legal publicity and education and research on legal practices; improved staff behavior management, and carried out special rectification of employee violations; focused on key areas of operational risk control, intensified investigation and inspection, and continued to improve its in-house ability in risk identification and correction; and improved safety and security management by carrying out safety inspections to eliminate risks and hazards in a timely manner. During the reporting period, the operational risk management systems of the Company operated stably and the operational risk was generally under control.

6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, planning and finance department (asset and liability management department), international business department, capital operation center, retail credit department and other business operation and management departments of the head office, financial technology department and audit department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

The Company continuously advances the country risk management work pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated basic country risk management systems, quota management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc., with respect to country risk limit management, and set the index and threshold of country risk limits. We regularly assess and monitor the country risks and make provision for country risks.

Management Discussion and Analysis

7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and reduce fluctuations in net interest income and economic value of banking book to maximize the comprehensive benefits across the Bank.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), capital operation center, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company measures and evaluates our interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc., and develops the strategy for interest rate risk management of banking book by comprehensively considering factors such as the Bank's risk appetite, risk profile, macro economy and market changes. During the reporting period, the Company paid close attention to substantial situation of external environment and internal interest rate risk in the banking book, and flexibly adjusted its asset and liability structure. As at the end of the reporting period, the Company's interest rate risk in the banking book was controlled within its risk management and control objectives and the interest rate risk in the banking book was generally under control.

8. Reputational risk management

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media as a result of the Bank's behavior, the conduct of its employees or external events, thereby damaging the Bank's brand value, adversely affecting the Bank's normal operation and even affecting market stability and social stability.

Reputation risk management refers to the establishment of processes for a reputation risk management system, covering prior assessment, risk monitoring, classification and evaluation, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, in order to achieve the objectives of reputation risk management and build up a good social image of the Company, thereby promoting the normalization and daily management of reputation risk in terms of risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit and interbank collaboration.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Bank, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

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The Company's reputational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, the Board executive office, risk management department, financial technology department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for managing and organizing the reputational risk management across the Bank as well as the formulation and improvement of relevant systems and policies for reputational risk management of the Company.

During the reporting period, the Company strictly complied with regulatory requirements to improve the whole process management system of reputational risk, refine its regular prevention and control, and improve the emergency mechanism of negative public opinions. The quality and effectiveness of reputational risk prevention and control have been significantly improved through pre-intensive investigation and hierarchical research, on-going monitoring, reporting and interactive handling, and post-evaluation and accountability, training and assessment, leading to remarkable progress in reshaping public opinion pattern. At the same time, focusing on the political and popular nature of the financial work, the Company strengthened the positive publicity and public opinion guidance with high profile to convey the positive development trend and positive image of the Bank to all parties.

9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, development and planning department, audit department, FinTech department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Adhering to the principle of "clear responsibilities, proactive prevention, overall evaluation and timely adjustment", the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Main management measures include: guided by General Secretary Xi's important instructions to CZBank, our Bank has clarified its development vision and target positioning as "a first-class commercial bank"; built a digital reform structure system and systematically launched digital reform; launched a three-year action of "deepening Zhejiang development" and fully implemented the primary strategy of deepening Zhejiang development; comprehensively strengthened the leadership of the Party, promoted the improvement of corporate governance, and implemented a systematic remodeling project with the reconstruction of the three systems of authorization, control and supervision. Meanwhile, our Bank has conscientiously implemented the decision and deployment of Central Committee of CPC and State Council and the Zhejiang Provincial Committee and the Provincial Government, strengthened the mission and responsibility to do well in helping the enterprises and stabilizing the economy, etc.

Management Discussion and Analysis

10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company's compliance risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, the risk management and internal control committee, the risk management department, internal control, compliance and legal affair department, the audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, the Company conscientiously pursued various national policies and regulatory requirements, solidly promoted the implementation of various internal control and compliance management initiatives to continuously improve its compliance risk management quality and effectiveness; paid close attention to the changes in the economic and financial situation, and delivered and implemented macro policies in a timely manner; strictly implemented regulatory requirements, and continued to improve the level of internal governance; carried out special campaign of "risk compliance culture education", and employees' awareness of voluntary compliance was significantly enhanced; improved the system of regulations, continued to promote the construction of system library, and enhanced the overall management and post-evaluation of the system; adhered to the problem-oriented approach, focused on inspection and rectification, and proactively identified, assessed, mitigated and controlled compliance risks; strengthened embedded management and control of science and technology system, and realize effective management and control of the entire process before, during and after the key compliance nodes of important businesses; and intensified the construction of consumer protection system and mechanism by emphasizing consumer information protection and doing well in financial propaganda and education.

Management Discussion and Analysis

11. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, digital reform promotion committee, data governance committee, information technology management committee, business continuity management committee, the risk management department, the financial technology department, audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as formulating and implementing relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301 and ISO27001 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, network security management, data security management, information technology services management, information technology project management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

During the reporting period, the Company continued to strengthen its basic financial technology capability and innovation leadership, promoted the strategy of propelling the Bank with technology, conducted the digitalization reform of the whole bank in an all-round and systematic manner, launched the strategic brand of "Digital Intelligence CZBank (數智浙銀)", and deeply empowered the digitalization of operation and management. It applied for more than 100 financial technology patents and 36 patents were approved, published more than 10 papers, publications and white papers, participated in the formulation of more than 50 domestic and foreign standards, and obtained more than 40 software copyrights; continued to improve network security governance, data security governance and customer financial information protection, built the "CZBank Network Security Innovation Workshop", strengthened network security innovation and talent construction, and enhanced digital and intelligent operation of network security and basic capacity construction of data security; continued to carry out monitoring, assessment, measurement, control and reporting of operational risks of important information systems, improved the systematic construction of operation and maintenance, and enhanced the automation, digitalization and emergency response capabilities of operation and maintenance; improved the disaster preparedness system of "three centers in two cities", and advance the dual-active deployment of disaster recovery for application systems and normal dual-active operation; continued to promote emergency management, by improving emergency plans and conducting switchover drills for information system to achieve the goal of minute-level fast switchover of co-location disaster recovery and sustainable operation of the disaster recovery environment for 24 hours, and significantly improve the operational resilience; and improved the information technology outsourcing system, and strengthened risk control in outsourcing and supply chains. During the reporting period, the system has operated stably without any substantial information technology risk occurring.

Management Discussion and Analysis

12. Anti-money laundering management

The Company has established and optimized the anti-money laundering operation mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China 《中華人民共和國反洗錢法》, the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector 《銀行業金融機構反洗錢和反恐怖融資管理辦法》 and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》, so as to comprehensively solidify the foundation of anti-money laundering works and further improve the quality and efficiency of anti-money laundering management.

During the reporting period, the Company has strictly complied with the laws and regulations on anti-money laundering, seriously fulfilled its legal obligations and social responsibilities in anti-money laundering; optimized the anti-money laundering management structure and operational mechanism and improved the anti-money laundering system and business process; strengthened customer identification management to enhance the effectiveness of customer identity information; strengthened the monitoring and reporting of large-amount transactions and suspicious transactions by continuously optimizing the monitoring model to enhance the quality and effectiveness of suspicious transaction reporting; promoted the construction of new anti-money laundering system, and deepened information and data governance to improve the capability to prevent and control money laundering risks; provided business risk warnings to relevant departments, strengthened anti-money laundering supervision and inspection and business guidance, and enhanced monitoring, management and control over high-risk businesses and high-risk customers; and organized anti-money laundering publicity and training, and actively cooperated with regulatory inspections and anti-money laundering investigations and co-inspections to comply with all regulatory requirements in respect of anti-money laundering, driving anti-money laundering work to a new level.

(VII) Business Summary

In 2022, centering on the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability” and under the cohesive and common efforts of all the staff, the Company continued to focus on its main responsibilities and principal businesses, while making further achievements in financial technology innovation. Meanwhile, by rendering wholehearted services for the real economy and promoting inclusive finance, the Company further created and developed the new development pattern for the synergistic development of the five major business segments, namely “great retail, great corporate, great investment banking, great asset management, and great cross border”.

1. Great Retail Segment

(1) Retail Business

The Company actively created the new development pattern for the synergistic development of the five major business segments and positioned the great retail segment as the “first segment”. During the reporting period, the Company completed department set-up and reform on management mechanism for its retail business, which was divided into five level-one departments, namely retail financial department, credit card (consumer finance) department, wealth management department, private banking department and retail credit department, enabling more segmenting and professional management of segment businesses. The Company continued to increase various resource investments, proactively advanced digital reform and made careful plan for the rebuilding of retail business operation system. It actively embraced the new financial wealth era to expedite a brand new start of wealth management. It upheld and implemented the operating strategy of “taking the assets with low sensitivity to economic circle as ballast stone” to effectively promote the steady development of its agent sales business and retail asset business.

Management Discussion and Analysis

As at the end of the reporting period, the Company had 8,733.60 thousand personal customers (including debit and credit card customers), representing an increase of 4.51% over last year.

(1) Personal deposits and loans business

During the reporting period, the Company made great efforts to expand the base of individual customers, actively broadened the sources of low-cost funds, further optimized the structure of personal deposits and reduced the interest payment cost of personal deposits. As at the end of the reporting period, the Company's personal deposits balance was RMB213.491 billion, representing an increase of 15.12% from the beginning of the year and the average cost of personal deposits was 2.54%, representing a year-on-year decrease of 82 BPS, thus the cost structure of personal deposits was significantly improved.

During the reporting period, in respect of three loans including personal mortgage, security and credit, the Company re-created the "cloud series" (cloud mortgage, cloud housing loan and cloud credit) online products, innovated the loan business mode, optimized the loan process, expanded the customer base, and made new progress in customer acquisition platform, online operation and intelligent risk control, continuously strengthening the self-operation and self-control ability in retail internet loans and achieving good performance in personal credit business. As at the end of the reporting period, the balance of personal credit (including personal housing loans and personal consumer loans) amounted to RMB229.527 billion, representing an increase of 8.36% from the beginning of the year.

(2) Wealth management

During the reporting period, the Company continued to strengthen the foundation for the development of its wealth business, introduced outstanding talents to set up the wealth management department, persisted in expanding the retail customer base with high-quality products and professional services, built the value chain of "customer contracting – asset construction – product sales", strengthened the construction of the product screening ability and the professional ability in investment research and investment consultation, continuously enriched the portfolio of agency products, promoted the construction of customer-oriented comprehensive financial service system, and gradually established the "digital intelligent wealth" system. During the reporting period, the Company continued to launch many net-value wealth management products, including "Yongying Tianli Anxiang" (湧盈添利安享) and "Xinze Wenjian Tongxiang" (昕澤穩健同享), etc. As at the end of the reporting period, the Company's net-value wealth management balance of individuals was RMB144.737 billion, and its share in personal wealth management products increased by 5 percentage points over the beginning of the year, with continuous optimization seen in the structure of banking wealth management business. Actively identifying new business growth points, the Company newly launched the business of selling wealth management products of its banking wealth management subsidiaries and intensified the promotion of agency trust business. As at the end of the reporting period, the scale of the agency wealth business amounted to RMB141.799 billion, representing an increase of 18.87% as compared with last year. Driven by the increased scale of the agency wealth business, the Company's income of commission charges from the agency business increased significantly, representing an increase of 66.88% as compared with last year.

Management Discussion and Analysis

(3) Private banking

During the reporting period, by adhering to the philosophy of “passing of wealth and wisdom for sustainable development”, the Company’s private banking business provided three-dimensional financial services and featured value-added services for individuals and their family of private banking customers as well as their career development. The Company established the private banking department in November 2022 to continuously optimize the staffing of private banking, improve various systems and policies, formulate development framework, and build private banking system and digital intelligent system. With the vision of building a first-class commercial bank, the Company established a set of advanced private banking operation mode and built a leading digital intelligent private banking mode.

The Company developed the core competitiveness of private banking business by constantly improving its three major serving capabilities, namely investment consultation, asset allocation and wealth inheritance, as well as continuously enriching its three main serving systems, namely featured products, value-added service and professional team. While expanding the exclusive portfolio of investment products for private banking customers, the Company enhanced customer assets allocation and strongly promoted family trusts, insurance trust and charitable trust businesses to cater for the needs of private banking customers in wealth inheritance. Additionally, the Company developed five major non-financial service segments, namely healthcare, education inheritance, shared platform, high quality life and worry-free travel, aiming at providing featured value-added services for private banking customers.

As at the end of the reporting period, the Company had 10,933 private banking customers, representing an increase of 5.13% from the beginning of the year; the balance of financial assets of the private banking customers amounted to RMB164.177 billion, representing an increase of 5.28% from the beginning of the year; the Company had 26 family trust businesses with a scale of about RMB300 million.

(4) Credit card (consumer finance) business

The credit card (consumer finance) business of the Company has always adhered to the “customer-oriented” business philosophy, sped up the pace of digital transformation, focused on product process optimization, promoted the upgrading of business development mode, strengthened the construction of consumption scenarios and promoted diversified and coordinated development. In terms of customer expansion, the Company has constantly enriched the channels for customer acquisition, and formed a new situation of bulk customer acquisition and improved the efficiency of customer acquisition with the help of online platforms such as “CZBank Promotion Officer (浙銀推介官)”. In terms of customer group operation, the Company has deeply cultivated scenario marketing, provided customers with high-quality consumption rights and interests around the high-frequency categories contacted by customers so as to enhance customers’ loyalty. In terms of risk management and control, the Company has improved the risk control mechanism, continuously iterated the specialized risk control policy, carried out risk management throughout the whole life cycle of credit, and continuously consolidated the asset quality.

As at the end of the reporting period, the Company had issued a total of 3,933.70 thousand credit cards, representing an increase of 63.6 thousand credit cards from the beginning of the year; a balance of credit card (consumer finance) loans amounted to RMB21.374 billion, representing an increase of RMB3.592 billion from the beginning of the year. During the reporting period, the Company achieved the income from credit card (consumer finance) business of RMB1.242 billion, representing an increase of 4.79% as compared with last year.

Management Discussion and Analysis

(2) Small Enterprises Business

During the reporting period, the Company focused on key areas in real economy, and further intensified the differentiated and specialized financial service for the small and micro enterprises. As at the end of the reporting period, the Company had 210 specialized institutions for small enterprises, with a balance of RMB277.286 billion in the small and micro enterprise loans under inclusive finance ^(Note), representing an increase of RMB40.733 billion from the beginning of the year, and a growth rate of 17.22%, being higher than the growth rate of various loans denominated in RMB by 5.93 percentage points; while the number of customers in the small and micro enterprise loans under inclusive finance was 119.30 thousand, representing an increase of 13.50 thousand from the beginning of the year, successfully reaching the regulatory target of “two increasing”. Interest rates on newly-issued small and micro enterprise loans under inclusive finance fell by 66 BPS year-on-year (according to the CBIRC); and the non-performing ratio of small and micro enterprise loans under inclusive finance was 0.98%, thus the asset quality remained excellent.

The Company focused on key areas and strived to improve service quality and efficiency. It actively promoted the “5+N Comprehensive Financial Service Scheme for Small and Micro Parks (5+N 小微園區綜合金融服務方案)” to meet the medium and long-term credit needs of small and micro enterprises in advanced manufacturing and strategic emerging industries. As at the end of the reporting period, the Company had been granted a total of RMB67.146 billion of loans in small and micro parks, serving more than 10,000 customers in the parks. The Company intensified its cooperation with government-managed financing guarantee institutions and actively promoted “state-guaranteed guarantee loans (國擔擔保貸)” to enhance the financing availability for small and micro enterprises. As at the end of the reporting period, the balance of business in cooperation with guarantee companies under state-guaranteed system amounted to RMB16.138 billion, representing an increase of RMB9.703 billion from the beginning of the year, up by 151%.

The Company made further development in its base camp of Zhejiang Province to boost the construction of common prosperity demonstration zone. The Company conducted in-depth research on the industrial characteristics of 26 counties in mountainous areas of Zhejiang Province and launched 26 customized products such as “digital intelligent common prosperity loans (數智共富貸)” for Longyou pigs, Sanmen green crabs, etc. in accordance with the principles of “one policy for one county (一縣一策)” and “one product in one industry (一業一品)”, so as to provide farmers and new agricultural business entities with convenient financing experience of “online loan application, paperless contract, automatic review, package matching, online self-service withdrawal and recycling loan” and promote the expansion of “CZBank’s common prosperity loans (浙銀共富貸)”. As at the end of the reporting period, the balance of “CZBank’s common prosperity loan” amounted to RMB8.415 billion, representing an increase of RMB1.377 billion compared with the beginning of the year.

The Company strengthened the digital empowerment of science and technology and improved the digitalization and intelligence level of small and micro enterprises. The Company deepened the non-contact service capability, promoted the application of pure online loan application process, and built a high-standard innovative remote video investigation system for small enterprises to realize the transformation of business application and investigation from “site handling” to “online handling”. As at the end of the reporting period, the online loan application rate of small and micro customers exceeded 80%, and both the online signing rate and the online withdrawal rate of small and micro businesses reached 97%.

Note: According to information on small and micro enterprise loans under inclusive finance from the CBIRC, the “small and micro enterprise loans under inclusive finance” and “loans” exclude the discounted and inter-bank discounted bills business.

Management Discussion and Analysis

2. Great Corporate Segment

(1) Corporate business

The Company is fully committed to promoting the development strategy of great corporate business segment and paying close attention to key customers, key businesses, key regions and key persons to continue to improve the quality and efficiency of serving the real economy.

Steadily growing scale and continuously optimizing structure. As at the end of the reporting period, the balance of the Company's corporate deposits was RMB1,444.601 billion, with an increase of RMB233.124 billion from the beginning of the year, up by 19.24%; and the balance of RMB corporate assets on the balance sheet was RMB832.9 billion, with an increase of RMB79.7 billion from the beginning of the year, up by 10.6%. At the same time, various measures were taken simultaneously to promote the asset construction in weak-cycle industries and realize the promotion of customer base and investment in weak-cycle industries. As at the end of the reporting period, 4,592 customers in weak-cycle industries were served with a loan balance of RMB142.8 billion.

Deeply cultivating the entity customer group and helping to transform and upgrade. The Company has always been sticking to serving the real economy by intensifying the development of manufacturing industries and vigorously boosting the quality of financial service. As at the end of the reporting period, the balance of loans to manufacturing industries was RMB238.3 billion, representing an increase of 21.5% over the beginning of the year, and the completion rate of regulatory targets was 422%; the balance of medium – and long-term loans in manufacturing industries was RMB86.675 billion, representing an increase of 57% over the beginning of the year.

At the same time, the Bank continued to leverage on its featured advantages as a smart manufacturing service bank to help manufacturing enterprises with transformation and upgrading. As at the end of the reporting period, it had established cooperation with 2,075 smart manufacturing enterprises and accumulatively disbursed a total of RMB706.8 billion in financing. On this basis, the Bank has launched a comprehensive strategic cooperation with the Department of Economy and Information Technology of Zhejiang to advance the “Zhejiang Smart Manufacturing Financing Project (浙江智造融通工程)” and accurately support the high-quality development of the manufacturing industries in Zhejiang Province. As at the end of the reporting period, the Bank had served more than 1,730 manufacturing enterprises in the provincial key list of “Zhejiang Smart Manufacturing Financing Project”, with a financing balance of over RMB63.0 billion, overfulfilling the target of “financial assistance of RMB100 billion in three years (三年金融助力千億)”.

Deepening the construction of Zhejiang base camp to expand and improve the Company's business. Relying on the “Three Priorities (三個優先)” to give priority to resource allocation, supporting policies and business guidance, the Company has done a lot of work relating to the construction of the base camp under “Intensified Development in Zhejiang (深耕浙江)”, and greatly increased the investment support for major projects. As at the end of the reporting period, it served 597 customers in the list of four major projects in Zhejiang Province, including major projects, provincial key construction, major manufacturing industry and RMB100 billion technological transformation, with a financing balance of RMB39 billion. It realized the rapid growth of the number of important qualified accounts in the base camp and added 31 important qualified accounts; it has signed strategic cooperation agreements with provincial enterprises such as Wuchan Zhongda (物產中大), Zhejiang Tourism Investment (省旅投) and Provincial Financial Holdings (省金控).

Management Discussion and Analysis

Continuing to deepen supply chain finance to help differentiated development. In order to further expedite innovation and transformation and high-quality development, the Company actively carried out digital supply chain financing business. By utilizing financial technologies and methods and controlling order flow, logistics, capital flow and data flow, the Company provided various on – and off-balance sheet financing services to supply chain customers in a data-driven manner and taking into account the features of business operation and transaction settlement in supply chain. At present, it has formed characteristic and differentiated supply chain finance solutions in nearly 30 industries, including steel, construction, energy, electricity, food, grain, storage and logistics, automobile, home appliances and farming. As at the end of the reporting period, the Company served over 1,200 digital supply chain projects, with a financing balance of over RMB100.0 billion, serving over 18,200 upstream and downstream customers, of which more than 75% were small and micro enterprises under inclusive finance, effectively helping upstream and downstream small and micro enterprises to alleviate the problems of being difficult, costly and time-consuming to finance.

Intensifying the professional construction of the industry and laying out key areas in advance. The Company focuses on two major areas, namely energy finance and science and innovation finance, and reinforces advancing the development of professional capability in industry, to build a distinctive service brand. In the field of energy finance, the Company actively implements the national strategy of “carbon peak and carbon neutralization”, takes the electric energy industrial chain and new energy industrial chain as the core, and mainly focuses on power production, power transmission and distribution, power consumption and other aspects to promote the name list system marketing management; the Company continues to deepen the green financial business and accelerate the innovation pilot of carbon finance products. As at the end of the reporting period, it had established strategic cooperation with key customers such as State Grid, Southern Power Grid, Datang Corporation, China Power Investment Corporation, Zhejiang Energy (浙江能源), Chint Group (正泰集團) and Jinko Solar (晶科能源). In the field of science and innovation finance, the Company launched the “Spark Plan (星火計劃)” special action on financial services for science and innovation enterprises, actively assisted in the construction of a pilot zone for science and innovation financial reform, focused on key customer groups such as specialized and innovative enterprises, high-tech enterprises, small and medium-sized scientific and technological enterprises, and listed companies/companies proposed to be listed, issued special credit authorization policies, and strived to provide “whole-cycle, three-dimensional and whole-chain” comprehensive financial services for scientific and technological innovative enterprises. As at the end of the reporting period, the Company has provided services for 5,204 science and innovation enterprises of company type, with a financing balance of RMB77.1 billion.

(2) International business

Adhering to the tenet of “serving customers and giving back to the society” and the concept of “technologies empower digital intelligent innovation, and sticking closely to the physical scenarios service”, the Company continues to enhance foreign exchange business and cross-border financial diversified products innovation from the perspective of customers and provides enterprises with a full ecological chain of services covering settlement, financing and transactions, fully supporting the development of the real economy of foreign-funded or foreign trade industries and helping the construction of a common prosperity demonstration zone. During the reporting period, the Company maintained a rapid growth trend in the scale of international business services, continued to improve its social influence and industrial competitiveness, and provided a total of US\$301.4 billion in international settlement service on an accumulative basis, representing a year-on-year increase of 38.13%.

Management Discussion and Analysis

The Company actively advocated the concept of “risk neutrality”, provided enterprises with efficient and convenient exchange rate hedging services, continued to enrich “Zheshang Huiliying” (浙商匯利盈), a product providing agency services for foreign exchange transactions, continuously optimized “Zheshang Trading Treasure” (浙商交易寶), a multi-functional comprehensive foreign exchange trading platform, and provided support to foreign trade enterprises, allowing them to handle foreign exchange transactions conveniently and fast and respond to exchange rate fluctuation risks effectively. During the reporting period, the amount of foreign exchange transaction services provided by the Company to its customers reached US\$125.9 billion, of which the transaction amount of “Zheshang Trading Treasure” (浙商交易寶) was US\$58.8 billion.

The Company fully utilized various new technologies such as big data, platform direct link, blockchain, artificial intelligence, etc., to launch export data loans based on the export collection data of the Administration of Foreign Exchange, continuously extend the “pooling (池化)” and “chaining (鏈式)” scenario applications, launch the FT customer asset pool function, add the direct link to the export credit insurance financing application scenario of the blockchain platform of the Administration of Foreign Exchange, etc., and continue to improve the international business liquidity service supports that integrate local and foreign currencies, domestic and foreign trades and domestic and foreign businesses. As at the end of the reporting period, the balance of international business liquidity services was RMB74.4 billion.

The Company conducts in-depth research on the needs and application scenarios of the new foreign-funded or foreign trade industries, and creates a personalized service model with one-point access and comprehensive services by applying the direct connection method between banks and enterprises around such sub-sectors as foreign comprehensive platform, centralized operation of cross-border funds, cross-border e-commerce, market procurement and freight forwarding.

3. Great Investment Banking Segment

(1) Investment banking business

The Company’s investment banking business offers a wide range of investment banking products for both the direct and indirect financing markets to meet the multi-level financing needs of different types of customers. By participating in interbank, stock exchange and Beijing Financial Assets Exchange bond underwriting, we provide market-oriented direct financing services to our customers, helping them to reduce financing costs and optimize their debt structure. We provide customized and differentiated innovative services to customers through asset securitization, bond loading credit risk mitigation instruments or portfolio models, thereby enabling customers to tackle the problem of being difficult and costly to finance. We provide customers with integrated financing solutions and services through M&A loans and syndicated loans to help their industry consolidation and transformation and upgrading. By creating various products in the equity capital market, we provide customers with key financing. By integrating financial resources, building an ecosystem and carrying out customer-oriented facilitation business, we also provide comprehensive financial services.

During the reporting period, the total underwriting amount of non-financial corporate bonds of the Company was RMB120.443 billion, which exhibited positive growth despite a substantial reduction in transaction volume, ranking 24th in the market (according to NAFMII). In terms of credit assets that were securitized, RMB2.283 billion of small and micro enterprise loans backed securities and RMB1.345 billion of non-performing assets backed securities were issued during the reporting period. In terms of syndicated and M&A businesses, the syndicated and M&A loans amounted to RMB21.333 billion during the reporting period.

Management Discussion and Analysis

During the current year, the Company was awarded the “8th Jiefu Award for Asset Securitization and Bonds – Outstanding ABN Lead Underwriter” (第八屆資產證券化與債券介甫獎 – 優秀 ABN 主承銷商), the “8th Jiefu Award for Asset Securitization and Bonds – Outstanding Microfinance ABS Product” (第八屆資產證券化與債券介甫獎 – 優秀小額貸款 ABS 產品獎), the “CSF – Annual New Promotion Award for Credit Asset Securitization” (CSF – 信貸資產證券化年度新銳嘉勉獎), etc. for its investment banking business.

(2) Financial market business

The capital operation center of the Company was approved for opening in October 2022. In terms of financial market business, the Company continued to build a comprehensive FICC trading platform which integrates proprietary investment and financing, proprietary trading and trading agency, obtained weak sensitive assets as the ballast stone, continuously strengthened its capabilities of business innovation and its abilities to serve customers, and actively promoted business development. All kinds of licenses are available for the financial market business of the Company, covering domestic and foreign markets for fixed income, foreign exchange, precious metal, etc.; and there are various products. The Company also provided relevant agency and commissioned services for customers, such as Bond Trading Connect (債券通), foreign exchange transaction agency (代客外匯), precious metal transaction agency, etc. During the reporting period, various financial markets experienced ups and downs, while the Company managed to control risks and grasp market opportunities, making it among the most active banks in the trading market. During the reporting period, the Company was approved to become a Class A ordinary clearing member of Shanghai Clearing House, further enhancing the Bank’s competitiveness in the core factor market, thus further expanding the room for the development of financial market businesses.

For the local currency transactions, in 2022, the Company strengthened the research on local currency market, continuously strengthened the digital reform of transaction management system, earnestly explored and made positive progress in quantitative market making, accurate customer acquisition, AI algorithm, portfolio management and data visualization, etc. The Company fully independently developed the fixed income quantitative market-making system and conducted independent research on the market-making strategy. During the reporting period, the Company won the 2021 Annual Market Influence Award for Inter-bank Local Currency Market (2021 年度銀行間本幣市場年度市場影響力獎), Market Innovation Award for Local Currency Market (本幣市場市場創新獎) and other awards. In line with the Company’s strategy of deepening development in Zhejiang, annual underwriting volume of Zhejiang bonds increased by 54.66% year-on-year, ranking fourth in terms of total annual underwriting volume.

For the foreign currency transactions, in 2022, the Company followed the market trend to grasp the two-way fluctuation of RMB exchange rate, accurately predicted the more-than-expected adjustment of United States inflation, flexibly used the transactions of USD-RMB spot, USD-RMB swap and non-US currency exchange, and maintained a good profitability momentum of foreign exchange trading while improving the trading activity. By providing efficient quotation and trading services and professional trading strategy recommendation and consulting services, the Company improved clients’ understanding of derivative products trading, and helped customers cope with and manage exchange rate risks in the rapidly changing foreign exchange market. During the reporting period, the Company won the Best RMB Foreign Exchange Attempted Market Maker in the Inter-bank Foreign Exchange Market (銀行間外匯市場最佳人民幣外匯嘗試做市機構) and the Best Technical Service Support Institution Award in the Inter-bank Foreign Exchange Market (銀行間外匯市場最佳技術服務支持機構獎) in 2021.

Management Discussion and Analysis

For precious metal transactions, in 2022, the Company gradually formed a risk-controllable market-making strategy in practice. Through the implementation of cross-market market making, cross-term market making and other strategies, the Company continuously provided market liquidity to the futures market and improved the continuity of futures contracts. The Company supported the development of the real economy through innovation and improvement of precious metal service programs. Through remote swaps and options of agency precious metals, the Company reduced the corporate hedging cost and satisfied the transaction and hedging needs of customers. During the reporting period, the Company won awards such as Excellent Financial Member (金融類優秀會員), Best Inquiry Trading Institution (最佳詢價交易機構) and Best Bidding Trading Member (最佳競價交易會員) of Shanghai Gold Exchange in 2021, Excellent Member Award of Shanghai Futures Trading (上海期貨交易優秀會員獎), Precious Metal Industry Service Award (貴金屬產業服務獎), Diamond Award for Market Making Business (做市業務鑽石獎), Special Contribution Award for Market Making Business Industry (做市業務行業特別貢獻獎), etc. in 2021.

(3) Financial institution business

In terms of customer base construction of financial institutions, the Bank further promoted the construction of “customer-oriented comprehensive service system”, actively built a sound financial inter-bank cooperation ecosystem, continuously deepened transformation and development, pursued “complementary advantages and win-win cooperation”, and made great efforts to enhance the comprehensive contribution of financial institution customers to the Bank.

In terms of inter-bank assets and liabilities, the Company improved the investment research capability in standardized asset investment and strengthened market research and judgment. The Company expanded low-cost inter-bank deposits. During the reporting period, the weighted average cost of new inter-bank time deposits of the Company decreased by about 0.4 percentage point year-on-year.

In terms of the inter-bank comprehensive service platform, the Company accelerated the digital reform, continuously optimized the series functions of the inter-bank comprehensive service platform, and improved the return rate of unit risk assets based on the strong functions of pledge and guarantee. During the reporting period, the Company cooperated with China Central Depository & Clearing Co., Ltd. to launch the business of “interbank collateral”, the first batch of green bond in the market, allowing the customers to activate their existing green bond.

Focusing on the assets with weak sensitivity to economic cycle, the sales service volume of the full-range products increased significantly during the reporting period. The issuance of financial bonds of the Bank was accelerated, effectively supplementing medium-and long-term stable capital sources and providing low-cost, large-amount, and long-term capital support for the Company to serve the real economy.

Management Discussion and Analysis

(4) Bill business

The bill business covers the whole life cycle of bill from acceptance and credit enhancement to direct discounting or inter-bank discounting and investing and financing. Focusing on serving the demand of real economy, the Company has given full play to the advantages of operation mechanism and digital technology, fully releasing the operation efficiency of the whole chain of bills, and steadily promoting the high-quality development of bill business.

During the reporting period, the Bank had RMB600 billion of acceptance business volume, provided over RMB250 billion of discounted financing funds to corporate customers, and served over 10,000 customers, of which small, medium and micro enterprises under the standard set accounted for over 85%. The Bank's bill transaction volume reached RMB5.16 trillion, up by 75.93% year-on-year, covering more than 800 counterparties. In the annual appraisal of Shanghai Commercial Paper Exchange, the Bank won many honors such as "Excellent Market Institution" (優秀市場機構), "Excellent Acceptance Institution" (優秀承兌機構) and "Excellent Bill Business Publicity and Promotion Institution" (優秀票據業務宣傳推廣機構), thus comprehensively establishing the bill brand of CZBank.

(5) Asset custodian business

In 2022, the Bank's asset custodian business developed in a sound manner. As of the end of the reporting period, the balance of assets held in custody by the Bank reached RMB1.94 trillion, representing an increase of 12.75% from the beginning of the year; during the reporting period, the Company's income from the asset custodian business was RMB531 million, representing a year-on-year increase of 9.05%.

Since the beginning of this year, the Company's asset custodian business has focused on strengthening the marketing of key products such as funds, securities, insurance and trust, continuously strengthened the efficient coordination of the five business segments, and always adhered to the comprehensive and coordinated development of efficiency, quality and scale. As at the end of the reporting period, the number of public funds under custodian of the Company exceeded 230, representing an increase of 30% from the beginning of the year, and the custodian scale exceeded RMB330 billion, with a growth rate of nearly 50%; during the reporting period, 56 new custodian funds were added, with a new custodian scale of RMB84.160 billion, ranking seventh among the custodian institutions in terms of the scale of new public funds under custodian.

In the meantime, the Company was committed to serving the real economy, following up the transformation of asset management industry, exploring business innovation mode, constantly enriching and improving the custodian product line, providing various licensed financial institutions with integrated comprehensive financial solutions of "investment, custodian, sales and collection" (投、托、銷、撮), and building a diversified service platform for custodian business with characteristics of CZBank.

Management Discussion and Analysis

4. Great Asset Management Segment

The asset management business of the Company was committed to building the asset management business brand featured by “professional management, customer first, differentiated competition and efficiency in priority”, constantly consolidating the investment and research ability, enriching the product system, improving risk management and strengthening the financial technology support. During the reporting period, the asset management brand of the Company was recognized by all sectors of the society, and won the “Golden Bull Award for Wealth Management Bank” (理財銀行金牛獎) by China Securities Journal and the “Gamma Award of Golden Bank Wealth Management Product” (金質銀行理財產品天璣獎) by Securities Times. The Shengxin Win (升鑫贏) No. C-1 Wealth Management Product in RMB won the “Golden Reputation Award” (金譽獎) by PY Standard (普益標準), and the Juxinying (聚鑫贏) B-270 Days No.1 Wealth Management Product in RMB won the “2022 Lianhe Zhiping – Fengyun Award for Wealth Management” (2022 聯合智評 – 理財風雲獎) in the selection of Golden Toad Award (金蟾獎) by Lianhe Zhiping (聯合智評).

The Company continued to improve the net-value product system, and continuously enriched the series of wealth management products such as “Shengxin Win” (升鑫贏), “Juxin Win” (聚鑫贏), “Yongxin” (湧薪), “Yongying” (湧盈) and “Xinze” (昕澤), covering cash management, fixed income, “Fixed Income Plus”, Hybrid and other types. As at the end of the reporting period, the balance of the Company’s wealth management products amounted to RMB210.705 billion, of which 87.92% and 12.08% were funds of individual and institutional clients respectively; the balance of net-value wealth management products amounted to RMB164.458 billion, accounting for 78.05% of wealth management. During the reporting period, the Company issued a total of RMB790.091 billion of wealth management products and realized income from asset management services fee of RMB676 million.

5. Great Cross-border Segment

The Company actively responded to the “Belt and Road Initiative” and actively integrated into the new pattern of domestic and international double-cycle development. Relying on the two platforms, namely the sub-accounting unit in free trade zone and Hong Kong branch, utilizing both the domestic and overseas markets and integrating the employment of cross-border guaranteed financing, overseas bond investment, international syndicated loan, cross-border financial advisory and other financial products, the Company was to provide all-around, one-stop and comprehensive service for domestic and overseas enterprises to conduct investing and financing, M&A, listing and other businesses. As at the end of the reporting period, the Company’s cross-border business assets amounted to RMB59.7 billion, up by 83% over the beginning of the year, and its service scale amounted to RMB189.6 billion, up by 294% year-on-year, including RMB26.8 billion in cross-border guaranteed financing and RMB26.5 billion in overseas bond investment, which strongly supported the corporate global operation and development; Hong Kong branch ranked 20th in the market in terms of the underwriting scale of Chinese-funded offshore bonds, among which it ranked 2nd in terms of the underwriting of standby bonds, ranked 4th in terms of the underwriting of free trade bonds, and ranked 5th in terms of the underwriting of urban investment bonds. The cross-border comprehensive service capability and market reputation continued to improve.

Management Discussion and Analysis

(VIII) Financial Technology

During the reporting period, the Bank focused on the business strategy of the whole bank, took digital reform as the main line, promoted the strategy of propelling the Bank with technology, increased the investment in financial technology, strengthened the deep integration of science and technology and business, vigorously promoted the system construction and application innovation, fully activated the value of data elements, deepened the construction of operation and maintenance management system, made every effort to build a secure base, and continuously empowered the frontline grassroots, so as to create a new advantage of “Digital Intelligence CZBank (數智浙銀)”.

1. Insist on implementation of strategies to firmly promote digital reform

By upholding the customer-oriented philosophy and problem-oriented approach, we were clear to implement our objectives in different stages with long-term investment and continuous progress, and firmly promoted the digital reform across the whole bank. We strengthened top-level design and strategic planning, formulated and implemented digital reform plans, built “185N” system¹, vigorously promoted the “one account book (一本賬)” construction of 129 applications, focused on 38 major applications, and strengthened the promotion of empowerment with computing force. We deepened the overall planning and organization process construction, established a systematic work class, adhered to the “regular meeting, special class, briefing study, list focus (例會推、專班幹、簡報學、清單抓)”, established a sound digital management evaluation and assessment system, innovated and promoted a “vertical and horizontal (橫向到邊、縱向到底)” IT Business Partnership (ITBP), created “technology services super IP (科服君超級 IP)”, carried out various activities such as online training, knowledge competition, “Golden Idea (金點子)” innovation competition and lecture hall, so as to comprehensively improve the digital thinking and cognition of the whole bank and help digital reform achieve substantial and breakthrough progress.

1. “185N” system: consolidate 1 “CZBank Digital and Intelligent Brain (浙銀數智大腦)”, build 8 systems of “digital and intelligent retail, digital and intelligent enterprise service, digital and intelligent investment banking, digital and intelligent capital management, digital and intelligent cross-border, digital and intelligent supervision, digital and intelligent operation and digital and intelligent management”, focus on the 5 customer groups, namely, individuals, corporates, governments, peers and employees, and build N (which means numerous in Chinese) effective, practical, real and perceptible major applications.

Management Discussion and Analysis

2. Technologies empower business to open a new horizon of high quality development

We gathered superior resources to innovate digital financial service models and products, deeply empower digital operation and management, and promote the simultaneous and coordinate development of our five major business segments. Taking the “assets with low sensitivity to economic cycle” as ballast stone, we utilized financial technology to facilitate the online service channels, strengthen the capabilities of marketing management, team performance, customer acquisition and business development and online touch points, and develop significant, practical and profitable digital applications such as inclusive finance and wealth management. The integrated service of supply chain finance realized “one-click credit and chain credit (一點授信、鏈式用信)”, which was awarded as the “Best Application” of Zhejiang Digital Reform in 2022; Jinfubao (金服寶), a small and micro platform, integrated such comprehensive services as policy consulting, fiscal and tax services, finance and wealth management to promote the strategic transformation of “non-collateralized, synergistic, digital (非抵押、大協同、數字化)” inclusive finance; we launched a series of products and services such as “Dianyidai (點易貸)”, making it possible to proceed the application, approval, contracting, drawdown and repayment of loans online and on a 24/7 basis, which further simplified the process of small business financing. We actively integrated into the digital reform of Zhejiang Province, focused on the strategy of “deepening development in Zhejiang” as well as such key areas as common prosperity, vigorously promoted key projects of digital reform in Zhejiang Province such as comprehensive financial services platform, natural resources trading credit supervision platform and “Industrial brain + future factory (產業大腦+未來工廠)”, strengthened technology output and resource integration, and improved the quality and effectiveness of financial services for the real economy.

3. Financial technology innovation to enhance digital supporting capacity

We continued to iterate and upgrade technical services such as blockchain, Internet of Things and artificial intelligence, build “CZBank Digital and Intelligent Brain (浙銀數智大腦)”, deepen the guidance of innovation, strengthen digital and intelligent empowerment and support, and constantly improve the digital financial supporting system of our Bank. Firstly, the compass was used to connect the whole business link, which enabled multi-dimensional visualization presentation of data in marketing activities such as CZBank Promotion (浙銀推介官), and efficient analysis of the development of marketing activities, providing convenient marketing supporting capabilities. Secondly, we built enterprise-level data middle platform 2.0, allowing business personnel to self-access to data on demand, with annual data requests decreased by 13.73% from the previous year, which effectively enhanced employees’ sense of data access. Thirdly, we built four centers for business middle platform, namely performance, customer, product and news, to form a closed trading loop among customers, products and scenarios to meet the high-frequency use needs of front-line personnel and facilitate front-line business development. Fourthly, our technology middle platform commenced the construction of “blockchain + Internet of Things + big data” scenarios with the ability to dynamically monitor the production and operation status of enterprises, which has covered various industries such as steel, oil and machining, and has been applied in many branches, empowering comprehensive supply chain financial services. Fifthly, we strived to promote the industry, academia and research topics such as the national blockchain pilot project, and “account statement train (銀行流水直通車)” has been officially launched in the “Zheliban (浙裡辦)” APP, being widely used in important scenarios such as “cross-bank statement verification (跨行流水驗真)” and “post-loan fund supervision (貸後資金監管)”.

Management Discussion and Analysis

4. Consolidated technology foundation to ensure safe and stable operation of production

We improved financial technology infrastructure, enhanced the independent and controllable core technologies, and constantly improved the digitalization, automation and emergency response capabilities of safe production and operation. Firstly, we continued to improve the system platform construction such as integrated operation and maintenance management, and production automation, and effectively promoted “223” construction objectives¹ for production breakdown handling. Secondly, we continued to deepen the construction of network security accountability system, improved the network security governance system, completed major security tasks such as the 20th Party Congress with “zero incidents”, and won the highest grade of “excellent” in the national network security attack and defense exercise with “no intrusion, no points lost (未被攻入、零失分)”. “CZBank Network Security Innovation Studio (浙銀網絡安全創新工作室)” was officially listed and selected as the 12th group of highly skilled talents (model workers) innovation studio in Zhejiang Province. Thirdly, we strengthened the construction of data security system, promoted the construction of zero-trust based external security access and data security monitoring and early warning platform, and the “data leaking prevention security system (數據防洩漏安全體系)” was awarded the outstanding contribution award of financial digital transformation by the People’s Bank of China in 2022. Fourthly, we actively and prudently promoted the IT application innovation initiative, completed the domestic construction of 26 application systems, realized the promotion and use of financial machinery and tools of IT application innovation across the whole bank, and comprehensively improved the safe and controllable level of technology products. Fifthly, we continued to improve the operation and maintenance mechanism of agile development, successfully passed the DevOps continuous delivery standard Level 3 assessment, and the relevant capabilities reached the leading level in China. Sixthly, we promoted the construction of the disaster preparedness system of “multiple centers in two cities (兩地多中心)”, realized the co-location dual-active operation of multiple important information systems, and achieved the goal of fast switchover of co-location disaster recovery and sustainable operation of the disaster recovery environment for 24 hours, which substantially improved the disaster tolerance capability of the system and the sustainable development of the business.

¹. “223” construction objectives: 2 minutes for discovery, 2 minutes for location and 3 minutes for handling.

Management Discussion and Analysis

5. Optimized technology management system and mechanism to comprehensively improve service efficiency

Guided by the spirit of the 20th Party Congress, we implemented “strict, realistic and excellent (嚴實優)” requirements to innovate and shape a transformational organization, iterate and improve the technology management mechanism, and continue to extend the radius of technology services. Firstly, we continued to strengthen the development of digital talent team, especially the training and introduction of compound talents with technology, data and business know-hows. In 2022, we had 1,615 financial technology employees, representing a year-on-year growth of 10.9%, accounting for approximately 9.6% of the total employees of the Bank. Secondly, we strengthened the financial technology management service mechanism, innovated ITBP mechanism and OKR management system, and implemented dedicated special management of technology and normal operation, so as to improve the effectiveness of technology services through efficient and collaborative organization construction.

In 2022, the Bank has published more than 10 financial technology papers, publications and white papers, applied for more than 100 patents in blockchain, Internet of Things and etc., and 36 patents were approved, ranking among the top three joint-stock banks. It has participated in the formulation of more than 50 domestic and foreign standards, and obtained more than 40 software copyrights. Our achievements in technology were widely recognized internally and externally, and welcomed by CBIRC, Zhejiang Provincial Committee and the Provincial Government and were granted many letters of thanks. We won dozens of financial technology honors such as 2022 IDC China Top 20 Outstanding Security Projects, “Advanced Individual” of network protection action of National Network and Information Security Information Communication Center (國家網絡與信息安全信息通報中心), third prize in the attack and defense drilling for network security of Zhejiang Province and the “FinTech Innovator Award” from the Global Finance.

(IX) E-Finance Services

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, bank-enterprise direct connection, telephone banking and WeChat banking. The replacement rate of transactions online reached 99.75%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, strengthened the building of customer experience and improved risk control measures, resulting in steady growth of channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capability.

Online banking

During the reporting period, the Company continuously optimized personal online banking and realized the comprehensive upgrading of multiple business modules. Being customer-oriented, the Company simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1,644,600 customers with personal online banking certificates, representing an increase of 4.84% over the beginning of the year. During the reporting period, the Company conducted 51,992,400 transactions totaling RMB722.52 billion via personal online banking.

Management Discussion and Analysis

During the reporting period, based on the genuine need of enterprises, the Company optimized the core transactions of corporate online banking, added important functions such as inter-bank payroll agency services, digital RMB services, public payment, batch deduction of handling fees, finance, taxation, treasury and banking, and bank confirmations, covering more operating systems and browsers; and continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience. As of the end of the reporting period, the Company had 213,400 customers with corporate online banking certificates, representing an increase of 17.99% over the beginning of the year, including 123,500 monthly active customers, representing an increase of 6.63% over the beginning of the year. During the reporting period, the Company conducted 91,904,600 transactions totaling RMB18,727.847 billion via corporate online banking.

Mobile banking

During the reporting period, the Company comprehensively iterated and upgraded the Personal Mobile Banking, and launched the important version V5.1. It comprehensively upgraded five major aspects of financial management, quality of life, intelligent service, simple operation and security guarantee; newly established the “Wealth Channel (財富頻道)”, launched a number of new functions such as Fund Ranking, Fund Selection, Caifuhao (財富號) and Wealth Information, and added more than 20 life scene items such as metro passenger QR codes and business travel; and further strengthened voice service support in the simplified version of mobile banking to facilitate the elderly to get started quickly, and strengthened the construction of risk control strategies for the elderly customer base. As of the end of the reporting period, the Company had 5,161,100 personal mobile banking customers, representing an increase of 12.74% over the beginning of the year. As of the end of the reporting period, the Company conducted 104,676,700 transactions totaling RMB1,057.91 billion via mobile banking.

Bank-enterprise direct connection and inter-bank cash management

During the reporting period, the Company continued to optimize the bank-enterprise direct connection function to continuously improve the user experience. Meanwhile, the Company innovatively conducted the inter-bank cash management business to satisfy the demands of corporate customers to improve financial management efficiency and benefits. As of the end of the reporting period, the Company had 945 core customers of bank-enterprise direct connection, representing an increase of 29.1% over the beginning of the year; the customers of the Company handled 438,600 transfers via bank-enterprise direct connection, representing a period-on-period increase of 7.02%, and the transfer amount was RMB2,436.559 billion, representing a period-on-period increase of 81.82%.

Telephone banking

The Company upheld the service philosophy of “customer-oriented, beyond expectation” and broke the traditional mindset on customer service. By applying multi-channel service platform, big data and intelligent technology and expanding all-media service channels continuously, it established an intelligent customer service system which focuses on customer experience, offering inclusive financial services to its customers in an efficient and cost-saving manner. Leveraging on intelligent voice, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services and was committed to establishing a 7×24 comprehensive one-stop service platform.

Management Discussion and Analysis

During the reporting period, the Bank received a total of 2,605,600 customer inquiries, with an overall connection rate of 94.17%. In particular, it received 1,928,800 calls, 1,221,500 were passed to operators, with manned telephone connection rate of 91.45% and customer satisfaction of 99.85%; served online customers for 676,800 times, with online connection rate of 99.08%. It recorded a complaint resolution rate of 100% as a better assurance of customer service experience.

WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. Its WeChat banking consists of CZBank's WeChat official account and CZBank's WeChat official mini program. CZBank's WeChat official account offers functions including credit cards and personal, small and micro enterprises and corporate, and recruitment and other services. CZBank's WeChat official mini program' functions include personal loans, outlet appointment and recommendation with gift (推薦有禮).

Online settlement business

During the reporting period, the Company proactively explored business innovation, and guided by the demands of government authorities and real enterprises and public institutions, strengthened the support and application promotion of online settlement services, and realized innovative application expansion of multiple scenarios such as deposit payment, supply chain finance, e-government and school bill payment. As of the end of the reporting period, the Company had more than 5,800 service items for its network settlement business.

(X) Business of Overseas Branch

The Company's Hong Kong Branch was established in 2018 and is the first branch established overseas. The development of the Hong Kong Branch starts with cross-border linkage business, and provides efficient and convenient cross-border financial services to customers of the domestic branches through product portfolios such as cross-border asset pool, domestically guaranteed business and trade finances, giving full play to the strategic synergy. On this basis, it focuses on central enterprises, state-owned enterprises, high-quality listed companies, Hong Kong-funded blue chips and leading enterprises in Zhejiang Province, expands its customer base in Hong Kong, extends credit customer groups, and takes bond underwriting, syndicated leading, structured financing and RMB foreign exchange trading as its principal products, striving to improve the total volume of customer services as well as the service and supporting capacities to domestic branches.

Looking forward, the Hong Kong Branch will make full use of the advantage of Hong Kong as an international financial center, closely follow the strategy of the head office, seize the development opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area, actively serve the domestic and international double-cycle development, further improve its comprehensive financial service capability covering both domestic and overseas, multi-currency and commercial investment banking, and make due contribution to the high-quality development of the whole bank.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$43.741 billion, of which other financial assets at fair value through other comprehensive income amounted to HK\$18.584 billion, accounting for 42.49%; and net loans and advances to customers amounted to HK\$12.482 billion, accounting for 28.54%. During the reporting period, the net profit was HK\$509 million.

Management Discussion and Analysis

(XI) Major Subsidiaries and Equity Participation Companies

1. Major Subsidiaries

Zheyin Financial Leasing, a national non-bank financial institution approved and regulated by CBIRC, is a 51%-owned subsidiary of our Bank.

Established on January 18, 2017, the principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the CBIRC.

Since its establishment, the company has earnestly implemented the strategic deployment of the parent bank, adhered to the mission of helping the group development and comprehensive operation of the whole bank, unswervingly followed the path of cooperating with the parent bank, steady operation and characteristic development, and achieved the balanced growth of scale, quality, efficiency and characteristics. In particular, it has been in the forefront of the financial leasing industry in terms of professional transformation, and formed a strong distinctive competitiveness. With the professional brand image among the regulatory authorities and the market, it received various awards, including “Advanced Entity in Supporting Economic and Social Development of Zhejiang (支持浙江經濟社會發展先進單位)” and “Outstanding Contribution Enterprise for the Fifth Anniversary of the Construction of Zhejiang Pilot Free Trade Zone (浙江自貿試驗區五週年建設突出貢獻企業)”. As of the end of the reporting period, Zheyin Financial Leasing has 190 employees, with total assets of RMB54.601 billion and net assets of RMB6.117 billion. It realized operating income of RMB1.873 billion and a net profit of RMB756 million in 2022.

Participate in deepening Zhejiang development to contribute to common prosperity. The company adheres to the market positioning of deepening Zhejiang development. Currently, the leased assets in Zhejiang Province accounts for 41.31%, which is at a relatively high level in the financial leasing industry. By centering on the construction of common prosperity demonstration zone, giving full play to the leasing characteristics and the advantages of specialized sectors, and focusing on fields such as pig breeding, grain and oil planting and residential photovoltaic as well as 26 counties in mountainous area, it has formed Zheyin Financial Leasing model to help common prosperity, which has been publicized and reported by Zhejiang Satellite TV News. For example, it cooperated with Chint Anneng (正泰安能) to install distributed photovoltaic for nearly 4,000 rural households in 26 counties in mountainous area, helping farmers in mountainous area increase their income by millions of RMB.

Strengthen technology empowerment to enrich the digital reform system of the parent bank. Based on the actual situation of the leasing industry, the company has created a digital system that not only deeply integrates into the whole bank, but also has the financial leasing features, and continues to provide financial leasing samples and inject characteristic elements for the digital reform of the whole bank. received various awards, including “Zhejiang FinTech Annual Case in 2021 (2021年浙江金融科技年度案例)” and “2021 AIoT Digital Technology Innovation Application Excellent Achievements (2021 AIoT 數字科技創新應用優秀成果)”; built online model for the whole process based on the distributed photovoltaic leasing business scenario, realized second-level response from business input to capital investment, won phased victory in the household distributed photovoltaic field with service efficiency competition, and successfully carried out strategic cooperation with a number of leading photovoltaic enterprises.

Management Discussion and Analysis

Implement professional transformation to build core competitiveness. It strives to build a “5+2” professional customer service system focusing on the “five specialized industries” of smart manufacturing, modern agriculture and husbandry, marine economy, environment protection and energy industries, and the “two specialized models” of manufacturer supply chain and financial leasing-commercial leasing cooperation (租租合作), and has blazed a trail of professional development with regulatory recognition, leading position in the industry and customer satisfaction. Currently, the proportion of the balance of “5+2” professional assets of Zheyin Financial Leasing has reached 52.18%. It has built an “ecological circle” in areas such as pig breeding, marine business, building support and distributed photovoltaic, established a whole chain from customer marketing to asset trading, and formulated strong market competitiveness and brand influence.

2. Equity Participation Companies

Equity Participation Companies	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount
China UnionPay Co., Ltd	Shanghai	2002-3-26	10 million	RMB25 million
National Financing Guarantee Fund Co., Ltd	Beijing	2018-7-26	1 billion	RMB1 billion

(XII) Outlook

The year 2023 is the first year for the full implementation of the spirit of the 20th Party Congress of the CPC and a critical year connecting the past and initiating the future of the “14th Five-Year” plan. China’s economic work will continue to adhere to the general principle of “prioritizing stability while pursuing progress”, make solid progress in promoting Chinese modernization, fully, accurately and comprehensively implement the new development philosophy, accelerate the construction of a new development pattern, comprehensively advance high-quality development, better coordinate domestic circulation and international circulation, economic policies and other policies, comprehensively deepen the reform and opening up, organically integrate the strategy of expanding domestic demand with deepening supply-side structural reform, effectively implement the “two unwavering measures (兩個毫不動搖)”, strive to stabilize growth, employment and price, continue to improve people’s wellbeing, effectively prevent and mitigate major financial risks, promote overall economic improvement, and achieve effective qualitative improvement and reasonable quantitative growth of the economy. China will intensify macro policy control and strengthen coordination of various policies. Active fiscal policy will “increase strength and improve effectiveness (加力提效)”, prudent monetary policy will be “precise and effective (精準有力)”, industrial policy emphasizes both development and security, technology policy focuses on self-reliance, and social policy holds on to the bottom line of people’s livelihood.

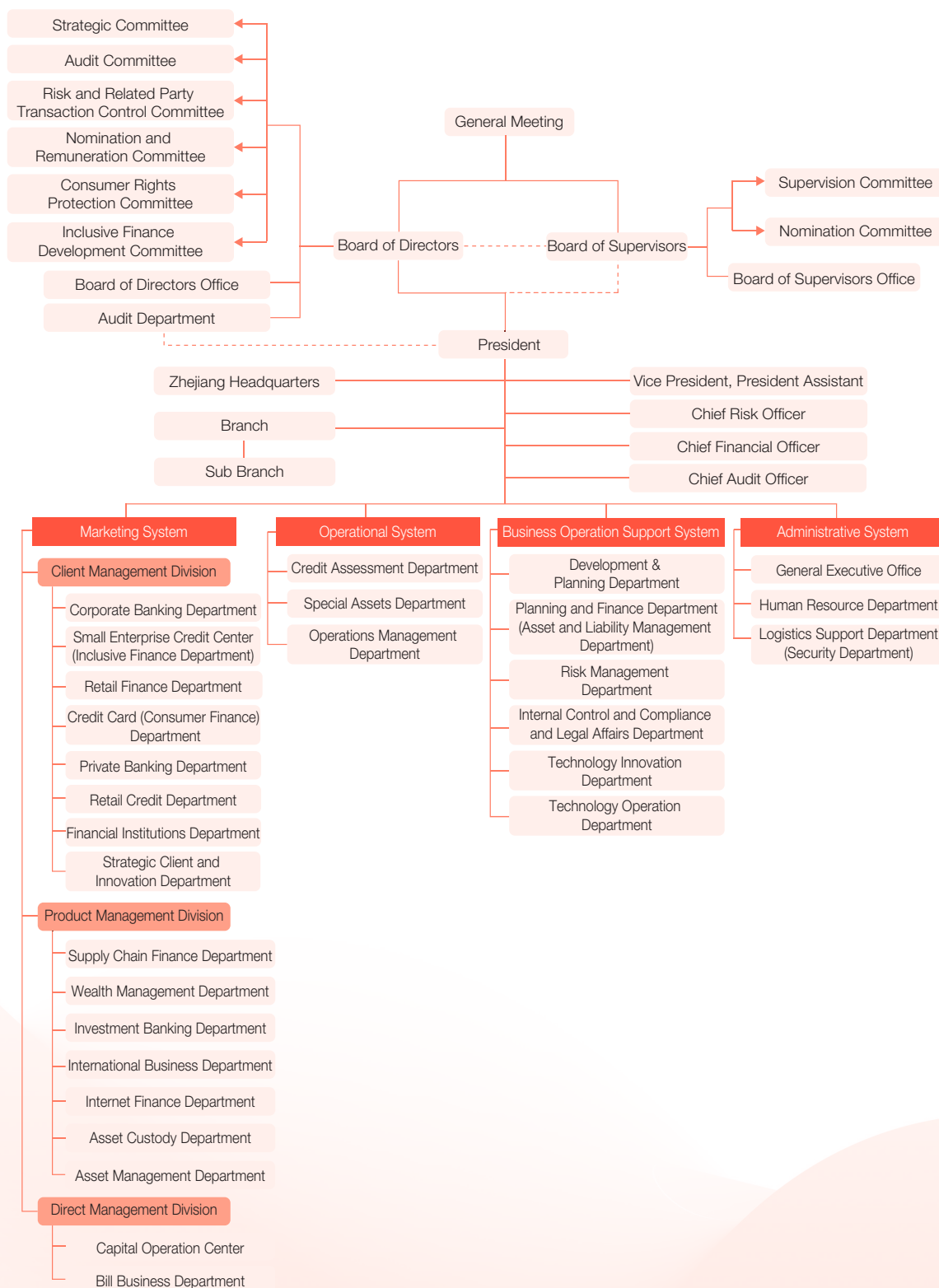
Management Discussion and Analysis

The Bank understands that the prudent monetary policy of the central bank in 2023 will focus on expanding effective demand and deepening supply-side structural reform, taking into account both short-term and long-term, economic growth and price stability, internal balance and external balance. It will maintain reasonably sufficient liquidity and effective growth of total credit, and maintain the growth of broad money supply and social financing basically in line with the growth of the nominal economy. It will improve consumer financial services in the fields of bulk consumer goods and social services, give full play to the guidance role of structural monetary policy tools, promote high-level two-way opening-up of the financial sector, and improve the financial management and risk prevention and control capabilities under opening-up environment. The Bank also understands that the CBIRC will further promote the reform and opening up of the banking and insurance industry, continue to improve the effectiveness of supervision, bring all kinds of financial activities under supervision according to law, safeguard the bottom line of preventing the occurrence of systemic financial risk, strive to promote the normal circulation of finance and real estate, steadily promote the risk response of small and medium-sized financial institutions, deal with the risk of rebound of non-performing assets in a forward-looking manner, and work together to defuse hidden debt risks of local governments. With market-oriented and law-based principles, financial institutions will reasonably control the credit grant and its pace, make good use of preferential policies such as special re-lending for technology innovation, supporting tools for inclusive small and micro enterprises loans, and supporting tools for carbon emission reduction, strengthen integrated financial support for key areas such as private small and micro enterprises, technology innovation, green development, rural revitalization and modern industrial system, continue to enhance the quality and effectiveness of services for the real economy.

In 2023, the Company's main task for operation and management is to maintain strategic focus, improve basic capacity and stimulate striving vitality. The Company will fully implement the spirit of the 20th Party Congress of the CPC, stick to the vision of becoming "a first-class commercial bank", deepen the implementation of the four strategic priorities of "introducing systematic digital transformation, deepening comprehensive development, seeking integrated and synergetic development of five major business segments and launching new wealth management business" and the twelve-word operation approach of "consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability", focus on stability, insist on practicing the concept of financial goodwill, take consolidating customer base as the first task, improving talent team as the first strategy, cultural values as the first criterion, consciously improve initiative, accuracy and orientation, comprehensively upgrade development strategy and effectiveness, deepen the construction of a five-word ecosystem, i.e., "integrity, simplicity, professionalism, cooperation and honesty (正、簡、專、協、廉)", carry forward a "Four Dos" spirit of "do it, do good, do it well and do well in it (幹、幹好、好好幹、好好幹好)", lay the assets less sensitive to the economic cycle as a ballast stone, and accelerate the formation of new advantages for the integrated and synergetic development of the five major business segments. The Company will work hard and bravely, and strive to further promote its vision and target of "first-class influence, first-class competitiveness and first-class cohesion", and drive its high-quality development to a new level.

Corporate Governance

(I) Chart of Organizational Structure



Corporate Governance

(II) Overview of Corporate Governance

The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance since improving corporate governance is the top priority of achieving high-quality development. The Company continuously improves corporate governance structure consisting of the Shareholder's General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management according to the relevant laws, regulations and regulatory requirements. Each corporate governance body operates independently, with effective checks and balances, cooperating with each other and functioning in a coordinated manner.

The Board of Directors of the Company takes corporate governance legality and compliance as the bottom line, draws on the best practices of outstanding companies as the direction, improves the system of corporate governance mechanism as the basis and gives full play to the decision-making role of the Board of Directors as the core, so as to strive to build a corporate governance mechanism with clear boundaries of responsibilities, orderly checks and balances and collaboration, democratic and scientific decision-making, and standardized and efficient operation.

In 2022, the Company insisted on comprehensively promoting the organic integration of the Party's leadership and corporate governance and effectively exercising the role of the Party Committee in overseeing the overall situation and coordinating all parties. Guided by the Three-year Action Plan for Perfecting Corporate Governance of Banking and Insurance Industry (2020 to 2022) 《健全銀行業保險業公司治理三年行動方案(2020-2022年)》 issued by the CBIRC, the Company have practically improved the quality and efficiency of corporate governance; in addition, the Company have comprehensively reviewed the compliance and effectiveness of the corporate governance mechanism, conducted self-assessment, optimized and enhanced the corporate governance practice level.

The meetings held during the reporting period were as follows: one annual general meeting, two extraordinary general meetings, one A shareholders' class meeting, one H shareholders' class meeting; fourteen meetings of Board of Directors, two meetings of Strategic Committee, four meetings of Audit Committee, ten meetings of Risk and Related Party Transaction Control Committee, six meetings of Nomination and Remuneration Committee, three meetings of Consumer Rights Protection Committee and one meeting of Inclusive Finance Development Committee.

(III) General Meeting

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board of Directors and the Board of Supervisors. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2022 first Extraordinary General Meeting on February 23, 2022, the 2021 Annual General Meeting on June 27, 2022, the 2022 second Extraordinary General Meeting, the 2022 first Class meeting for A shareholders and the 2022 first Class meeting for H shareholders on November 21, 2022. For details of relevant proposals and relevant announcements about resolutions adopted at the meetings, please refer to the relevant announcements in connection with the general meetings published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Corporate Governance

The convening, notifying, holding and voting procedures for the above-mentioned meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.

(IV) Board of Directors

1. Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company comprised 13 Directors, of which 3 were executive directors, namely Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang; 5 were non-executive directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinrong, Mr. Hu Tiangao and Mr. Zhu Weiming; and 5 were independent non-executive directors, namely Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei and Mr. Xu Yongbin. Not less than 1/3 of the members of the Board of Directors of the Company were independent non-executive Directors, and the independent non-executive Directors complied with the Rule 3.10(2) of the Hong Kong Listing Rules, who had appropriate professional qualifications or accounting or related financial management expertise. The number and composition of independent non-executive Directors are in compliance with relevant laws, regulations and requirements of the Hong Kong Listing Rules.

The Board of Directors of the Company was rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the non-executive Directors are equipped with rich banking or enterprise management experiences, and the independent non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and law.

During the reporting period, all Directors diligently performed their duties, being present or in attendance at relevant meetings in a timely manner; actively participated in discussion on affairs, training, thematic study and discussion activities; prudently expressed professional opinions; paid continuous attention to conditions of operation and management of the Company; proactively improved their ability to perform their duties; continuously improved the scientificity and efficiency of decisions, with their high sense of responsibility and excellent professionalism; ensured that commercial activities of the Company complied with national laws and regulations and requirements of regulatory authorities; and effectively protected legitimate rights and interests of shareholders.

2. Board Diversity Policy

The Company considers the diversity of the members of the Board of Directors as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board of Directors shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board of Directors have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

Corporate Governance

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversity of the Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the 13 Directors, two of them are female, and 11 are with post graduate diploma or master's degree or above, including four with doctoral diploma. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues. The Board will review the implementation and effectiveness of its Board Diversity Policy on an annual basis.

The Company will ensure that there is gender diversity when recruiting staff at mid to senior level and are committed to providing career development opportunities for female staff so that the Company will have a pipeline of potential successors to the Board. As of December 31, 2022, the ratio of male and female employees of the Company was 1.07: 1, which was generally in line with the industry level. As of the same date, all of the senior management of the Company were male.

3. Responsibilities of the Board of Directors

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The main responsibilities are as follows: to convene general meetings, present proposals and report to shareholders at the general meetings; to implement the resolutions of the general meetings; to formulate medium and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies; to decide the annual appraisal indices for the operation of the Bank and approve the annual operation plans of the Bank; to formulate our annual financial budgets and final accounts; to formulate our profit distribution plans and plans for recovery of losses; to formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the capital replenishment nature; to decide on issuance of bonds other than those with the capital replenishment nature by the Bank; and to formulate proposals for merger, demerger, dissolution and liquidation of the Bank.

The Senior Management of the Company has the rights to make decision in daily operation independently under the authority of the Board, and the Board will not intervene in specific daily affairs of operation and management of the Company.

The Board of the Company is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision A.2.1 of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing its effectiveness on an annual basis. During the reporting period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of Directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and regular practice.

Corporate Governance

4. Board Independence

The Company has established following mechanisms to ensure independent views and input are available to the Board and the implementation and effectiveness of such mechanisms will be reviewed annually by the Board:

- (a) Five out of the thirteen Directors are independent non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive directors.
- (b) The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive director before appointment and the continued independence of the current long-serving independent non-executive Directors on an annual basis. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- (c) All Directors are entitled to retain independent professional advisors as and when it is required.
- (d) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.
- (e) The Chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors.
- (f) A Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- (g) No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

Corporate Governance

5. Meetings and Proposals of Board of Directors

During the reporting period, the Company held fourteen meetings of Board of Directors, among which four were regular meetings and ten were extraordinary meetings. The main proposals considered at the Board meetings were as follows:

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2021
 Work Report of President of China Zheshang Bank Co., Ltd. for 2021
 2021 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards)
 2021 Audit Report on Internal Control of China Zheshang Bank Co., Ltd.
 Proposal on the Engagement of an Accounting Firm for 2022
 Final Financial Report of China Zheshang Bank for 2021
 Profit Distribution Plan of China Zheshang Bank for 2021
 2022 Annual Budget Report of China Zheshang Bank Co., Ltd.
 Business Operation Plan of China Zheshang Bank Co., Ltd. for 2022
 Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2021
 Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2022
 Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2021
 Proposal on Results of 2021 Performance Evaluation of Directors by the Board of Directors
 Proposal on Results of 2021 Performance Evaluation of Senior Management by the Board of Directors
 Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2021
 Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2021
 Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2021
 Report on Implementation of Risk Preference for 2021 and Proposal on Risk Preference for 2022 of China Zheshang Bank Co., Ltd.
 Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2021
 Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2021
 2021 Work Report on Protection of Consumer Rights and Interests and 2022 Work Plan of China Zheshang Bank Co., Ltd.
 2021 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd.
 Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2021
 2022 Work Plan on Small and Micro Enterprises under Inclusive Finance of China Zheshang Bank Co., Ltd.
 Evaluation Report of the Major Shareholders of CZBank
 Evaluation Report of CZBank on the Conduct of the Substantial Shareholders for the Year 2021
 Proposal in Relation to the Extension of the Validity Period of the Proposal of Public Issue of Securities by Rights Issue of China Zheshang Bank Co., Ltd.
 Report of CZBank on the Implementation of Data Governance in 2021

Corporate Governance

6. Attendance of Directors at the Meetings

The following table sets forth the records of attendance in person of each director at the meetings convened by the Board of Directors and by special committees under Board of Directors and at the shareholders' general meetings held in 2022.

Directors	Board of Directors	Strategic Committee	Audit Committee	Risk and Related Party Transaction Control Committee	Nomination and Remuneration Committee	Consumer Rights Protection Committee	Inclusive Finance Development Committee	General Meeting
Executive Directors								
Zhang Rongsen	14/14	2/2	-	-	-	-	1/1	5/5
Ma Hong	14/14	2/2	-	-	-	-	1/1	5/5
Chen Haiqiang	14/14	2/2	-	-	-	-	1/1	4/5
Non-executive Directors								
Hou Xingchuan	13/13	2/2	-	-	-	-	1/1	5/5
Ren Zhixiang	14/14	2/2	-	-	-	-	1/1	5/5
Gao Qinhong	14/14	-	-	-	-	-	-	4/5
Hu Tiangao	14/14	-	4/4	-	-	-	-	5/5
Zhu Weiming	14/14	2/2	-	-	-	-	1/1	5/5
Independent non-executive Directors								
Zheng Jindu	14/14	-	-	10/10	-	2/3	-	5/5
Zhou Zhifang	14/14	-	-	10/10	6/6	3/3	-	5/5
Wang Guocai	14/14	-	-	10/10	-	3/3	-	5/5
Wang Wei	13/14	-	4/4	-	6/6	-	-	4/5
Xu Yongbin	12/12	-	4/4	-	5/5	-	-	5/5
Resigned Directors								
Shen Renkang	-	-	-	-	-	-	-	-
Tong Benli	2/2	-	-	-	-	-	-	-
Dai Deming	2/2	-	-	-	-	-	-	-
Liu Pak Wai	2/2	-	-	-	-	-	-	-

Notes:

- (1) Times of attention in person/number of meetings that he/she should attend during the reporting period.
- (2) The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.
- (3) For details of the change of Directors, please see "Information on Directors, Supervisors, Senior Management, Employees and Institutions".
- (4) The Chairman held a meeting with independent non-executive Directors without the attendance of other Directors.

Corporate Governance

7. Information on Survey and Training of the Directors

During the reporting period, certain Board members visited Chengdu Branch and Liangshan Branch to carry out field research in order to collect primary data and understand specific conditions of grass-roots organizations as to strategy implementation, risk management and technology innovation, and heard the opinions and suggestions of the branches and relevant units on operation and management of the Board and the head office, targetedly put forward guiding opinions, and in a timely manner, submitted to the Senior Management relevant opinions and suggestions.

The Company has always paid attention to continuous training of Directors to ensure that all Directors properly understand the operation and businesses of the Company, and their responsibilities under relevant laws and regulatory requirements. During the reporting period, the Company invited certain independent directors to attend results presentation and organized directors to participate in two thematic training of Anti-Money Laundering. In addition, the independent directors actively participated in the Fourth Follow-up Training for Independent Directors of the Shanghai Stock Exchange in 2022, and other lectures and training, thus effectively widening their vision for macro decision-making, improving the ability to understand policies and further improving their ability to perform their duties.

According to the training records for 2022 kept by the Company, the status of relevant training for Directors is as follows:

Directors	Scope of Provision of Information and training		
	Corporate Governance	Finance/Business	Compliance/Operation
Executive Directors			
Zhang Rongsen	✓	✓	✓
Ma Hong	✓	✓	✓
Chen Haiqiang	✓	✓	✓
Non-executive Directors			
Hou Xingchuan	✓	✓	✓
Ren Zhixiang	✓	✓	✓
Gao Qinhong	✓	✓	✓
Hu Tiangao	✓	✓	✓
Zhu Weiming	✓	✓	✓
Independent non-executive Directors			
Zheng Jindu	✓	✓	✓
Zhou Zhifang	✓	✓	✓
Wang Guocai	✓	✓	✓
Wang Wei	✓	✓	✓
Xu Yongbin	✓	✓	✓

Corporate Governance

8. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had five independent non-executive Directors, the number and percentage were in compliance with the relevant laws, regulations and regulatory requirements. The Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Consumer Rights Protection Committee under the Board of the Company were all chaired by independent non-executive Directors, and the independent non-executive Directors formed majority in such committees. During the reporting period, the independent non-executive Directors actively participated in and provided suggestions and advice at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, including site visits, special surveys and attending training etc.

The independent non-executive Directors have presented their professional advice on the resolutions considered by the Board of Directors, including offering independent written opinions on significant matters, such as the Profit Distribution Scheme, the appointment of Senior Management, the engagement of auditors and significant related party transactions. In addition, for the special committees under the Board of Directors, the independent non-executive Directors made full advantage of their professional edge, provided professional and independent advice regarding corporate governance and operation management of the Company, and thereby ensured the scientific decision-making of the Board of Directors.

The Company has received the annual confirmations from the independent non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules regarding their independence, and considered that none of the independent non-executive Directors was involved in any factor set out in Rule 3.13 of the Hong Kong Listing Rules that may cast doubt on their independence. Therefore, the Company believes that all independent non-executive Directors meet the independence criteria as set out in the Hong Kong Listing Rules.

9. Responsibilities of Directors in Preparation of Financial Reports

The Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2022. The Board of Directors undertook that there were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, save for the information disclosed in this annual report of the Company.

The Directors shall review and confirm the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2022, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

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10. Election, change and removal of Directors

According to the Articles of Association, directors shall be elected or replaced at the general meeting and may be dismissed by the general meeting prior to the expiration of their term of office. Directors shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board.

A director may be removed by an ordinary resolution at a general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim which may be made under any contract will not be affected).

For the change of Directors during the reporting period, please refer to “Information on Directors, Supervisors, Senior Management, Employees and Institutions” of this report.

(V) Special Committees under Board of Directors

There are six special committees under the Board of Directors of the Company, namely Strategic Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee.

1. Strategic Committee

As at the end of the reporting period, the Strategy Committee of the Company consisted of six Directors, Mr. Zhang Rongsen (acts as the acting committee chairman), President and Executive Director, served as the committee chairman. Other committee members included Ms. Ma Hong, Executive Director, Mr. Chen Haiqiang, Executive Director, Mr. Hou Xingchuan, Non-Executive Director, Mr. Ren Zhixiang, Non-Executive Director, and Mr. Zhu Weiming, Non-Executive Director.

According to the Articles of Association, the main duties of the Strategic Committee are as follows: to research and formulate business targets, medium and long-term development plans and development strategies of the Company; to supervise and inspect the implementation of annual business plans and investment plans; and to deal with other matters as authorized by the Board.

During the reporting period, the Strategic Committee mainly considered the Final Financial Report of China Zheshang Bank for 2021, Profit Distribution Plan of China Zheshang Bank for 2021, 2022 Annual Budget Report of China Zheshang Bank Co., Ltd., Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2021 and Proposal on Capital Planning of China Zheshang Bank Co., Ltd. for 2022 to 2026, as well as other resolutions or reports.

2. Audit Committee

As at the end of the reporting period, the Audit Committee of the Company consisted of three Directors. Mr. Xu Yongbin, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Hu Tiangao, non-executive Director, and Mr. Wang Wei, independent non-executive Director.

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According to the Articles of Association, main duties of the Audit Committee are to examine our accounting policies, financial position, financial reporting procedures, and risk and compliance status; to propose the appointment or replacement of external auditors; to supervise our internal audit system and its implementation; to facilitate communication between internal auditors and external auditors; to review our financial information and the related disclosure and prepare conclusive reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration; to deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

During the reporting period, the Audit Committee mainly considered or heard the 2021 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2021 Audit Report on Internal Control of China Zheshang Bank Co., Ltd., Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2021, Proposal on the Engagement of an Accounting Firm for 2022, Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2021, Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2021, Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2021, Report on the Performance of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. for 2021, as well as other resolutions or reports. The Audit Committee also reviewed the independence of external auditors and provided recommendations to the Board on the appointment of external auditors, and considered the audit fees of external auditors for 2022.

During the reporting period, no former partners of any auditing firm which was responsible for auditing accounts of the Company were appointed by the Company as members of the Audit Committee.

3. Risk and Related Party Transaction Control Committee

As at the end of the reporting period, the Risk and Related Party Transaction Control Committee of the Company consisted of three Directors. Mr. Zhou Zhifang, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zheng Jindu, independent non-executive Director, and Mr. Wang Guocai, independent non-executive Director.

According to the Articles of Association, main duties of the Risk and Related Party Transaction Control Committee are to supervise the risk control by Senior Management of the Company; to assess our risk profile; to offer proposals on improving our risk management and internal controls; to review and approve general related party transactions of the Company or accept the filing of general related party transactions; to review and approve of major related party transactions of the Company or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Company's shares, which shall be submitted to the Board of Directors by the committee for approval; and to deal with other matters as authorized by the Board.

The Risk and Related Party Transaction Control Committee will review the effectiveness of the Company's risk management procedures and internal control procedures, to ensure the efficiency of the Company's business operations and achieve the Company's objectives and strategies.

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During the reporting period, the Risk and Related Party Transaction Control Committee primarily examined the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2021, 2021 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd., Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2021, Report on Implementation of Risk Preference for 2021 and Proposal on Risk Preference for 2022 of China Zheshang Bank Co., Ltd., Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2021, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2021, Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2022, Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2021, as well as other resolutions or reports.

4. Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Company consisted of three Directors. Mr. Wang Wei, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zhou Zhifang, independent non-executive Director, and Mr. Xu Yongbin, independent non-executive Director.

According to the Articles of Association, main duties of the Nomination and Remuneration Committee are to propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Company; to draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board; to recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board and etc.; to draft the remuneration policy and scheme for Directors and senior management, and make proposals to the Board; and to deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

The Nomination and Remuneration Committee under the Board makes recommendations to the Board on the remuneration package of individual executive Directors and senior management.

The nomination procedures for a director candidate of the Company are: the eligible shareholders will recommend candidates for directorship to the Company for consideration; the Nomination and Remuneration Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the candidates for directorship will be submitted in the general meeting by written resolutions. For details, please refer to the section headed "Directors and Board of Directors" in Articles of Association.

Criteria for selection and recommendation of candidates for directorship is that Directors shall have professional knowledge and work experiences necessary for performing their duties and meet conditions specified by the CBIRC, with their qualification for appointment subject to approval by the CBIRC.

The Company appoints or re-appoints its Directors in strict compliance with the Articles of Association of the Company. Pursuant to the Board diversity policy requirements in the Board Diversity Policy of China Zheshang Bank Co., Ltd., the Nomination and Remuneration Committee shall also pay attention to complementarities among candidates for directorship in terms of knowledge structure, professional competence and experience, cultural and educational background, gender and otherwise, to ensure that the Directors are well equipped, experienced and have diversified perspectives and views.

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During the reporting period, the Nomination and Remuneration Committee mainly considered Proposal on Preliminary Examination of Mr. Lu Jianqiang's Post-holding Qualification, the Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2021, Proposal on Results of 2021 Performance Evaluation of Directors by the Board of Directors, Proposal on Results of 2021 Performance Evaluation of Senior Management by the Board of Directors, Proposal on Amending the Measures for the Performance Evaluation and Accountability of Directors of China Zheshang Bank Co., Ltd., Proposal on Amending the Measures for the Performance Evaluation of Senior Management of China Zheshang Bank Co., Ltd., Proposal on Review of Mr. Fu Tingmei's Qualification as Independent Director, Measures for Approval of Senior Management Remuneration of CZBank (2022 edition), Proposal to Approve Remuneration of Senior Management of CZBank for 2021, Interim Measures for Senior Management Tenure System and Contractual Management of CZBank, Proposal on Appointment of Zhou Weixin and other resolutions or reports.

The Nomination and Remuneration Committee has established a policy on Directors' remuneration and regularly evaluated the performance of the executive Directors and approved the terms of service contracts of executive Directors. In addition, the Nomination and Remuneration Committee has implemented the policies on the nomination of directors as well as the nomination procedures and selection and recommendation criteria on candidates for directors. The Nomination and Remuneration Committee has reviewed the structure, number and composition of the Board (including skills, knowledge and experience) during the reporting period to make recommendations on any changes proposed on members of the Board for the purpose of complying with the long-term strategies of the Company.

5. Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the Company consisted of three Directors. Mr. Wang Guocai, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zheng Jindu, independent non-executive Director, and Mr. Zhou Zhifang, independent non-executive Director.

According to the Articles of Association, main duties of the Consumer Rights Protection Committee are to formulate strategies, policies and objectives of the consumer rights protection work; to guide, urge and supervise the Senior Management to effectively execute and implement relevant work, and regularly listen to the Senior Management's special reports on the progress of consumer rights protection work; to supervise and evaluate the comprehensiveness, timeliness and effectiveness of our consumer rights protection work as well as relevant duty performance status of the Senior Management; and to deal with other matters as authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee mainly considered the 2021 Work Report on Protection of Financial Consumer Rights and Interests and 2022 Work Plan of China Zheshang Bank Co., Ltd., CZBank 2021 Report on Internal Assessment and Evaluation of Consumer Rights and Interests Protection, CZBank Work Report on Protection of Financial Consumer Rights and Interests for the First Half of 2022, Report on Evaluation Results and Problem Rectification of Consumer Protection of Head Office and CBIRC in 2021, Analysis Report on Regulatory Complaint Notification in 2022 and other resolutions or reports.

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6. Inclusive Finance Development Committee

As at the end of the reporting period, the Inclusive Finance Development Committee of the Company consisted of six Directors. Mr. Zhang Rongsen (acts as the acting committee chairman), President and Executive Director, served as the committee chairman. Other committee members included Ms. Ma Hong, executive Director, Mr. Chen Haiqiang, executive Director, Mr. Hou Xingchuan, non-executive Director, Mr. Ren Zhixiang, non-executive Director, and Mr. Zhu Weiming, Non-executive Director.

Main duties of the Inclusive Finance Development Committee are to formulate the development planning of inclusive finance business, deliberate the operation plans, and evaluate the assessment methods.

During the reporting period, the Inclusive Finance Development Committee mainly considered the 2022 Work Plan on Small and Micro Enterprises under Inclusive Finance of China Zheshang Bank Co., Ltd. and other resolutions.

(VI) Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the general meetings, and oversees the strategic planning, business decisions, financial activities, risk management, internal control and corporate governance of the Company, and the duty performance of the Directors and the senior management with an aim to protect the legitimate rights and interests of the Company, Shareholders, employees, creditors and other stakeholders.

1. Composition of Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Company consists of 7 members, among them, 3 employee Supervisors have participated in economics and banking operation and administration for a long time, and thus accumulated rich professional experience in economics and finance; and the 4 external Supervisors have been engaged in finance, economics and law, etc., and have thus accumulated extensive experience in those fields and unique perspectives. The composition of the Board of Supervisors of the Company has adequate expertise and independence which ensures the effective supervision by the Board of Supervisors.

A Supervision Committee and a Nomination Committee are established under the Board of Supervisors of the Company.

2. Performance of Board of Supervisors

The Board of Supervisors performs its supervisory duties primarily by holding regular meetings of supervisors and special committees to consider, review and hear relevant issues, attending shareholders' general meetings, being present at the board meetings and special committee meetings; attending related meetings on operation and management held by the Senior Management; reviewing related work reports or professional reports of the Senior Management and departments; making performance appraisal on directors, supervisors or senior management; reviewing various documents, information and statements of the Company; carrying out special investigations and surveys at branches; putting forward work opinions and suggestions to the Board of Directors and Senior Management.

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During the reporting period, the Board of Supervisors convened 11 meetings, of which 7 were onsite meetings and 4 were by way of telecommunications. 33 proposals were considered and 28 proposals were considered and listened to regarding corporate governance, regular report, evaluation of the duty performance of the Directors, Supervisors and Senior Management, business innovation, business operations, risk management, financial activities, internal control and case prevention and internal audit, etc.

According to the provisions of relevant laws, regulations and the Articles of Association of the Company, the supervisors attended all general meetings, all meetings of the Board of Directors and some special committees under the Board of Directors, and performed supervision on legal compliance of holding general meetings and Directors' meetings, the procedures for voting by poll as well as the Directors' attendance of meetings, providing opinions and voting, etc.

All the 4 external Supervisors of the Company can exercise the supervision function independently. In performing their duties, the external Supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the special committees under the Board of Supervisors, attending general meetings, being present at the meetings of the Board of Directors and its special committees, participating in the survey activities of the Board of Supervisors on branch outlets, and reviewing carefully all kinds of documents, data and statements. Meanwhile, they expressed their independent opinions or suggestions about major issues, and exchanged opinions with the Board of Directors and Senior Management about the problems found out, which played an active role for the Board of Supervisors to perform their supervision duties.

During the reporting period, the Board of Supervisors of the Company had no objection to the matters supervised.

3. Information on training and survey of Supervisors

In the year, Supervisors were organized to participate in two thematic training of Anti-Money Laundering.

In the year, Supervisors were organized to carry out in-depth investigations in 19 branches, namely Shenzhen Branch, Beijing Branch, Taizhou Branch, Huzhou Branch, understood the implementation of head office system and decision and the transformation and development of branch and risk management, and proactively provided advices and recommendations to relevant leaders.

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(VII) Special Committees under Board of Supervisors

The Nomination Committee under the Board of Supervisors consisted of 3 Supervisors, and the Supervision Committee consisted of four Supervisors, and the external Supervisor served as the committee chairman.

1. Nomination Committee under Board of Supervisors

As at the end of the reporting period, the members of Nomination Committee under Board of Supervisors are Mr. Gao Qiang (committee chairman), Mr. Guo Dingfang, and Mr. Song Qinghua.

The main duties of the Nomination Committee are as follows: to draft standards and procedures of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholders serving as Supervisors and external Supervisors and give suggestions to the Board of Supervisors; to propose to the Board of Supervisors candidates of Chairman and Vice Chairman of the Board of Supervisors based on the actual condition of the Company; to propose to the Board of Supervisors candidates of chairmen of various special committees; to supervise the election and appointment of Directors; to draft remuneration plans for Supervisors, make proposals to the Board of Supervisors and supervise the implementation of the said plans after they have been considered by the Board of Supervisors and have been submitted to the general meetings for consideration; to supervise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management; to be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management, making proposals to the Board of Supervisors and implementing these measures after submitting them to the Board of Supervisors for consideration and decision-making; to assist the Board of Supervisors office with the establishment of a duty performance supervision recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee of the Board of Supervisors held a total of 6 meetings, mainly considering measures for evaluation of the duty performance of the Directors, Supervisors and Senior Management of the Company, the Candidates for External Supervisors of the Sixth Session of the Board of Supervisors, chairman of Nomination Committee, director of the office of the Board of Supervisors, Results of 2021 Performance Evaluation of Directors, Supervisors and Senior Management, and other resolutions.

2. Supervision Committee under Board of Supervisors

As at the end of the reporting period, the members of Supervision Committee under Board of Supervisors are Mr. Zhang Fanquan (committee chairman), Mr. Pan Huafeng, Mr. Chen Zhongwei and Mr. Chen Sanlian.

The main duties of the Supervision Committee are as follows: to draft plans of supervision on the financial activities of the Company and conducting relevant inspections; to supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; to regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports; to instruct the work of the internal audit department of

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the Company; to carry out a review of any resigning senior management when necessary; to supervise the duty performance by Directors, Supervisors and senior management; to supervise and inspect major operational decisions of the Company; to supervise and inspect risk management of the Company; to supervise and inspect the soundness and effectiveness of the internal control of the Company; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Supervision Committee held a total of 3 meetings, considering the 2021 Annual Report of the Company, the management and implementation of the consolidation of statements for 2021, Social Responsibility Report for 2021, Internal Audit Work Report for 2021, Internal Control Evaluation Report for 2021, the First Quarterly Report of 2022, the 2022 Interim Report, the Third Quarterly Report of 2022 and otherwise, and listening to the reports on the financial position of the Company in 2021 etc. Moreover, the members of the Supervision Committee also attended 10 meetings of the Risk and Related Party Transaction Control Committee under the Board of Directors, supervised the process of consideration on related party transactions and Directors' duty performance.

(VIII) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and Board of Supervisors. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the one-level legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the head office and are accountable to the head office.

According to the Articles of Association, the Board of Directors exercises the functions and powers of appointing or dismissing the Bank's president, listening to the work report of the president and reviewing his performance, monitoring and ensuring the Senior Management's efficient fulfillment of management duties. The Company adopts a system by which the President shall assume overall responsibility in operation and management of the Company, and the President shall be accountable to the Board of Directors.

The Company has no controlling Shareholder and de facto controller. The Company and the Shareholders are completely independent in terms of assets, businesses, personnel, organizations and finance, etc. The Company has complete and independent operation capacity. The Board of Directors, Board of Supervisors and internal units of the Company operate independently.

(IX) Chairman and President

According to the Code C.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Due to work arrangement, the Board of the Bank elected Mr. Zhang Rongsen, an executive Director and the President of the Bank, to act as the acting chairman of the Board, until the appointment of the new chairman of the Board and the qualification of such position is approved by CBIRC. Based on the recommendations of the CPC Zhejiang Province Committee, Zhejiang Provincial Government and the relevant authorities, the Board will complete the appointment of the new chairman of the Board in due time and in accordance with the statutory procedures.

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(X) Company Secretary

Mr. Liu Long is the company secretary of the Company, mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary.

During the reporting period, Mr. Liu Long was complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

(XI) Securities Transactions of Directors and Supervisors

The Company has adopted a code of conduct for securities transactions by directors and supervisors no less exacting than the Model Code in the Appendix 10 of the Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors and confirmed that they had been complying with the aforesaid code of conduct during the reporting period.

(XII) Relationship between Directors, Supervisors and Senior Management

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

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

1. To hold extraordinary general meeting

At the request of the Shareholders separately or jointly holding 10% or more of the total Shares, the Company shall hold an extraordinary general meeting within two months.

When the Shareholders request to convene an extraordinary general meeting or a Shareholders' class meeting, the following procedures shall be observed: the Shareholders separately or jointly holding 10% or more of the total Shares submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting or a Shareholders' class meeting.

If the Board of Directors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

Corporate Governance

If the Board of Directors does not agree to convene the extraordinary general meeting or a Shareholders' class meeting, or fails to reply within ten days after receiving the proposal, the Shareholders separately or jointly holding 10% or more of the total Shares have the right to propose to the Board of Supervisors to hold the extraordinary general meeting or a Shareholders' class meeting, provided that written request shall be submitted to the Board of Supervisors.

If the Board of Supervisors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Supervisors fails to provide the notice of holding general meeting or a Shareholders' class meeting within the specified period, it shall be deemed that Board of Supervisors will not convene and preside over the general meeting or a Shareholders' class meeting, the Shareholders separately or jointly holding 10% or more of the total Shares may convene and preside over such meetings at their own discretion.

If the Board of Supervisors or the Shareholders decide to convene the general meeting on their own, they shall notify the Board of Directors in writing and file with the local banking supervisory authorities and other regulatory authorities. The Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of members as of the record date, and the reasonable cost required for the meeting shall be borne by the Company, which shall be deducted from the payment due to the default Directors.

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 3% or more of the voting Shares have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 3% or more of the voting Shares may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting or at least two days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). The convener shall issue the supplementary notice of the general meeting within two days after receiving the relevant proposal to disclose the contents of the temporary proposal. For the contact details, please refer to "Company Profile" of this report.

3. To hold extraordinary meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total Shares, the chairman shall convene and preside over an extraordinary meeting of Board of Directors within ten days after receiving the proposal.

Corporate Governance

4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the share register; personal information of the Directors, Supervisors and senior management of the Company; the Company's equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Company since the last financial year as well as the total expenses the Company paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of Board of Supervisors; bond stubs of the Company; the audited financial report, report of Board of Directors, report of Board of Supervisors, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Market Regulation or other regulatory authorities. For the contact details, please refer to "Company Profile" of this report.

(XIV) Implementation of Information Disclosure

During the reporting period, the Company faithfully performed the obligation of information disclosure, constantly improved regular reporting disclosures, and disclosed temporary announcements in a more active and timely manner. With continuous improvement of the effectiveness and transparency of information disclosure, the Company has won the highest rating of Class A for two consecutive years on information disclosure work for 2021 – 2022 assessed by the Shanghai Stock Exchange.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information disclosures, to disclose information in a timely and compliant manner according to the requirements and procedures of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

During the reporting period, the Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 119 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 152 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company.

(XV) Investor Relations Management

The Company consistently conducts good management on investor relations. It has set up an independent investor relation team to explore and practice richer and more novel investor relation methods. The Company is committed to improving investors' recognition of the Company and building mutual trustworthy relationships with the investors through sufficient information disclosure and proactive communication, in order to protect legitimate rights and interests of the investors, maximize the interests of the investors and promote the unification between the market value and the intrinsic value.

Corporate Governance

During the reporting period, the Company organized and held annual online results presentation via live webcast to answer investors' concerns in a timely manner and made a meeting record about the communication situations at the meeting site for public inspection. The Company convened the first new strategy presentation after the appointment of the new management of the Company, where with the theme of "reconstruction and win-win", they conducted communication and discussion about many topics such as building the business strategy of "taking the assets with low sensitivity to economic cycle as ballast stone" and the judgment criteria for "good banks" in the market, so as to further strengthen the market's comprehensive understanding of the Company.

During the reporting period, the Company cooperated with the leading financial internet platform company and officially launched the official Tongshun Hao (同順號) of "CZBank" to create a new financial internet platform for investor relations management. Relying on continuous dissemination of the information of the Company through various flexible and vivid means, the Company enhanced the coverage of information output to small and medium-sized investors, and monitored the market attention and the dynamics of media public opinion in a timely manner. Since the launch of the Tongshun Hao (同順號) of "CZBank", the original video and copywriting have received high reading volume and feedback from investors.

During the reporting period, the Company continued to kept communication with the front line in the market for feedback on the hot topics concerned by various investors in a timely manner, regularly responded to investors' concerns on the "Shanghai Stock Exchange e-Interactive (上證 e 互動)", handled the IR emails, answered the investor hotline, and conducted good collection and feedback of investor information. The Company timely updated the investor relations related contents on the official website of the Company according to the publication schedule of the annual reports, quarterly reports, the latest strategy, business priority and financial data of the Company.

The Board regularly reviews the shareholders communication policy to ensure its implementation and effectiveness and to reflect current best practices in communications with the shareholders and the investment community. The review was conducted during the reporting period and the effectiveness of the shareholders communication policy was confirmed.

(XVI) Major Changes of the Articles of Association

There were no significant changes to the Company's Articles of Association during the reporting period.

(XVII) Statement of Compliance with the Corporate Governance Code as Set out in the Hong Kong Listing Rules

The Company agrees to the principles as set out in Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules). From January 1, 2022 to December 31, 2022, the Company has been in full compliance with the code provisions under such Code, except for the following:

According to the Code C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Due to work arrangement, on January 14, 2022, the Board of the Bank elected Mr. Zhang Rongsen, an executive Director and the President of the Bank, to act as the acting chairman of the Board, until the appointment of the new chairman of the Board and the qualification of such position is approved by CBIRC. Based on the recommendations of the CPC Zhejiang Province Committee, Zhejiang Provincial Government and the relevant authorities, the Board will complete the appointment of the new chairman of the Board in due time and in accordance with the statutory procedures.

Corporate Governance

(XVIII) Risk Management and Internal Control

In accordance with the requirements of Commercial Banking Law 《商業銀行法》, Basic Rules on Enterprise Internal Control 《企業內部控制基本規範》, Internal Control Guidelines for Commercial Banks 《商業銀行內部控制指引》 and other laws and regulations, the Company has established standardized corporate governance structure and defined the scope of rights, responsibility assignment and rules of procedures for the general meeting, Board of Directors, Board of Supervisors and Senior Management. Such organizations as Audit Committee and the Risk and Related Party Transaction Control Committee have been established under the Board of Directors to take charge of the establishment and implementation of sufficient and effective risk management and internal control system and review of the sufficiency and effectiveness of such systems. The Supervision Committee has been established under the Board of Supervisors to take charge of the supervision on sufficiency and effectiveness of internal control systems of the Board of Directors and Senior Management. The risk management and internal control committee has been established under the Senior Management to take charge of the organization and coordination of internal control management as well as establishment and improvement of the concept, system and organizational structure of internal control.

The Company has strictly complied with the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, established and continuously improved internal control and risk management system by taking account of the practical situation of the Company to reasonably ensure that the operation management complies with the laws and rules, that the assets are safe and that the financial reports and relevant information are true and complete to improve the operating efficiency and effectiveness and to promote the fulfillment of development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

During the reporting period, focusing on the target vision of being “a first-class commercial bank”, the Company deeply implemented the twelve-word operation approach, fully adhered to the keynote of strictness, and further strengthened the construction of internal control culture to improve the internal control system, optimize internal control measures and enhance the effectiveness of internal control. The Company actively implemented the corporate culture of “service, compliance, excellence and harmony”, and promoted the construction of “a first-class commercial bank” with first-class cultural soft power. With the guidance to construct a transformational organization, the Company improved the assessment and incentive mechanism. We implemented the system of “unified legal person and authorised operation” and the authorized management in accordance with the principles of “limit upon levels, differentiation, dynamic adjustment and consistent rights and responsibilities”. With the goal of “being rigorous and simple”, the Company sorted out its systems and processes to actually improve the management efficiency. The Company promoted the four special actions of risk prevention and control as a whole, and persistently resolved risks in key fields. The Company improved the data governance system, linked data resources extensively, enhanced data decision-making capabilities, and comprehensively promoted the construction of digital intelligence capabilities. The Company deepened overall supervision and inspection, improved the mechanism for rectifying violations, strengthened root-cause rectifications, and continued to improve mechanisms, systems, and processes. The Board will review the effectiveness of the risk management and internal control systems on an annual basis, and such review was conducted during the reporting period. The risk management and internal control system operated smoothly, adequately and effectively throughout the year, providing strong guarantee for the Company’s high-quality development.

Corporate Governance

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2022 in accordance with the requirements of the CSRC and Shanghai Stock Exchange. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at December 31, 2022 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank's internal control over financial reporting as at December 31, 2022 and issued the standardized audit report on internal control.

(XIX) External Auditors and Their Remuneration

For the Company's external auditors and their remuneration, please see "Directors' Report –Employment of Accounting Firms and Sponsors" of this report.

The responsibility statement of the Company's external auditors on its financial statements is set out in "Financial Report" of this report.

(XX) Internal Audit

The Bank has established the independent and vertical internal audit organization system, which reports to the Board of Directors and the Audit Committee thereof, while guided and supervised by the Board of Supervisors as well. During the reporting period, the Bank implemented the reform of the audit system, whereby all the original 19 domestic branch audit divisions were under vertical management and 3 new branch audit divisions were established, 22 branch audit divisions, as resident agencies under the Audit Department of the Head Office, were placed under the unified leadership and management of the Audit Department of the Head Office, responsible for the audit of the branch departments and the subordinate agencies in the places where they were located. In accordance with regulatory requirements, a separate audit department has been set up in the Hong Kong branch. There are four direct audit branches at the head office level, which are responsible for the audit supervision of the head office level, the management team of each branch, and branches without resident agencies. Five centres, namely the Comprehensive Management Centre (Evaluation and Accountability Centre), the Off-Site Audit Centre, the Quality Control Centre and the Regulatory Affairs Centre, were also established to intensify the control over audit quality as well as accountability management of risk events, and to improve the frequency and effectiveness of audits in specific business, specific areas and important functional departments.

During the reporting period, under the guidance of the vision of being "a first-class commercial bank", the Company actively adhered to the keynote of strictness and various regulatory requirements, and carried out the audit work by focusing on the four strategic priorities and five business segments. We have six "Must Audit" key areas, namely credit approval, business pricing, risk disposal, centralized procurement, use of expenses and selection and appointment, so that auditing supervision covered all operation and management activities of the Bank.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2021		Increase/Decrease during the reporting period (+, -)					December 31, 2022	
	Number	Proportion (%)	Issuance of New Shares	Bonus Issue	Share Capital	Other	Subtotal	Number	Proportion (%)
					converted from reserve fund				
I. Shares Subject to Selling Restrictions	9,704,050,594	45.63	-	-	-	-9,704,050,594	-9,704,050,594	-	-
1. Shares Held by State	-	-	-	-	-	-	-	-	-
2. Shares Held by State-owned									
Legal Persons	3,496,621,526	16.44	-	-	-	-3,496,621,526	-3,496,621,526	-	-
3. Other Domestic Shares	6,207,429,068	29.19	-	-	-	-6,207,429,068	-6,207,429,068	-	-
Including: Shares Held by									
Domestic Non-State-owned Legal Persons	6,207,429,068	29.19	-	-	-	-6,207,429,068	-6,207,429,068	-	-
Shares Held by Domestic Natural Persons	-	-	-	-	-	-	-	-	-
4. Foreign Shares	-	-	-	-	-	-	-	-	-
Including: Shares Held by Foreign									
Legal Persons	-	-	-	-	-	-	-	-	-
Shares Held by Foreign Natural Persons	-	-	-	-	-	-	-	-	-
II. Listed Shares without Selling Restrictions	11,564,646,184	54.37	-	-	-	+9,704,050,594	+9,704,050,594	21,268,696,778	100.00
1. RMB Ordinary Shares	7,010,646,184	32.96	-	-	-	+9,704,050,594	+9,704,050,594	16,714,696,778	78.59
2. Domestic Listed Foreign Shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed Foreign Shares	4,554,000,000	21.41	-	-	-	-	-	4,554,000,000	21.41
4. Other	-	-	-	-	-	-	-	-	-
III. Total Ordinary Shares	21,268,696,778	100.00	-	-	-	-	-	21,268,696,778	100.00

As of the end of the reporting period, the issued shares of the Bank were 21,268,696,778 ordinary shares, including 16,714,696,778 A Shares and 4,554,000,000 H Shares.

Changes in Shares and Information on Shareholders

2. Description on Change in Ordinary Shares

During the reporting period, changes in Ordinary Shares were mainly due to the listing and trading of the restricted shares (A Shares) under the initial public offering with a lockup period of 36 months on the Shanghai Stock Exchange.

3. Effects of Change in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share for the Latest Year and Period

Nil.

4. Changes in A Shares Subject to Lock-up

During the reporting period, the restricted shares (9,704,050,594 A shares in total) under the initial public offering of the Company with a lockup period of 36 months were listed and traded on the Shanghai Stock Exchange as at November 28, 2022. For details, please refer to the Announcement on the Listing and Circulation of Restricted Shares upon the Initial Public Offering of China Zheshang Bank Co., Ltd. (No.: 2022-056) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

(II) Issuance and Listing of Securities

1. Issuance of Securities during the Reporting Period

During the reporting period, the Company had not issued any new ordinary shares.

2. Description on Change in Asset and Liability Structure

Nil.

Changes in Shares and Information on Shareholders

(III) Information on Shareholders of Ordinary Shares

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Bank had 247,339 shareholders of ordinary shares in total, including 247,218 shareholders of A Shares and 121 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 247,068 shareholders of ordinary shares, including 246,947 shareholders of A Shares and 121 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (or shareholders without selling restrictions) was as follows:

Unit: Share

Name of Shareholder (full name)	Increase/ Decrease during the reporting period	Number of shares held at the end of period	Proportion (%)	Class of shares	Number of shares held subject to selling restrictions	Status of Shares	Pledge and freezing Number	Nature of shareholders
HKSCC Nominees Limited	-39,000	4,553,743,800	21.41	H Share without selling restrictions	-	Unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	2,655,443,774	12.49	A Share without selling restrictions	-	-	-	State-owned Legal Person
Traveller Automobile Group Co., Ltd.	-	1,346,936,645	6.33	A Share without selling restrictions	-	Freezing	1,346,936,645	Domestic Non-State-owned Legal Person
Hengdian Group Holdings Limited	-	1,242,724,913	5.84	A Share without selling restrictions	-	-	-	Domestic Non-State-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	841,177,752	3.96	A Share without selling restrictions	-	-	-	State-owned Legal Person
Minsheng Life Insurance Company Ltd. — self-owned capital	-	803,226,036	3.78	A Share without selling restrictions	-	-	-	Domestic Non-State-owned Legal Person
Zhejiang Yongli Industry Group Co., Ltd.	-	548,453,371	2.58	A Share without selling restrictions	-	Pledge	548,453,371	Domestic Non-State-owned Legal Person
Tong Lian Capital Management Co., Ltd.	-6,010,609	537,700,000	2.53	A Share without selling restrictions	-	-	-	Domestic Non-State-owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	508,069,283	2.39	A Share without selling restrictions	-	Pledge	508,069,283	Domestic Non-State-owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	494,655,630	2.33	A Share without selling restrictions	-	Pledge	494,655,630	Domestic Non-State-owned Legal Person

Notes:

- The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H shares which were trading in its transaction system. Whether the H Shares were pledged was unknown to the Bank.

Changes in Shares and Information on Shareholders

2. As of the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship. Apart from that, the Bank is not aware of other connected relationship between the above shareholders or whether they are parties acting in concert.
3. To the best knowledge of the Company, as of the end of the reporting period, the above shareholders were not involved in any margin financing and securities lending and refinancing business.
4. It was noted that the name of Tong Lian Capital Management Co., Ltd. was changed to Zewei Technology Co., Ltd. in January 2023.

(IV) Information on the Controlling Shareholders and De Facto Controllers

As of the end of the reporting period, the Bank had no controlling shareholders and de facto controllers.

(V) Information on the Company's Largest Shareholder of Ordinary Share

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.49% of the shares of the Company and was the Company's largest shareholder.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Yang Qiangmin (楊強民). With a registered capital of RMB12.0 billion and registered in Hangzhou, Zhejiang Province, Zhejiang Provincial Financial Holdings Co., Ltd. is a financial investment management platform of Zhejiang Provincial Government and is mainly engaged in financial equity investment, government equity investment fund management, asset management and other business. The controlling shareholders and de facto controllers of Zhejiang Provincial Financial Holdings Co., Ltd. is Zhejiang Provincial Department of Finance, which holds 100% equity interest of Zhejiang Provincial Financial Holdings Co., Ltd.

Changes in Shares and Information on Shareholders

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2022

Unit: Share, %

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	12.49	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	6.99	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	-	State-owned Assets Supervision And Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision And Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zheneng Capital Investment (Hong Kong) Limited (H share)	365,633,000	1.72			-	Zhejiang Energy Capital Holdings Co., Ltd.		Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.32			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.
5	Traveller Automobile Group Co., Ltd. ⁽¹⁾	1,346,936,645	6.33	6.33	Holding 5% or more of our Bank's shares	-	-	-	-	-

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
6	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2.39	5.84	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd.
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33			494,655,630	Hangzhou Wan Yong Industry Investment Co., Ltd.		Nil	Zhejiang Hengyi Group Co., Ltd.
8	Zhejiang Hengyi Petrochemical Co., Ltd.	240,000,000	1.13			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
9	Hengdian Group Holdings Limited	1,242,724,913	5.84	5.84	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
10	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	925,700,000	4.35			-	Zhejiang Seaport Asset Management Co., Limited	State-owned Assets Supervision	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
11	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	135,300,000	0.64	4.99	Jointly dispatch Directors to our Bank	-	State-owned Assets Supervision And Administration Commission of the People's Government of Ningbo Municipal	And Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.

Notes:

- (1) All our shares held by Traveller Automobile Group Co., Ltd. have been judicially frozen. The judicial disposal has not been completed, and the completion time is uncertain. Traveller Automobile Group Co., Ltd. did not provide information on and the Company was not aware of its controlling shareholder, De facto controller, parties acting in concert, and ultimate beneficial owner.
- (2) Since August 24, 2022, Zhejiang China Light & Textile Industrial City Group Co., Ltd. and its related parties, Shaoxing City Kejiao District Development and Operation Group Co., Ltd. have not appointed any supervisors, so they do not constitute substantial shareholders of the Company.

(VII) Pledge and Freezing of Ordinary Shares

As at the end of the reporting period, to the knowledge of the Company, 2,993,341,771 shares of the Bank (representing 14.07% of the total ordinary shares in issue) were pledged, of which, 1,981,408,034 shares were subject to judicial freezing.

Changes in Shares and Information on Shareholders

(VIII) Interests in Shares and Short Positions in Accordance with the Hong Kong Securities and Futures Ordinance

As of December 31, 2022, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	2,655,443,774	12.49	15.89
Traveller Automobile Group Co., Ltd. (Note 1)	Beneficial owner	A Shares	Long position	1,346,936,645	6.33	8.06
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Association For Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	841,177,752	3.96	5.03
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy Capital Holdings Co., Ltd.	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zheneng Capital Investment (Hong Kong) Limited	Beneficial owner	H Shares	Long position	365,633,000	1.72	8.03
Zhejiang Energy International Co., Ltd.	Beneficial owner	H Shares	Long position	280,075,000	1.32	6.15
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,061,000,000	4.99	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	925,700,000	4.35	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	925,700,000	4.35	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	934,000,000	4.39	20.51

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
FTLIFE INSURANCE COMPANY LIMITED	Beneficial owner	H Shares	Long position	256,282,000	1.20	5.63
EARNING STAR LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
SUCCESS IDEA GLOBAL LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
NWS SERVICE MANAGEMENT LIMITED ^(Note 2)	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
NWS SERVICE MANAGEMENT LIMITED ^(Note 2)	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
NWS HOLDINGS LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
NEW WORLD DEVELOPMENT COMPANY LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
CHOW TAI FOOK ENTERPRISES LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
CHOW TAI FOOK (HOLDING) LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
CHOW TAI FOOK CAPITAL LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
CHENG YU TUNG FAMILY (HOLDINGS) LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
CHENG YU TUNG FAMILY (HOLDINGS II) LIMITED	Interest of controlled corporation	H Shares	Long position	256,282,000	1.20	5.63
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Beneficial owner	H Shares	Long position	250,000,000	1.18	5.49
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Shanghai Run Kuan Investment Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Liu Yaozhong (劉耀中)	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Great Wall Securities Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Jiaxing Credit Lingxin Investment Partnership Enterprise (Limited Partnership) (嘉興信業領信投資合夥企業(有限合夥))	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Aeon Life Insurance Co. Ltd.	Beneficial owner	H Shares	Long position	228,651,000	1.08	5.02

Notes:

- (1) Since Traveller Automobile Group Co., Ltd., one of the shareholders, cannot provide relevant information, the Company is not aware of the latest situation of its share interests and short position.
- (2) These two companies that have the same name have different addresses of registration. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on December 31, 2022.

(IX) Issue of Bonds

On June 13, 2018, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2017] No.339) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2017] No.232), the Company publicly issued the first tranche of tier-two capital bonds of 2018 of China Zheshang Bank Co., Ltd. in an amount of RMB15 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, and the Company may exercise the right of redemption with pre-conditions upon the expiry of the first five-year period. Raised proceeds will all be used to replenish the tier-two capital of the Company. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AA+.

Changes in Shares and Information on Shareholders

On March 3, 2020, according to the approvals in the documents issued by the CBIRC (Yin Bao Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the first tranche of 2020 special financial bonds for small and micro corporate of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 8, 2020, according to the approvals in the documents issued by the CBIRC (Yin Bao Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the second tranche of 2020 special financial bonds for small and micro corporate of China Zheshang Bank Co., Ltd. in the amount of RMB15 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

On September 24, 2021, according to the approvals in the documents issued by the CBIRC (Yin Bao Jian Fu [2021] No.717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No.19), the Company publicly issued the first tranche of 2021 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On February 23, 2022, according to the approvals in the documents issued by the CBIRC (Yin Bao Jian Fu [2021] No.717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No.19), the Company publicly issued the first tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 7, 2022, according to the approvals in the documents issued by the CBIRC (Yin Bao Jian Fu [2021] No.717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No.19), the Company publicly issued the second tranche of 2020 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

Changes in Shares and Information on Shareholders

On October 18, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued the third tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years for RMB5 billion and a term of 5 years for remaining RMB5 billion and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans and supporting the construction of Zhejiang Demonstration Zone for Common Prosperity. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On December 13, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued 2022 green financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and proceeds from the issue of the bonds will be used in the green industrial projects stipulated by Green Bond Endorsed Project Catalogue (2021 Edition) 《綠色債券支持項目目錄(2021年版)》 pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On December 13, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued 2022 special financial bonds for "agriculture, rural areas and farmers" of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending agriculture-related loans, increasing the support for credit availability to the fields of "agriculture, rural areas and farmers", boosting the development of issuers' financial services regarding "agriculture, rural areas and farmers" in a rapid and healthy manner, and strengthening the support for financial services regarding rural revitalization pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

(X) Information about Offshore Preference Shares

1. Issuance and listing of preference shares in the past three years

As of the end of the reporting period, the Company had not issued any preference shares in the past three years.

Changes in Shares and Information on Shareholders

2. Number of shareholders and shareholding of preference shares

The Company has redeemed all of US\$2.175 billion offshore preference shares on March 29, 2022. As of the end of the reporting period, the Company had no existing preference shares.

3. Profit distribution for preference shares

The Company paid the dividend in cash once a year to the holders of the Offshore Preference Shares. The dividend not paid by the Company in full to the holders of the Offshore Preference Shares will not be accumulated to the next interest-bearing year. After being distributed with the dividend according to the agreed dividend rate, the holders of the Offshore Preference Shares shall no longer participate in the distribution of the remaining profits with the holders of the Ordinary Shares.

According to the resolution and authorization of shareholders' general meeting, the Board meeting dated January 25, 2022 deliberated and adopted the Proposal for Distributing Dividends for Offshore Preference Shares, approving the Company to distribute the dividends for Offshore Preference Shares on March 29, 2022. Pursuant to relevant laws and regulations of China, while distributing dividends for Offshore Preference Shares to offshore non-resident corporate shareholders, the Company shall withhold and pay on their behalf the corporate income tax calculated on a tax rate of 10%. According to relevant terms and conditions with respect to the Company's Offshore Preference Shares, relevant taxes and fees shall be paid by the Company. The dividends for Offshore Preference Shares distributed this time totaled US\$131,708,333.33, including: US\$118,537,500 actually paid to shareholders of the Offshore Preference Shares based on an annual dividend yield of 5.45%; pursuant to relevant legal regulations, the corporate income tax withheld and paid on behalf based on a tax rate of 10% was US\$13,170,833.33.

For the implementation plan for the distribution of dividends for Offshore Preference Shares, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company.

The above dividend was paid in cash on March 29, 2022.

4. Redemption or conversion of preference shares

The Company made a non-public issuance of US\$2.175 billion Offshore Preference Shares on March 29, 2017, which were listed on the Hong Kong Stock Exchange. For the issuance terms of the Offshore Preference Shares, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

On December 17, 2021, the 2021 Third Extraordinary Meeting of the Sixth Session of the Board of Directors of the Company considered and approved the Proposal on Redemption of Offshore Preference Shares, agreeing to the full redemption of US\$2.175 billion offshore preference shares. The Company received a reply letter from the CBIRC in January 2022, which had no objection to the redemption.

In accordance with the terms and conditions of the Company's offshore preference shares, the Company has redeemed all of the offshore preference shares on March 29, 2022 (the "Redemption Date"). The redemption price per share shall be the issue price per offshore preference share (i.e. the Liquidation Preference Amount) plus any dividends per share declared but not yet paid for the period from the previous dividend payment date (inclusive) to the Redemption Date (exclusive). The total redemption consideration is US\$2,293,537,500, including US\$2.175 billion for the liquidation preference amount of the offshore preference shares, and the dividends of US\$118,537,500. For details, please refer to the Company's announcements published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

During the reporting period, no conversion occurred for the Company's preference shares.

5. Resumption of voting rights for preference shares

During the reporting period, no resumption of voting rights occurred for the Company's preference shares.

(XI) Information about Undated Capital Bond

As considered and approved at the sixth extraordinary meeting of the fifth session of the Board of the Company in 2020 and the Company's 2021 first extraordinary general meeting and with the approval from the CBIRC and the People's Bank of China, the Company successfully issued undated capital bonds with a total issue amount of RMB25.0 billion on November 25, 2021 in China's national inter-bank bond market. The coupon rate is 3.85% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of Directors, Supervisors and senior management as at the end of the reporting period

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zhang Rongsen (張榮森)	Executive Director, President	Male	1968.10	2021.08–2024.07	738,000	1,341,100	224.66	No
Ma Hong (馬紅)	Executive Director	Female	1972.04	2021.11–2024.07	0	63,900	141.56	No
Chen Haiqiang (陳海強)	Executive Director, Vice President, Chief Risk Officer	Male	1974.10	2021.11–2024.07 (Executive Director) 2020.07–2024.07 (Vice President) 2021.06–2024.07 (Chief Risk Officer)	257,000	580,000	189.88	No
Hou Xingchuan (侯興訓)	Non-executive Director	Male	1976.07	2022.01–2024.07	0	0	–	Yes
Ren Zhixiang (任志祥)	Non-executive Director	Male	1969.02	2020.11–2024.07	0	0	–	Yes
Gao Qinrong (高勤紅)	Non-executive Director	Female	1963.07	2004.07–2024.07	0	0	–	Yes
Hu Tiangao (胡天高)	Non-executive Director	Male	1965.09	2004.07–2024.07	0	0	–	Yes
Zhu Weiming (朱瑋明)	Non-executive Director	Male	1969.03	2016.12–2024.07	0	0	–	Yes
Zheng Jindu (鄭金都)	Independent non- executive Director	Male	1964.07	2016.01 – Approval date of qualification for taking office as new independent director	0	0	33.33	Yes
Zhou Zhifang (周志方)	Independent non- executive Director	Male	1956.12	2018.10–2024.07	0	0	36.67	No
Wang Guocai (王國才)	Independent non- executive Director	Male	1956.11	2018.10–2024.07	0	0	35.00	No
Wang Wei (汪偉)	Independent non- executive Director	Male	1967.08	2020.11–2024.07	0	0	33.33	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Xu Yongbin (許永斌)	Independent non-executive Director	Male	1962.12	2022.02–2024.07	0	0	30.83	No
Shen Renkang (沈仁康)	Former Chairman, executive Director	Male	1963.01	2014.09–2022.01	70,000	70,000	6.41	No
Tong Benli (董本立)	Former independent non-executive Director	Male	1950.08	2015.06–2022.02	0	0	5.00	No
Dai Deming (戴德明)	Former independent non-executive Director	Male	1962.10	2015.06–2022.02	0	0	5.00	No
Liu Pak Wai (廖柏偉)	Former independent non-executive Director	Male	1948.01	2015.07–2022.02	0	0	5.00	No
Guo Dingfang (郭定方)	Employee Supervisor, Chairman of Board of Supervisors	Male	1969.10	2021.07–2024.07	0	0	118.75	No
Pan Huafeng (潘華楓)	Employee Supervisor	Male	1972.01	2021.07–2024.07	0	0	–	No
Chen Zhongwei (陳忠偉)	Employee Supervisor	Male	1970.09	2018.06–2024.07	0	0	–	No
Gao Qiang (高強)	External Supervisor	Male	1960.09	2022.06–2024.07	0	0	15.67	Yes
Zhang Fanquan (張范全)	External Supervisor	Male	1960.10	2021.07–2024.07	0	0	31.67	No
Song Qinghua (宋清華)	External Supervisor	Male	1965.09	2021.07–2024.07	0	0	30.00	No
Chen Sanlian (陳三聯)	External Supervisor	Male	1964.11	2021.07–2024.07	0	0	30.00	Yes
Pan Jianhua (潘建華)	Former Shareholder Supervisor	Male	1966.05	2021.01–2022.08	0	0	–	Yes
Cheng Huifang (程惠芳)	Former External Supervisor	Female	1953.09	2016.06–2022.06	0	8,000	15.67	Yes

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Liu Long (劉龍)	Vice President, Secretary of the Board	Male	1965.09	2016.04–2024.07 (Vice President) 2015.02–2024.07 (Secretary of the Board)	1,029,700	1,347,900	189.40	No
Jing Feng (景峰)	Vice President, Chief Financial Officer	Male	1979.12	2018.12–2024.07 (Chief Financial Officer) 2021.12–2024.07 (Vice President)	250,000	573,000	189.64	No
Luo Feng (駱峰)	Vice President	Male	1979.09	2019.05–2021.12 (Assistant to President) 2021.12–2024.07 (Vice President)	246,300	572,300	189.84	No
Jiang Rong (姜戎)	Chief Audit Officer	Male	1969.12	2021.08–2024.07	63,000	159,400	177.56	No
Wu Jianwei (吳建偉)	Former Vice President	Male	1971.02	2016.07–2022.02	733,400	733,400	31.38	No
Sheng Hongqing (盛宏清)	Former Assistant to President	Male	1971.07	2019.05–2022.02	235,200	176,400	29.21	No

Notes:

Nomination of Directors of the sixth session of the Board of the Company is as follows: Hou Xingchuan (Director) was nominated by Zhejiang Provincial Financial Holdings Co., Ltd. (shareholder); Ren Zhixiang (Director) was nominated by Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), and Zhejiang Energy International Co., Ltd. (shareholders); Gao Qinhong (Director) was nominated by Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. (shareholders); Hu Tiangao (Director) was nominated by Hengdian Group Holdings Limited (shareholder); and Zhu Weiming (Director) was nominated by Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and Zhejiang Seaport (Hong Kong) Co., Limited (shareholders).

The Company's employee Supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee Supervisors.

The time of the beginning of the term of Directors and senior management shall be subject to the approval time of the CBIRC, and shall be effective from the date of first appointment for re-elected Directors, Supervisors and senior management.

The aggregate pre-tax remunerations of certain Directors, Supervisors and senior management of the Company are still pending verified, and the information about the pre-tax remunerations of other staff will be disclosed separately upon confirmation of payment.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

2. Changes of Directors, Supervisors and senior management

Directors

On January 11, 2022, Mr. Shen Renkang resigned as the Executive Director and Chairman of the Board of the Company due to work arrangements.

Upon unanimous approval of all Directors by way of voting on January 14, 2022, Mr. Zhang Rongsen, an executive Director and President of the Bank, will act as the acting Chairman and legal representative of the Bank until the day on which a new Chairman is elected and the qualification of such person is approved by the CBIRC.

On February 23, 2022, the Company held the first extraordinary general meeting of the Company in 2022 to elect Mr. Lu Jianqiang, secretary of the CPC committee of the Company, to serve as a director of the sixth session of the Board of Directors, whose qualification as a Director is subject to the ratification by the CBIRC.

On June 27, 2022, the Company held the 2021 annual general meeting of the Company to elect Mr. Fu Tingmei as an independent non-executive Director of the sixth session of the Board of Directors, whose qualification as a Director is subject to the ratification by the CBIRC.

On February 6, 2023, Mr. Zhuang Yuemin resigned as non-executive Director of the Company before his qualification as a Director was approved by the CBIRC as he would like to devote more time to his other personal engagements.

Supervisors

On June 27, 2022, the Company held the 2021 annual general meeting of the Company to elect Mr. Gao Qiang as an external Supervisor of the sixth session of the Board of Supervisors of China Zheshang Bank.

On June 30, 2022, Ms. Cheng Huifang resigned as an external Supervisor, and the chairman and member of the Nomination Committee under the Board of Supervisors of China Zheshang Bank due to expiration of her six-year term of office.

On August 24, 2022, Mr. Pan Jianhua resigned as a shareholder Supervisor of the sixth session of the Board of Supervisors and a member of the Nomination Committee of China Zheshang Bank due to work arrangements.

In January 2023, the Company held the third workers and employees' congress of the third session of the Board of Supervisors of China Zheshang Bank, at which both Wu Fanghua and Peng Zhiyuan were elected as employee Supervisors of the sixth session of the Board of Supervisors of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Senior management

On February 18, 2022, Mr. Wu Jianwei resigned as the Vice President of the Company for personal reasons, and Mr. Sheng Hongqing resigned as an Assistant to President of the Company for personal reasons. Mr. Wu Jianwei and Mr. Sheng Hongqing no longer held any position in the Company upon resignation.

It was resolved at the seventh meeting of the Company's sixth session of the Board of Directors held on November 21, 2022 that Mr. Zhou Weixin be appointed as an Assistant to President of the Company. His letter of appointment will not be issued until his qualification as senior management is approved by the CBIRC.

3. Posts held by incumbent Directors, Supervisors and Senior Management in shareholders and those resigned during the reporting period

Name	Name of shareholder	Position in shareholders	Date of appointment	Date of termination
Hou Xingchuan	Zhejiang Provincial Financial Holdings Co., Ltd.	Member of the CPC committee, deputy general manager	January 2021	To date
Gao Qinhong	Zhejiang Hengyi Group Co., Ltd.	Chief financial advisor	April 2012	To date
Hu Tiangao	Hengdian Group Holdings Limited	Director and Senior Vice President	September 1995	To date
Zhu Weiming	Zhejiang Seaport (Hong Kong) Co., Limited	Director	November 2016	May 2022
Pan Jianhua	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Secretary of the CPC committee and Chairman	January 2021	To date
Cheng Huifang	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Independent Director	October 2020	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

4. Posts held by incumbent Directors, Supervisors and Senior Management in other companies and those resigned during the reporting period

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Hou Xingchuan	Yongan Futures Co., Ltd.	Director	July 2021	November 2022
Hou Xingchuan	Zhejiang Jinma Equity Investment Management Co., Ltd.	Director	September 2019	March 2022
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd.	General manager	October 2019	To date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd.	Director	June 2020	To date
Ren Zhixiang	Zhejiang Fuzhe Investment Co., Ltd.	Director	April 2020	To date
Ren Zhixiang	Zheshang Property and Casualty Insurance Company Limited	Vice President	January 2021	To date
Ren Zhixiang	Orient Securities Co., Ltd.	Director	March 2021	To date
Hu Tiangao	Hengdian Group DMEGC Magnetics Co., Ltd.	Director	March 2008	To date
Hu Tiangao	Apeloa Pharmaceutical Co., Ltd.	Director	May 2008	To date
Hu Tiangao	Innuovo Technology Co., Ltd.	Director	April 2011	To date
Hu Tiangao	Hengdian Group Tospo Lighting Co., Ltd.	Director	January 2013	To date
Hu Tiangao	Hengdian Entertainment Co., Ltd.	Director	June 2015	To date
Hu Tiangao	Nanhua Futures Co., Ltd.	Director	April 2021	To date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Ltd.	President	April 2016	To date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Ltd.	General manager	November 2020	To date
Zhu Weiming	Zhejiang Seaport Bulk Commodity Exchange Co., Ltd.	President	November 2016	November 2022
Zhu Weiming	Zhejiang Seaport Asset Finance Investment Management Co., Ltd.	Director	July 2016	To date
Zhu Weiming	Zhejiang Zhigangtong Technology Co., Ltd.	Director	August 2021	May 2022
Zheng Jindu	Zhejiang L&H Law Firm	Director and partner	December 1998	To date
Zheng Jindu	Sundy Land Investment Co., Ltd.	Independent director	April 2016	May 2022
Zheng Jindu	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent director	October 2018	To date
Zheng Jindu	Sanmen Chamber of Commerce in Hangzhou	Chairman	March 2014	To date
Zheng Jindu	Zhejiang Lawyers Association	Chairman of tenth council	June 2019	To date
Zheng Jindu	Zhejiang Law Society	Vice chairman of eighth council	December 2020	To date
Zheng Jindu	All China Lawyers Association	Vice chairman of tenth council	October 2021	To date
Zheng Jindu	Zhejiang Federation of Industry and Commerce	Member of eleventh advisory committee	July 2017	August 2022
Zheng Jindu	Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference	Member of Twelfth CPPCC Committee	January 2018	January 2023

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Wang Wei	Zhejiang University	Professor	August 1990	To date
Wang Wei	Financial Institute of Zhejiang Province	Dean	September 2017	To date
Wang Wei	Zhejiang Financial Association	Executive Vice President	June 2013	To date
Wang Wei	Betta Pharmaceutical Co., Ltd.	Independent director	November 2019	To date
Wang Wei	Sunwave Communications Co., Ltd.	Independent director	January 2020	To date
Wang Wei	Zhejiang E-Commerce Bank Co., Ltd.	Independent director	April 2019	To date
Wang Wei	Wanxiang Trust Co., Ltd.	Independent director	April 2017	To date
Wang Wei	ZhongWang Fabric Co., Ltd.	Independent director	November 2021	To date
Xu Yongbin	Accounting Society of China	Member	May 1999	To date
Xu Yongbin	Zhejiang Association of CFO	Vice chairman	May 2019	To date
Xu Yongbin	China Business Accounting Institute	Executive member	July 2014	To date
Xu Yongbin	Zheshang Development Group Co., Ltd.	Independent director	August 2019	To date
Xu Yongbin	Zhejiang Yongtai Technology Co., Ltd.	Independent director	July 2019	To date
Xu Yongbin	Hangzhou Steam Turbine Company Limited	Independent director	August 2022	To date
Xu Yongbin	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent director	October 2018	To date
Chen Zhongwei	Zhejiang Zheyin Financial Leasing Co., Ltd.	Supervisor	June 2020	To date
Gao Qiang	Hangzhou Jiusheng Private Equity Fund Management Co., Ltd.	President	January 2022	To date
Gao Qiang	Caitong Securities Co., Ltd. (財通證券股份有限公司)	Independent director	November 2020	To date
Song Qinghua	Chongqing Rural Commercial Bank Co., Ltd.	Independent director	September 2017	To date
Song Qinghua	Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司)	External supervisor	September 2018	November 2022
Song Qinghua	Hubei Bank Corporation Limited	Independent director	November 2022	To date
Chen Sanlian	Zheshang Development Group Co., Ltd.	Independent director	April 2016	April 2022
Chen Sanlian	China Calxon Group Co., Ltd.	Independent director	April 2016	November 2022
Chen Sanlian	Zhejiang Humanities Landscape Co., Ltd. (浙江人文園林股份有限公司)	Director	May 2017	To date
Chen Sanlian	Hengyi Petrochemical Co., Ltd.	Independent director	August 2017	To date
Chen Sanlian	Zhejiang Weixing Intelligent Instrument Co., Ltd.	Independent director	May 2021	To date
Chen Sanlian	Zhejiang Jinggong Science & Technology Co., Ltd.	Independent director	August 2021	To date
Chen Sanlian	Wuchan Zhongda Group Co., Ltd.	Independent director	May 2022	To date
Cheng Huifang	Ningbo Fujia Industrial Co., Ltd.	Independent director	March 2020	To date
Cheng Huifang	Zhejiang Huace Film and Television Co., Ltd.	Independent director	February 2016	June 2022
Cheng Huifang	Zhejiang Youyi Medical Equipment Co., Ltd.	Independent director	September 2020	To date
Cheng Huifang	Gold Stone Resources Group Co., Ltd.	Independent director	December 2021	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

5. Profile of Directors, Supervisors and senior management and information of their concurrent post as at the end of the reporting period

Directors

Zhang Rongsen (張榮森)

Mr. Zhang Rongsen is currently the deputy secretary of the CPC committee, executive Director and President of the Company. He holds a Doctoral degree and is a senior economist. Mr. Zhang served as President of Hangtianqiao Sub-branch, Beijing Branch, China Guangfa Bank, member of the CPC committee and assistant to President of Beijing Branch, China Guangfa Bank; director of the preparations, secretary of the CPC committee and President of Beijing Branch, Bank of Jiangsu, and member of the CPC committee, Vice President and executive director of Bank of Jiangsu; member of the CPC committee and Vice President of the Bank, and secretary of the CPC committee and President of Beijing Branch of the Bank.

Ma Hong (馬紅)

Ms. Ma Hong is currently the deputy secretary of the CPC committee, executive Director and director of the Labor Union of the Company. She holds a postgraduate degree. Ms. Ma Hong was deputy chief of the hygiene section of the logistics department of the Qingdao Garrison (青島警備區); deputy director and director of the hygiene section of the logistics department of Zhejiang Army Reserve Infantry Division (浙江陸軍預備役步兵師), associate consultant of the General Office of Cadres of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部幹部綜合處); associate consultant, deputy division chief, consultant and division chief of the Civil Servant Management Office of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員管理處); and division chief and primary consultant of the First-division of Civil Servant of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員一處).

Chen Haiqiang (陳海強)

Mr. Chen Haiqiang is currently a member of the CPC committee, executive Director, Vice President and CRO of the Company. He holds a master degree and is a senior economist, with a university degree. Mr. Chen worked as deputy principal staff member at Zhejiang Branch, China Development Bank; deputy director (in charge of relevant work) of Ningbo Beilun Banking Office, President of Ningbo Beilun Branch, member of the CPC committee, assistant to President, and Vice President of Ningbo Branch, China Merchants Bank; secretary of the CPC committee and President of Ningbo Branch, China Zheshang Bank, the assistant to President of China Zheshang Bank, and secretary of the CPC committee and President of Hangzhou Branch of China Zheshang Bank.

Hou Xingchuan (侯興釗)

Mr. Hou Xingchuan is currently a non-executive Director of the Company. He holds a postgraduate degree and is an economist. Mr. Hou used to serve as a cadre of the Information Center (信息中心), associate chief officer of the Planning and Finance Division (計劃財務處) and chief officer of the Planning and Finance Division of Zhejiang Provincial Tax Service (浙江省地方稅務局), the deputy director general (temporary position) of Jinhua Municipal Taxation Bureau, Jiangbei Branch (金華市地方稅務局江北分局); chief officer of the Office (辦公室), deputy director general of the Planning and Finance Division and deputy director of the Office of Zhejiang Provincial Tax Service; member of the CPC committee and deputy general manager (temporary position) of Zhejiang Development Asset Operations Co., Ltd. (浙江省發展資產經營有限公司); Level 6 management post of Zhejiang Financial Development Co., Ltd. (浙江省財務開發公司) and general manager of the Strategic Development (戰略發展部) of Zhejiang Provincial Financial Holdings Co., Ltd.. He is currently a member of the CPC committee and deputy general manager of Zhejiang Provincial Financial Holdings Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Ren Zhixiang (任志祥)

Mr. Ren Zhixiang is currently a non-executive Director of the Company. He holds a Doctoral degree and is a senior economist. Mr. Ren worked as the deputy General Manager of Investment Banking Department of Zhejiang International Trust and Investment Co., Ltd. (浙江省國際信託投資有限責任公司), senior director of Asset Management Department and chief economist, deputy director and director of Strategic Management and Legal Department of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司). He currently serves as the General Manager and deputy secretary of the CPC committee of Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司).

Gao Qinhong (高勤紅)

Ms. Gao Qinhong is currently a non-executive Director of the Company. She holds a postgraduate degree and is a senior economist. Ms. Gao worked as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China. She also served as accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China; section chief of credit and loan section and division-level inspector of Hangzhou branch and Vice President of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd.; vice General Manager and chief financial officer and director of Zhejiang Hengyi Group Co., Ltd. and director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). She currently serves as chief financial advisor of Zhejiang Hengyi Group Co., Ltd..

Hu Tiangao (胡天高)

Mr. Hu Tiangao is currently a non-executive Director of the Company. He holds an EMBA degree and is a senior economist. Mr. Hu served as Vice President of Dongyang sub-branch, Bank of China. He is currently a director and senior Vice President of Hengdian Group Holdings Limited; director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); director of Apelo Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); director of Innuovo Technology Co., Ltd. (英洛華科技股份有限公司); director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司); director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司) and director of Nanhua Futures Co., Ltd. (南華期貨股份有限公司).

Zhu Weiming (朱瑋明)

Mr. Zhu Weiming is currently a non-executive Director of the Company. He holds a postgraduate degree. Mr. Zhu successively held the positions of vice director and director of the General Manager service department at Jiaxing Power Generation Co., Ltd.; vice general manager and secretary of the board for Zhejiang Southeast Electric Power Company Limited; vice General Manager at Zhoushan Marine Comprehensive Development and Investment Co., Ltd.; vice director of the investment and development department at Zhejiang Marine Development & Investment Group Co., Ltd.; vice director of the investment and development department, vice director and director of the finance and asset management department as well as director of Financial Affairs Department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.. He is currently the chairman and General Manager of Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司); as well as a director of Zhejiang Seaport Bulk Commodity Exchange Co., Ltd. (浙江海港大宗商品交易中心有限公司) and Zhejiang Seaport Asset Finance Investment Management Co., Ltd. (浙江海港產融投資管理有限公司).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Zheng Jindu (鄭金都)

Mr. Zheng Jindu is currently an independent non-executive Director of the Company. He holds a postgraduate degree and is a qualified first grade lawyer. Mr. Zheng was a lecturer at the Faculty of Law of Hangzhou University (now known as Zhejiang University), a vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所) and an independent director of Changjiang & Jingong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司) and Sundry Land Investment Co., Ltd. (宋都基業投資股份有限公司). Mr. Zheng is currently a director and partner of Zhejiang L&H Law Firm (浙江六和律師事務所), the vice President of Tenth Council of All China Lawyers Association (中華全國律師協會), the President of Tenth Council of Zhejiang Lawyers Association (浙江省律師協會), the vice President of Eighth Council of Zhejiang Law Society, the President of Sanmen Chamber of Commerce in Hangzhou and an independent director of Hangzhou United Rural Commercial Bank Co. Ltd.

Zhou Zhifang (周志方)

Mr. Zhou Zhifang is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Zhou held the posts of deputy unit chief at People's Bank of China, Jiangshan Sub-branch; deputy unit chief at Industrial and Commercial Bank of China, Jiangshan Sub-branch; director at the business department and the savings department, Vice President, member of the CPC committee, leader of the discipline inspection team, deputy secretary of the CPC committee, Vice President (in charge), secretary of the CPC committee and President of Industrial and Commercial Bank of China, Quzhou Branch; Vice President and member of the CPC committee of Industrial and Commercial Bank of China, Jiangxi Branch; Vice President, member of the CPC committee, and General Manager and secretary of the CPC committee of the business department of Guangdong Branch of Industrial and Commercial Bank of China; President and secretary of the CPC committee of Ningbo Branch of Industrial and Commercial Bank of China; director of Shanghai Branch of the Internal Audit Bureau of Industrial and Commercial Bank of China; and senior expert (at President level) of Zhejiang Branch of Industrial and Commercial Bank of China of during which he acted as leader of the third inspection team in the head office of Industrial and Commercial Bank of China.

Wang Guocai (王國才)

Mr. Wang Guocai is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Wang held the posts of Vice President and President of Yuhuan Sub-branch of Industrial and Commercial Bank of China; President of Wenling Sub-branch of Industrial and Commercial Bank of China; Vice President and President of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Provincial Branch of Industrial and Commercial Bank of China.

Wang Wei (汪偉)

Mr. Wang Wei is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Wang has been teaching at School of Economics, Zhejiang University, being a lecturer, associate professor, professor successively. He served as the deputy dean and deputy director of the Academic Committee of School of Economics, Zhejiang University and the executive dean of Institute of Finance, Zhejiang University. He currently serves as a professor of School of Economics, Zhejiang University; the chief expert of Institute of Finance, Zhejiang University; the executive Vice President of Zhejiang Financial Association (浙江省金融業發展促進會); the Dean of Financial Institute of Zhejiang Province (浙江省金融研究院); and an independent Director of Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司), Betta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sunwave Communications Co., Ltd. (三維通信股份有限公司), ZhongWang Fabric Co., Ltd. and Wanxiang Trust Co., Ltd. (萬向信託股份公司).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Xu Yongbin (許永斌)

Mr. Xu Yongbin is currently an independent non-executive Director of the Company. He holds a doctor's degree and is a Level-2 professor and doctoral supervisor. Mr. Xu has been teaching at the Zhejiang Gongshang University (浙江工商大學), and served as a lecturer, associate professor, professor and deputy dean of the Accounting Department of Hangzhou Business College (杭州商學院) successively. He served as a professor and dean of the Accounting College of Zhejiang Gongshang University. He also served as the vice president of the Accounting Society of Zhejiang Province (浙江省會計學會) and the vice president of the Auditing Society of Zhejiang Province (浙江省審計學會). He is currently a member of the Accounting Society of China (中國會計學會), the vice president of Zhejiang Association of CFO (浙江省總會計師協會), a standing member of China Business Accounting Institute (中國商業會計學會), as well as an independent non-executive director of Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), Zhejiang Yongtai Technology Co., Ltd. (浙江永太科技股份有限公司), Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司) and Hangzhou Steam Turbine Company Limited (杭州汽輪機股份有限公司).

Supervisors

Guo Dingfang (郭定方)

Mr. Guo Dingfang is currently an employee Supervisor of the Company. He holds a master's degree and the title of senior accountant. He is currently a member of the CPC committee and the Chairman of the Board of Supervisors of the Bank. Mr. Guo previously served as an officer at vice-director level and an officer at director level of the infrastructure division, an officer at director level and the deputy division chief of the economic construction division (during which he served as a member of the CPC committee and deputy director of the Finance Bureau of Xihu District, Hangzhou under temporary assignment), the director of the Government Procurement Supervision Division (政府採購監管處), and the director of the Budget Enforcement Bureau (預算執行局) of Zhejiang Provincial Department of Finance.

Pan Huafeng (潘華楓)

Mr. Pan Huafeng is an employee Supervisor. He holds an undergraduate degree and is an economist. He is currently the General Manager of the risk management department of the Bank. Mr. Pan previously served as a section chief of the risk management division of Ningbo Branch of Bank of China, the Vice President of Ningbo Yinzhou Sub-branch of Bank of China, as well as chief and General Manager of the risk management division (department) of Ningbo Branch of Bank of China. He successively served as a member of the CPC committee, the deputy secretary of the commission for discipline inspection, the risk monitoring officer and the assistant to the President, the secretary of the commission for discipline inspection and Vice President, as well as the secretary of CPC committee and the President of Ningbo Branch of China Zheshang Bank.

Chen Zhongwei (陳忠偉)

Mr. Chen Zhongwei is currently an employee Supervisor of the Company. He holds an undergraduate degree and is an economist. Mr. Chen currently works as General Manager of the internal control, compliance and legal affairs department of the Bank and supervisor of Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司). Mr. Chen used to work as chief of the business and system sections at the credit division at Zhejiang Branch of Industrial and Commercial Bank of China; General Manager of the risk management department and the corporate department at Hangzhou Branch, risk director (assistant to President) and member of the CPC committee at Shanghai Branch, as well as risk director (Vice President) and member of the CPC committee at Suzhou Branch of China Everbright Bank. He also served as deputy General Manager of the credit review department of China Zheshang Bank (in charge of relevant work).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Gao Qiang (高強)

Mr. Gao Qiang is an external Supervisor of the Company. He holds a postgraduate degree and is a senior economist. He currently serves as the chairman of Hangzhou Jiusheng Private Equity Fund Management Co., Ltd. and an independent director of Caitong Securities Co., Ltd. (財通證券股份有限公司). He has previously held various posts in China Construction Bank Corporation, including the deputy general manager of the operation department of Zhejiang Branch, the president and the secretary of the CPC committee of Hangzhou Zhijiang Sub-branch, the assistant to the general manager, the deputy general manager and a member of the CPC committee of the operation department of Zhejiang Branch, the general manager of the Hangzhou corporate client department and concurrently the general manager of the operation department of Zhejiang Branch, the general manager of the corporate business management department and concurrently the general manager of the operation department of Zhejiang Branch, the general manager of the corporate business department; the risk director, the deputy president and a member of the CPC committee of Anhui Branch; the president and the secretary of the CPC committee of Shanxi Branch; the president and the secretary of the CPC committee of Zhejiang Branch; and he also served as the chairman of Yijia Life and Health Management (Zhejiang) Co., Ltd.

Zhang Fanquan (張范全)

Mr. Zhang Fanquan is an external Supervisor of the Company. He holds a master's degree and the title of senior accountant. Mr. Zhang previously served as the deputy director of the credit card department, the vice division chief of the funds raising division and deposit division and the deputy General Manager of the market development department of Hangzhou Branch of Agricultural Bank of China; the division chief of the finance division of Hangzhou office and a Party member, deputy General Manager, secretary of the commission of discipline inspection of Shenzhen office of China Great Wall Asset Management Corporation; the director and deputy General Manager of Shenzhen Great Wall Guosheng Investment Holding Co., Ltd. (深圳長城國盛投資控股有限公司); the secretary of CPC committee and General Manager of Hangzhou office, and the secretary of CPC committee and General Manager of Zhejiang Branch (formerly Hangzhou office) of China Great Wall Asset Management Corporation; the chief operation officer of China Great Wall Asset Management Co., Ltd.; the secretary of CPC committee and chairman of Great Wall Guofu Real Estate Co., Ltd. (長城國富置業有限公司).

Song Qinghua (宋清華)

Mr. Song Qinghua is an external Supervisor of the Company. He is currently a doctor, professor and an expert receiving Special Government Allowances from the State Council. He is currently a professor and doctoral advisor of the School of Finance of Zhongnan University of Economics and Law and serves as a committee member of China Society for Finance and Banking and a committee member of the Finance Professional Education Steering Committee of Higher College of the Ministry of Education; an independent director of Chongqing Rural Commercial Bank Co., Ltd; a supervisor of Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司); an independent director of Hubei Bank Corporation Limited. Mr. Song was successively a visiting scholar at Saint Mary's University in Canada, University of Rhode Island in the United States, and University of Cincinnati in the United States. He served as the Vice President and President of the School of Finance of Zhongnan University of Economics and Law.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Chen Sanlian (陳三聯)

Mr. Chen Sanlian is an external Supervisor of the Company. He holds a postgraduate degree. He is currently a vice chairman of Zhejiang Lawyers Association, an arbitrator of China International Economic and Trade Arbitration Commission, a member of Zhejiang Chinese People's Political Consultative Conference, a think tank expert, an expert committee member of the Judge and Prosecutor Selection and Disciplinary Committee of Zhejiang Province, etc.; and also an independent director of China Calxon Group Co., Ltd., an independent director of Zheshang Development Group Co., Ltd., a director of Zhejiang Humanities Landscape Co., Ltd. (浙江人文園林股份有限公司), an independent director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司), and an independent director of Zhejiang Jinggong Science & Technology Co., Ltd. Mr. Chen served as a cadre of the lawyer administration division of the Ministry of Justice of Zhejiang Province; an associate editor-in-chief of Lawyer and Legality 《律師與法制》; and the general secretary of Zhejiang Lawyers Association.

Senior Management

Zhang Rongsen (張榮森)

Please refer to Mr. Zhang Rongsen's profile in the "Directors" section above.

Chen Haiqiang (陳海強)

Please refer to Mr. Chen Haiqiang's profile in the "Directors" section above.

Liu Long (劉龍)

Mr. Liu Long is currently a CPC committee member, Vice President, secretary to the Board and company secretary of the Company. He holds a postgraduate degree and is a senior accountant. Mr. Liu worked at finance and tax bureau of Changshan County, Zhejiang, during which period he served as vice director and CPC party member; secretary of CPC committee of Tianma Town, Changshan County, Zhejiang; director and secretary of CPC committee of planning and economy committee of Changshan County, Zhejiang; vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; county CPC standing committee member of Changshan County, Zhejiang, as well as vice county chief of Changshan County People's Government; vice secretary of CPC county committee, vice county chief and vice secretary of CPC county committee, vice secretary of CPC committee of Changshan County, Zhejiang and chairman of People's Political Consultative Conference of Changshan County, Zhejiang; director and secretary of CPC committee of the economic and information committee of Quzhou City, Zhejiang; vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang; and director of the Board of Directors Office as well as the CPC committee office of China Zheshang Bank.

Jing Feng (景峰)

Mr. Jing Feng is currently a CPC committee member, the Vice President and chief financial officer of the Company. He is a certified public accountant in the US, with a postgraduate degree. Mr. Jing worked as the deputy General Manager and General Manager of planning and finance department of Suzhou Branch, China Minsheng Bank, finance specialist of corporate financial business department of China Minsheng Bank; deputy General Manager of Jiangsu business department of China Zheshang Bank, member of the CPC committee and Vice President of Nanjing Branch, China Zheshang Bank; deputy General Manager (in charge of relevant work) and General Manager of finance and accounting department, and also General Manager of finance and accounting department and General Manager of asset and liability management department of China Zheshang Bank, CFO of China Zheshang Bank and General Manager of the planning & finance department (asset and liability management department) of the bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Luo Feng (駱峰)

Mr. Luo Feng is currently the Vice President of the Company. He holds a doctoral degree. Mr. Luo worked as manager assistant of financial market research center of treasury department, manager assistant of business management center, deputy manager and manager of business management center (research center) of treasury department, risk monitoring officer and General Manager assistant of treasury department, manager of risk management center, deputy General Manager and deputy General Manager (in charge of relevant work) of treasury department of China Zheshang Bank, and assistant to President and General Manager of Financial Market Department of China Zheshang Bank.

Jiang Rong (姜戎)

Mr. Jiang Rong is the Chief Audit Officer of the Company. He holds an undergraduate degree and is an accountant. Mr. Jiang served as an assistant to division chief and vice division chief at the finance division in Shanghai Electric Tool Research Institute of the Ministry of Machine-Building and Electronics Industry. In addition, he successively served as a director-level section member and assistant to division chief at the commerce and trade audit division of the commissioner's office in Shanghai of the National Audit Office, vice division chief at the financial audit division of the commissioner's office in Shanghai of the National Audit Office, the division chief at the first financial audit division of the commissioner's office in Shanghai of the National Audit Office, division chief at the resources and environmental protection audit division, the audit principal and General Manager of audit department at Dazhong Insurance Co., Ltd. and General Manager of the audit department of China Zheshang Bank.

6. Profile of new or proposed Directors, Supervisors and senior management and information of their concurrent post as of the date of this report

Directors

Lu Jianqiang (陸建強)

Mr. Lu Jianqiang joined the Company in January 2022 and currently serves as the secretary of the Communist Party of China ("CPC") committee. He holds a postgraduate degree of philosophy and is a senior economist. Mr. Lu has previously served as the deputy director of Zhejiang Enterprise Records Management Center, the deputy director of the office of Zhejiang Provincial Administration for Industry and Commerce, the director of the business information management office of Zhejiang Provincial Administration for Industry and Commerce, the director of the office of Zhejiang Provincial Administration for Industry and Commerce, a member of the CPC committee and the director of the office of Zhejiang Provincial Administration for Industry and Commerce, the deputy director of the general office and a member of the CPC committee of Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, the deputy director of the general office and a member of the CPC committee of Zhejiang Provincial Government, a deputy secretary general and a member of the CPC committee of general office of Zhejiang Provincial Government, the secretary of the CPC committee and the chairman of the board of Caitong Securities Co., Ltd.. Currently, he also serves as the chairman of the first council of Zhejiang Mergers and Acquisitions Association (浙江省併購聯合會), the chairman of the first council of Zhejiang Financial Advisory Service Federation (浙江省金融顧問服務聯合會) and the director of the financial services committee of The General Association of Zhejiang Entrepreneurs (浙商總會).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Fu Tingmei (傅廷美)

Mr. Fu Tingmei holds a doctor's degree. Mr. Fu has previously served as the vice president and deputy managing director of Peregrine Capital (China) Limited, Hong Kong Branch, a director of Peregrine Capital Limited as well as the deputy managing director and the managing director of BNP Paribas Peregrine Capital Limited, Hong Kong Branch. Mr. Fu is currently engaged in private family investment business and also serves as an independent director of Guotai Junan International Holdings Limited, COFCO Joycome Foods Limited, China Resources Pharmaceutical Group Limited and Postal Savings Bank of China Co., Ltd.

Guan Pinfang (關品方)

Mr. Guan Pinfang holds a doctor's degree and is an Australian certified public accountant. Mr. Guan served as the vice president of the Hong Kong Shipping Department (香港區船舶部) of Citibank (花旗銀行), the vice president of the Asia-Pacific Elevator Department of United Technologies Company (聯合技術公司), the managing director of Hintful Capital Group (興科融資集團), a professor of Beijing Normal University – Hong Kong Baptist University (北京師範大學 – 香港浸會大學) United International College, executive dean of the HKU Zhejiang Institute of Research and Innovation (香港大學浙江科學技術研究院). He is currently a member of the Executive Committee of Hong Kong Economic Association (香港經濟學會), the chief advisor of the think tank of Qingshanhu Sci-tech City in Hangzhou, Zhejiang (浙江杭州青山湖科技城), the president of Zhuhai Chuangke Yinlian Business Consulting Co., Ltd (珠海創科引聯商務諮詢有限公司), the vice chairman of Shanghai Qiaoyue IoT Technology Co., Limited (橋悅(上海)物聯網科技有限公司), a Director of Hong Kong Economic Trading International Association (香港國際經貿合作協會) and the chairman of the Education and Training Committee (教育培訓委員會).

Wu Fanghua (吳方華)

Mr. Wu Fanghua serves as an employee supervisor of the Company. Mr. Wu holds a master's degree and is a senior economist. Mr. Wu is currently the executive office director of the Board of Supervisors of the Bank. Mr. Wu has previously served as a loan officer of Industrial and Commercial Bank of China, Shaoxing Branch, the deputy manager of the personnel and administration department, the manager of the business department and the manager of the marketing department of Shaoxing central sub-branch, a general manager assistant of Huzhou central sub-branch, the deputy general manager of Xiaoshan sub-branch, the general manager of Huzhou central sub-branch, the general manager of Shaoxing central sub-branch and the deputy general manager of Zhejiang Branch of Ping An Property & Casualty Insurance Company of China, Ltd. as well as the deputy general manager of Ping An Annuity Insurance Company of China, Ltd., Zhejiang Branch. Mr. Wu successively served as the deputy general manager of the Asset Management Department, the deputy general manager (headquarters) of the Interbank Business Department, the general manager of the Interbank Business Department, the deputy general manager of the Financial Institutions Department (in charge of relevant work) and the general manager of the Interbank Business Department of China Zheshang Bank, and the secretary of the CPC committee and the president of Lanzhou Branch of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Peng Zhiyuan (彭志遠)

Mr. Peng Zhiyuan is currently an employee Supervisor of the Company. He holds a master's degree. He is currently the leading officer of the Bank's planning and finance department (the asset and liability management department). He once served as an accountant of the fund organization department of the business department of Yingtan branch, a clerk and deputy chief clerk of the financial accounting department, the chief of the financial infrastructure section of Jiangxi branch, a member of the Party committee and vice president of Ganzhou branch, the deputy general manager (in charge of work) and general manager of the financial accounting department of Jiangxi branch, the secretary of the Party committee and president of Ganzhou branch, a member of Party committee and vice president of Dalian branch of the Agricultural Bank of China. He successively served as the general manager of Nanchang business department, the secretary of Party committee and president of Nanchang branch of CZBank.

Zhou Weixin (周偉新)

Mr. Zhou Weixin serves as President Assistant of the Company (proposed) and President of Zhejiang Headquarters. Mr. Zhou is an economist and senior certified credit analyst, with an undergraduate degree. Mr. Zhou has previously served as the vice president (in charge of relevant work) and president of Lin'an sub-branch of Bank of China, the president of Gaoxin sub-branch, Hangzhou of Bank of China, the director of Hangzhou corporate business center under the corporate business department of Zhejiang Branch of Bank of China, the president of Qingchun sub-branch, Hangzhou of Bank of China, the secretary of the CPC committee and the president of Zhoushan Branch of Bank of China, the general manager and executive office director of the risk management department and the general manager of the personal banking department of Zhejiang Branch of Bank of China, as well as a member of the CPC committee and the vice president of Anhui Branch of Bank of China, during which period he served as a CPC party member and vice mayor of Bengbu City from November 2019 to December 2021 under temporary assignment.

7. Remuneration policies for Directors, Supervisors and senior management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the general meeting for approval after being approved by the Board of Supervisors. Non-full-time shareholder supervisors of the Company do not receive remuneration from the Company.

The Company's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the Shareholders, and it is implemented by the Board of Directors.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

The Remuneration Management Plan of Directors and Supervisors of China Zheshang Bank Co., Ltd. considered and approved at the 2022 first Extraordinary General Meeting and the Remuneration Assessment Measures for 2022 of China Zheshang Bank Co., Ltd. considered and approved at the sixth meeting of the sixth session of the Board of Directors have provided the basis for determining the remuneration of the Directors, Supervisors and senior management for the year 2022.

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism for the senior management. The remuneration of the senior management is linked with the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements.

(II) Employees and Remuneration Policies

As of the end of the reporting period, the Group had 19,907 employees (including dispatched employees, outsourced technicians and employees of the subsidiary of the Company), representing an increase of 2,619 as compared with that at the end of last year. Divided by the position types, 8,606 employees of the Group were categorized as marketing personnel, 1,659 employees as counter personnel, and 9,642 employees as mid-office and back-office personnel; divided by the educational levels, 4,713 obtained post-graduate degree or above (including 80 with doctorate degree), 14,294 obtained bachelor degree, and 900 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 174 employees had retired from the Company.

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept with unified and classified management by adhering to the principle of marketization and in accordance with the single-level legal person system. The Company continues to improve the linkage mechanism of remuneration level with performance capabilities of individual positions and personal operational performance, and strives to set up a remuneration management system that reflects internal fairness and external competitiveness, promotes the co-growth of employees and the Company, focuses equally on incentives and restraints, gives attention to both position value, contribution and long-term incentives, and matches the change in remuneration with the market rate and economic benefits.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, which appropriately tilted to the front-office marketing position, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(III) Employees Training

Based on our operation and development strategy, the Company has focused on digital intelligence transformation, professional improvement, management reform, and business foresight. On the basis of conducting all-staff training, the Company attaches high importance to the training of key talents, so as to comprehensively improve management abilities and professional capabilities of our employees, and provide knowledge and talents support for the implementation of our strategy. During the reporting period, the Bank held 1,529 training programmes in total with 643,273 attendances.

(IV) Information on Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
Yangtze River Delta Region	Head office	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang	1	4,135	893,922
	Small Enterprise Credit Center	No. 368, Yan'an Road, Hangzhou, Zhejiang	1	49	-
	Fund Operation Center	12F, Tower 1, Century Metropolis, No. 1229 Century Avenue, Pudong New District, Shanghai	1	69	500,138
	Hangzhou Branch	No.1 Minxin Road, Hangzhou, Zhejiang	54	2,616	324,474
	Nanjing Branch	No.9, Zhongshan North Road, Nanjing	31	1,292	134,297
	Shanghai Branch	No. 567, Weihai Road, Jing'an District, Shanghai	12	729	133,291
	Suzhou Branch	No. 5, Xingdun Lane, Industrial Park Zone, Suzhou	10	559	68,707
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	18	701	87,445
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	4	277	26,519
	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	11	492	53,390
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	9	452	51,073
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	2	90	6,831

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua	9	405	33,632
Bohai Rim Region	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	22	985	208,569
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	17	908	84,440
	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No.92, Nanjing Road, Heping District, Tianjin	12	506	40,726
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	319	20,256
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	10	709	101,333
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	12	734	111,722
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	1	77	15,668
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	14	526	52,031
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	9	506	62,890
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	11	564	53,206
	Wuhan Branch	International Financial Center, No. 296, Xinhua Road, Jiangnan District, Wuhan, Hubei	5	364	31,830

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	6	336	33,770
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	1	107	12,626
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	4	243	21,451
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	3	173	21,732
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	2	166	21,684
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	395	22,370
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136-1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	83	6,570
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	72	12,528
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	78	31,047
Subsidiary	Zheyin Financial Leasing	12/F, No.1 Minxin Road, Hangzhou, Zhejiang	1	190	54,601
	Offset balance and intra-group elimination		-	-	(712,839)
Total			312	19,907	2,621,930

Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Business Review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Future Development" are set out in the section headed "Management Discussion and Analysis"; "Major Events Occurred after the Reporting Period" is set out in the section headed "Significant Events"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation on Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions". Please refer to "Performance of Social Responsibilities" in this section for the information on "Environmental Policy and Performance".

(III) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association, our profit distribution policy is:

- (1) The Company shall distribute profits after income tax in the following order:
 - To make up for the losses of previous years;
 - To set aside 10% as statutory reserve fund;
 - To make provision for general risk reserve;
 - To set aside discretionary reserve fund;
 - To pay dividends to shareholders.
- (2) The Company may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.
- (3) After the profit distribution plan is adopted at the general meeting of the Company, the Board shall finish distributing profits within two months after the general meeting.

Directors' Report

- (4) Cash dividends and other payments made by the Company to the holders of A Shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Company to the holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars. The formulation and implementation of policy on cash dividend are in compliance with the requirements of the Articles and Association and the resolutions passed at the general meeting. The standards and proportion of dividends declaration are clear and explicit and the procedures and mechanism of decision making are well-organized, and have been considered and approved by the independent non-executive Directors. Minority Shareholders may fully express their opinions and requirements, and their legitimate interests have been fully protected.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2022 are set out in the section headed "Notes to Consolidated Financial Statement" in this report.

The Board of Directors of the Company has recommended to declare a cash dividend for 2022 at RMB2.10 (tax inclusive) for every 10 shares, which shall be paid in RMB to the holders of A Shares and in Hong Kong dollars to the holders of H Shares. The above dividend distribution proposal is subject to consideration and approval at the 2022 annual general meeting of the Company.

If approved, the final dividend distribution of the Company for 2022 will be denominated and declared in RMB and paid in RMB for A Shares and in equivalent Hong Kong dollars for H Shares. The exchange rate of Hong Kong dollar against RMB is calculated based on the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China on the website for seven business days immediately before the date of the Company's 2022 annual general meeting.

The dividend is expected to be paid before May 31, 2023, subject to the approval of the final dividend payment arrangement by the Shareholders by way of ordinary resolution. Information regarding the record date and book closure date to determine the entitlement to the final dividend and attendance of 2022 annual general meeting of the Company will be announced in due course.

3. Cash dividends for ordinary shares in the past three years

Item	2022	2021	2020
Cash dividend for every 10 shares (tax inclusive, in RMB)	2.10	—	1.61
Cash dividend (tax inclusive, in RMB million)	4,466	—	3,424
Percentage of cash dividend (%)	37.79	—	30.10

Directors' Report

4. Dividend tax

(1) Holders of A Shares

In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) 《財政部、國家稅務總局、證監會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》(財稅[2012]85 號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) 《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》(財稅[2015]101 號)), for the Relevant Individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the Enterprise Income Tax Law of the PRC include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the Enterprise Income Tax Law of the PRC and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

(2) Holders of H Shares

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993]045 (Guo Shui Han [2011] No.348) 《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》(國稅函[2011]348 號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

Directors' Report

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) 《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告 2019 年第 35 號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

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

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

(IV) Donations

During the reporting period, the Group's external donations amounted to RMB25.48 million.

(V) Major Customers

During the reporting period, the Group's total operating income attributable to our five largest customers did not exceed 30% of the total operating income of the Group.

(VI) Purchase and Sale and Redemption of Securities

On March 29, 2022, the Company redeemed in whole the US\$2,175,000,000 non-cumulative perpetual offshore preference shares (the "Offshore Preference Shares"). For details, please refer to the section headed "Information about Offshore Preference Shares" of this report. Please also refer to the announcement of the Company dated January 25, 2022, the next day disclosure return of the Company dated March 29, 2022 and the announcement of the Company dated March 30, 2022.

Save for the redemption of the Offshore Preference Shares as disclosed above, during the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listing securities.

(VII) Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC laws.

(VIII) Public Float

Based on the public information available to the Company and to the knowledge of the Directors, as of the Latest Practicable Date prior to the issue of this report, the Company had met the public float requirement of the Hong Kong Listing Rules.

Directors' Report

(IX) Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year ended December 31, 2022.

(X) Material Connected Transactions

Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 5 – Transaction and Related Party Transaction (《上海證券交易所上市公司自律監管指引第 5 號 – 交易與關聯交易》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, at the fourth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB5 billion to Hengdian Group Holdings Limited and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2022-025) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fourth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Caitong Securities Co., Ltd. (《關於本行對財通證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB6 billion to Caitong Securities Co., Ltd. (財通證券股份有限公司). For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2022-025) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fifth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB6.5 billion to Zhejiang Energy Group Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2022-040) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the Risk and Related Party Transaction Control Committee of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Provincial Financial Holdings Group (《關於本行對浙江金融控股集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB1.52 billion to Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司) and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2022-046) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the eighth extraordinary meeting of the sixth session of the Board in 2021, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Hengyi Group (《關於本行對浙江恒逸集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB6.5 billion to Zhejiang Hengyi Group Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2022-049) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the seventh meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Zheyin Financial Leasing Co., Ltd. (《關於本行對浙江浙銀金融租賃股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB10 billion to Zhejiang Zheyin Financial Leasing Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2022-060) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, including our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us) which have constituted de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of related party transactions entered into by the Company as of December 31, 2022 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

Saved as disclosed above, no related party transactions set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions" comply with the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Bank hasn't conducted connected transactions involving the acquisition and disposal of assets or equity.

Connected Transactions in relation to Joint External Investment

During the reporting period, the Bank hasn't conducted any connected transactions in relation to joint external investment.

Directors' Report

Connected Creditor's Rights and Liabilities

During the reporting period, the Bank hasn't had any non-operational connected creditor's rights and liabilities.

(XI) Transactions, Arrangements or Contractual Interest and Service Contracts of Directors and Supervisors

During the reporting period, the Directors or Supervisors or any entities connected with the Directors or Supervisors had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(XII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

(XIII) Interests Owned by the Directors, Chief Executive and Supervisors in the Company

As at December 31, 2022, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Zhang Rongsen (張榮森)	Executive Director, President	A Share	Long position	Beneficial Owner	1,341,100	0.0080	0.0063
Ma Hong (馬紅)	Executive Director	A Share	Long position	Beneficial Owner	63,900	0.0004	0.0003
Chen Haiqiang (陳海強)	Executive Director, Vice President, CRO	A Share	Long position	Beneficial Owner	580,000	0.0035	0.0027

Directors' Report

(XIV) Directors' Interests in Businesses Competing with the Company

None of the Directors of the Company hold any interest in any business which, directly or indirectly, competes or may compete with businesses of the Company.

(XV) Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of the end of the reporting period, none of the Directors and Supervisors had the rights to acquire shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

(XVI) Permitted Indemnity Provisions

The Company has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company. Such arrangements remained effective as at the end of the reporting period.

(XVII) Management Contracts

Save as the service contracts entered into with the Directors and employees, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XVIII) Reserves and Distributable Reserves

For details of the changes in the Group's reserves and distributable reserves, please see "Financial Report – Consolidated Statement of Changes in Equity".

(XIX) Fixed Assets (Properties and Equipments)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Note V to Financial Report – 9 Fixed Assets".

(XX) Employment of Accounting Firms and Sponsors

According to its resolutions passed at the 2021 general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2022 prepared in accordance with the China Accounting Standards and International Financial Reporting Standards, respectively. Chen Sijie (陳思傑) and Pan Sheng (潘盛) are the certified public accountants who signed the audit report on the Company's financial statements for 2022 prepared in accordance with the China Accounting Standards. Each of Chen Sijie and Pan Sheng has been serving as the signing certificated public accountant of the Company since 2020 and 2021, respectively.

The financial statements of the Company for 2022 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2022 were audited by KPMG Huazhen LLP, and the financial statements for 2022 prepared under International Financial Reporting Standards were audited by KPMG. The total audit fees amounted to approximately RMB6,000,000, among which the audit fees for internal control was approximately RMB900,000. The Company paid the total non-audit fees of approximately RMB4,360,000 to KPMG Huazhen LLP and KPMG for the current year. KPMG Huazhen LLP and KPMG confirmed that the provision of such non-audit services would not compromise their audit independence.

Directors' Report

(XXI) Use of Proceeds Raised

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2022, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(XXII) Debentures Issued

Please refer to "Changes in Shares and Information on Shareholders – Issue of Bonds" of this Report for details about the debentures issued by the Company.

(XXIII) Compliance with the Laws and Regulations

As of the end of the reporting period, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company in all major aspects.

(XXIV) Performance of Social Responsibilities

During the reporting period, China Zheshang Bank insisted on adhering to the philosophy of "Finance for the Good", exploring the organic integration of its performance of social responsibility and sustainable commercial development, and actively made efforts on serving the real economy, supporting the construction of common prosperity demonstration area, rural revitalization, achieving carbon peak and carbon neutrality, protecting consumer rights and caring for employees, so as to create long-term value for social, environment and economy. China Zheshang Bank had been widely recognized by the society for its achievements, and been granted a A rating appraised by MSCI ESG and been awarded the "Top 10 Socially Responsible Organizations of the Year (年度十佳社會責任機構)" and "ESG Green Finance Award of the Year".

For relevant details, see the 2022 Corporate Social Responsibility Report of China Zheshang Bank published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

1. Environmental Information

According to the "14th Five-Year Plan" and the "3060" target of carbon peak and carbon neutrality, China Zheshang Bank promoted green finance and green operation on all fronts, and made efforts on both business development and environmental protection. China Zheshang Bank did not violate any environmental regulation during the reporting period.

Directors' Report

In terms of green finance, according to planning routes of the Carbon Peak and Carbon Neutrality Support Action Program of China Zheshang Bank (2021-2025), and Three-year Green Finance Development Improvement Program of China Zheshang Bank, China Zheshang Bank continued to push forward various key work: improving the establishment of top-level organizational mechanisms, incorporating environment into a comprehensive risk management framework, strengthening the identification, assessment and management of corporate environmental and social risks, optimizing the assessment and incentive mechanism and resource allocation, promoting Tan Yi Dai (碳易贷), carbon reduction support instruments and other product and service models, and working hard toward green credit, green bonds and green investment to encourage resources to flow into clean energy and eco-friendly industries. As of the end of 2022, the Bank had outstanding green loan of RMB145,923 million, increasing by RMB41,679 million or 39.98% from the end of last year, which was higher than the growth of other loans of the Bank; granted carbon reduction loans of RMB252 million, which reduced carbon emission of 39,206.25 tons; and issued green financial bonds of RMB10,000 million.

In terms of green operation, the Bank strongly promotes digital seals and certificates, and becomes the first bank in China to support the issuance of digital certificates in compliance with the latest standards of the Ministry of Finance. It promotes and expands the application scenarios of remote banking, readily accessible to clients for banking business with “zero-visit” to the real bank points and saving energy consumption of clients travelling to and from points, which improved the online transaction ratio of the Bank to over 99% during the year. The Bank also promotes paperless, online and mobile office applications to reduce resource consumption in daily workflows. Throughout the year, the Bank ran 1.26 million e-flows, and saved office paper of 45.20 tons, representing 27.27% year-on-year improvement. Other measures include strengthening green building management to improve energy efficiency from design, construction, building materials and daily energy-saving controls; encouraging its employees, customers, suppliers and other relevant parties to implement a simple, moderate, green and low-carbon work practice and lifestyle; and actively carrying out environmental activities such as trees planting, water purification and resource recycling.

2. Information on Social Responsibility

(1) Serving the real economy

That the purpose of finance is to serve the real economy is a fundamental adhered by the Bank. Focusing on its major responsibility and principal business, and under the important decisions of the Central Party Committee and the Provincial Committee and Government of Zhejiang, the Bank has continuously strengthened its support for key national support areas and industries, such as inclusive finance, manufacturing, green and carbon finance, promoted the construction of Zhejiang Common Wealth Demonstration Zone with all efforts, and further deepened digital transformation with an objective to become a benchmarking bank. As of the end of 2022, the Bank had outstanding loans to small and micro enterprises under the standard set of RMB341,883 million and outstanding loans to the manufacturing sector of RMB238,300 million. During the year, the Bank reduced the financing costs of the real economy, and offered provide bail-out services, such as interest relief, loan deferment and credit history processing, to the small and micro enterprises and individuals in difficulties. In order to promote the financial advisory system, the Bank took the lead in establishing a professional team of financial advisors (nearly 1,800 persons in Zhejiang Province, 186 of whom were from the Bank) to provide voluntary financing, taxation, legal and risk management services to enterprises in need. Besides, it has established the Hangzhou Linping Integrated Financial Services Demonstration Zone, paying visits and providing financing of RMB414,706 million to more than 10,000 enterprises.

Directors' Report

(2) Consolidation and expansion of poverty relief achievement and rural revitalization

The Bank continues to increase the allocation and investment of financial resources in rural areas and areas striving to shake off poverty, and supports the development of specialty industries. Focusing on the 26 counties in the mountainous regions of Zhejiang Province, the Bank has developed financial service solutions tailored to each county, in particular, the launch of “Longquan Sword Porcelain Loan” (龍泉劍瓷貸) and “Qujiang Farming Loan” (衢江種養殖貸) and other specialty businesses, aiming to improve the accessibility of financial services to farmers and entities engaged in new types of agriculture. As of the end of 2022, the Bank had outstanding agriculture-related loans of RMB199,924 million and provided total financial services amounting to RMB48,707 million to the 26 counties in the mountainous regions. The Bank also strongly promotes East-West collaboration and the “1,000 enterprises for 1,000 villages” partner assistance program, and adopts various measures including industrial assistance and consumption assistance, which has effectively driven the development of collective economies in Longyou County in Quzhou, Xuanhan County in Sichuan and other villages participating the program. Among others, the Bank helped the five villages in Longyou County develop industrial projects such as photovoltaic power generation, grain and oil processing, and rural B&Bs, bringing an average annual operating income of over RMB300,000 to such villages; and focusing on “one bank for one school” education support program, the Bank continued to improve the conditions of rural primary schools in an all-around manner, ranging from infrastructure, living environment, teaching quality to quality education, by establishing cooperation with and accumulatively donating RMB23,983,800 to 29 schools.

(3) Protection of consumer rights

The Bank always adheres to a “customer-oriented” approach, intensifies consumer protection review, implements risk controls at an earlier stage and over product agreements, marketing plans, promotional texts and information disclosures; and continues to improve the complaint management mechanism and strengthen the construction of complaint management teams in order to handle complaints in a timely and appropriate manner and protect the legitimate rights and interests of consumers. As of the end of 2022, the Bank received 105,340 complaints, of which 2,096 were referred by the regulatory authorities.

The following table shows the geographical of complaints:

Institutions in the jurisdictions	No. of complaints piece(s)	Institutions in the jurisdictions	No. of complaints piece(s)	Institutions in the jurisdictions	No. of complaints piece(s)
Beijing Branch	770	Tianjin Branch	402	Wenzhou Branch	538
Hangzhou Branch	2,202	Wuhan Branch	401	Taizhou Branch	152
Nanjing Branch	607	Zhengzhou Branch	752	Shaoxing Branch	416
Guangzhou Branch	616	Hefei Branch	180	Zhoushan Branch	21
Shenzhen Branch	1,138	Guiyang Branch	107	Jinhua Branch	323
Shanghai Branch	582	Changsha Branch	150	Jiaxing Branch	213
Suzhou Branch	285	Nanchang Branch	81	Quzhou Branch	87
Ningbo Branch	522	Qingdao Branch	51	Huzhou Branch	122
Chengdu Branch	519	Hohhot Branch	34	Lishui Branch	26
Chongqing Branch	1,575	Shenyang Branch	298	Nanning Branch	15
Jinan Branch	385	Fuzhou Branch	13	Taiyuan Branch	6
Xi'an Branch	511	Lanzhou Branch	398	/	/

Directors' Report

The following table shows the category of complaints:

Category	No. of complaints piece(s)	Category	No. of complaints piece(s)
Complaints about bank cards	65,200	Complaints about other intermediary business	655
Complaints about loans	11,692	Complaints about RMB savings	653
Complaints about debt collection	4,261	Complaints about foreign exchange	364
Complaints about self-managed wealth management	4,143	Complaints about precious metal	53
Complaints about banking agency business	1,066	Complaints about RMB management	16
Complaints about payment settlement	6,103	Other complaints	10,226
Complaints about personal financial information	908 /		/

In addition, the Bank continued to organize, among other, the “Financial Literacy Trip” (普及金融知識萬里行) and “Financial Literacy Month – improve family financial literacy, be a rational investor and be a good financial netizen” (金融知識普及月金融知識進萬家爭做理性投資者爭做金融好網民) in the form of micro-film and mini games to effectively remind consumers to prevent against financial risks and improve their knowledge of financial safety. As of the end of 2022, the Bank organized more than 12,000 activities, which brought about more than 70 million consumers.

(4) Privacy and data security

The Bank attaches great importance to the protection of customer privacy and data security management, as reflected by the continuous efforts to strengthen the establishment of a hierarchical financial consumer information management and authorization mechanism in all aspects, from the collection, storage, inspection, registration, downloading, storage, processing, circulation, deletion, destruction and sharing with partners of customer information, and the regular research of financial information protection on a bank-wide basis for analysis and rectification in a due time. Besides, the Bank has received the ISO27001, ISO20000 and ISO22301 certifications as a fulfillment of its responsibility to protect national critical information infrastructure. Data security technologies, such as the data leakage prevention (DLP) system, digital watermarking and data container system, have also been promoted throughout the Bank to prevent data from being tampered, damaged, leaked or accessed or used illegally. During the reporting period, the Bank did not notice any significant network security, information security or privacy leakage.

Directors' Report

(5) Human resource development

Adhering to the principle of equal and legal employment, the Bank respects and protects the legitimate rights and interests of employees and candidates, and treats them equally regardless of age, gender, nationality, race, marital status, religious beliefs, family status, etc. And the Bank strictly observes the statutory working hours and holiday regulations in China, protects the rights of employees to rest and leave, refuses forced and compulsory labor, and additionally provides employee paternity leave, parental leave, and medical leave. The Bank provides competitive and fair remuneration and benefits, as well as a healthy and safe working environment, pays attention to employee care, and provides festive gifts, health check-ups and medical insurance benefitting family members (including parents, children and spouse), etc. Employee communication channels, such as the “Feng Chao” (蜂巢) community, Home of Staff and a satisfaction platform, have been established to encourage employees to express their views, complain and provide advice. Besides, the Bank continues to improve the comprehensive training system covering different employees and business lines, support employees to obtain professional qualifications or participate in academic education, and provide “two-way election” for head office and branches, internal recruitment and other opportunities to employees for their smooth career development. Employees are also encouraged to report irregularities, and the confidentiality of the real-name informants will be strictly protected so as to create a fair and impartial working atmosphere.

(XXV) Miscellaneous

- (1) As of the date of this report, the Company was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets of the Company.

Report of the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the duty performance of the Board of Directors and the senior management of the Company, financial activities, risk management, internal control and lawful operation pursuant to the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

(I) Legal Operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Commercial Banking Law of the People's Republic of China 《中華人民共和國商業銀行法》 and the Articles of Association of the Company. The directors, President and other Senior Management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of Financial Statements

The 2022 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by KPMG Huazhen LLP and KPMG, who had issued standard auditing reports without qualified opinion.

(III) Use of Proceeds

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2022, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(IV) Acquisition and Sale of Assets

No insider trading or behavior harming the interests of some Shareholders was found in the major acquisitions of the Company.

(V) Connected Transactions

The connected transactions of our Company were conducted in a fair and reasonable way and were in compliance with national laws and regulations and the Articles of Association of the Company, and the Board of Supervisors was not aware of any behaviors which were not conducted on an arm's length basis or were detrimental to the interests of the Company and Shareholders.

Report of the Board of Supervisors

(VI) Internal Control System

The Board of Supervisors had reviewed the “Internal Control Evaluation Report of China Zheshang Bank for 2022”, and concurred with the Board of Directors’ representations regarding the completeness, reasonableness, effectiveness and implementation of the internal control system of the Company.

(VII) Implementation of Resolutions Passed at Shareholders’ General Meetings

The Board of Supervisors had no objection to the reports or proposals submitted by the Board of Directors to the Shareholders’ general meeting in 2022. It supervised the implementation of resolutions passed at the Shareholders’ general meetings and was of the opinion that the Board of Directors had implemented the relevant resolutions earnestly.

Significant Events

(I) Material Litigations and Arbitrations

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company itself for the purpose of recovering non-performing loans. The above litigations/arbitrations also include those arising as a result of other disputes. For the relevant information on the case involving disputes of contracts between the Company and Shantou Yidong Real Estate Development Co., Ltd. (汕頭市宜東房地產開發有限公司), Shantou Huhui Intelligent Technology Co., Ltd. (汕頭市互匯智能科技有限公司), Yihua Enterprise (Group) Co., Ltd. (宜華企業(集團)有限公司), Shenzhen Guanlan Gelan Yuntian Hotel Investment Co., Ltd. (深圳市觀瀾格蘭雲天大酒店投資有限公司), Liu Shaoxi (劉紹喜), Wang Shaonong (王少農), Liu Shaosheng (劉紹生), Liu Zhuangqing (劉壯青) and Liu Shaoxiang (劉紹香), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2021-015) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation Progress 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number: 2022-006) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn). For the relevant information on the case involving disputes of contracts between the Company and Glory Xingye (Beijing) Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司), Guorui Properties Limited, Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司), Zhang Zhangsun (張章筍) and Ruan Wenjuan (阮文娟), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2022-029) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation Progress 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number: 2023-001) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were totally 28 pending litigations/arbitrations (excluding cases involving enforcement opposition and the third parties) where the Company was a defendant, and the total value was RMB588,761,700. The Company expects that such pending litigations/arbitrations will not have a material adverse impact on the Company's business, financial position or operating results.

(II) Material Contracts and Their Performance

1. Significant Events Relating to Custody, Contracting and Leasing

During the reporting period, none of the material contracts signed by the Company involved holding in custody, contracting or leasing any assets of other companies or vice versa beyond the normal business scope of a bank.

2. Significant Guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the PBOC and the CBIRC, there were no other significant guarantees required to be disclosed.

(III) Misappropriation of Non-Operating Funds of the Company by Controlling Shareholders and Other Related Parties

During the reporting period, the Company did not have any non-operating misappropriation of the Company's funds by the controlling shareholders and other related parties, and KPMG Huazhen LLP (being an auditor of the Company) has issued a special review opinion for this purpose.

(IV) Significant Acquisitions, Sales or Disposals of Assets and Business Combination

During the reporting period, at the fourth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Purchase of Office Building for Shanghai Branch 《關於購置上海分行營業辦公用房的議案》. For details, please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Purchase of Office Building 《浙商銀行股份有限公司關於購買辦公大樓的公告》 (Number: 2022-027) issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Significant Events

(V) Equity Incentive Plan

During the reporting period, the Company did not implement an equity incentive plan.

(VI) Employee Stock Ownership Plan

During the reporting period, the Company did not implement an employee stock ownership plan.

(VII) Disciplinary Actions Imposed on the Company or Its Directors, Supervisors, Senior Management and Shareholders Holding 5% or more Shares in the Company

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, Board of Supervisors, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

(VIII) Performance of the Undertakings

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Zhejiang Provincial Financial Holdings Co., Ltd., Traveller Automobile Group Co., Ltd., Zhejiang Hengyi Group Co., Ltd. and its related parties Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd., Hengdian Group Holdings Limited, Guangsha Holding Group Co., Ltd. and its related parties Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Dongwang Times Technology Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd., Tong Lian Capital Management Co., Ltd., Xizi Elevator Group Co, Ltd., Shanghai Xizi United Investment Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (杭州民生醫藥控股集團有限公司) (9,460,000 Domestic Shares), Zhuji Hongyi Electronic Science and Technology Co., Ltd. (諸暨宏億電子科技有限公司), Zhejiang Huasheng Logistics Co., Ltd.(浙江華升物流有限公司)	Within 36 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2022	Yes	Yes

Significant Events

(IX) Review of Annual Results

KPMG Huazhen LLP and KPMG have audited the financial statements of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively, and issued standard unqualified auditing reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Company for the year ended December 31, 2022.

(X) Annual General Meeting

For the convening of its 2022 annual general meeting of the Company, the Company will make further announcement.

(XI) Publishing the Annual Report

The English and Chinese version of the annual report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website.

The Chinese version of the annual report prepared by the Company in accordance with the China Accounting Standards and the Rules for the Preparation of Annual Reports will be available on the website of Shanghai Stock Exchange and the Company's website.

Independent Auditor's Report

To the Shareholders of China Zheshang Bank Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Zheshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2022, and of its consolidated financial performance and its consolidated cash flow statement for the year then ended in accordance with *International Financial Reporting Standards* ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with *International Standards on Auditing* ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost

Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgments and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss ("ECL") model to calculate a loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost.</p> <p>The determination of the loss allowance is subject to the application of a number of key parameters and assumptions, including the identification of loss stages of significant increase in credit risk since initial recognition and credit-impaired, probability of default, loss given default, exposures at default and discount rate, forward-looking adjustments on economic indicators, economic scenarios and weightings, impact of the COVID-19 pandemic and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.</p> <p>The determination of the ECL model is heavily dependent on the macroeconomic environment and the Group's internal credit risk management strategy. The ECL of corporate loans and advances, financial investments measured at amortised cost in stage one and stage two and all personal loans and advances are derived from estimates including probability of default, loss given default, exposures at default and discount rate. The ECL of corporate loans and advances and financial investments measured at amortised cost in stage three are derived from estimates whereby taken into consideration cash flows expected to be received and discount rate.</p>	<p>Our audit procedures in relation to ECL allowance for loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key internal controls of financial reporting over the process and the measurement of ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG information technology ("IT") specialists to assess the design, implementation and operating effectiveness of relevant IT systems for ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG financial risk management specialists to assess the appropriateness of the ECL model and the parameters used, evaluate the key management judgments involved and management's impact assessment on financial statements upon changes.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgments and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for ECL at the end of the reporting period.</p> <p>We identified the measurement of allowance for ECL for loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortised cost list used by management with the general ledger to assess the completeness of the list. We also selecting items and comparing the information of individual loans and advances to customers and financial investments measured at amortised cost with the underlying agreements and other related documentation to assess the accuracy of the list. For historical economic indicators and other key parameters derived from external data, we selected items to inspect the accuracy of such data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, we involved KPMG IT specialists to assess the system logics and compilation of the overdue information of loans and advances to customers and financial investments measured at amortised cost. • for key parameters involving judgment, seeking evidence from external sources published by statistical institutions and comparing to the Group's internal records including historical loss experience, to evaluate the consistency of management's application of key assumptions and key parameters. We compared the economic and market factors used in the model with market information to assess whether they were aligned with economic development expectation.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgments and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li data-bbox="774 679 1390 1123">• evaluating the validity of management's assessment on whether the credit risk of the loans and advances to customers and financial investments measure at amortised cost has, or has not, increased significantly since initial recognition, whether the loan is credit-impaired and evaluate the loss allowance for expected credit losses for credit-impaired loans and advances to customers and financial investments by selecting items to perform credit assessments. We performed the credit assessments by checking the overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and collaterals' information about borrowers' businesses. <li data-bbox="774 1159 1390 1343">• assessing the reasonableness of the disclosures in the financial statements in relation to the loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost with reference to prevailing accounting standards.

Independent Auditor’s Report

Recognition of interests in and consolidation of structured entities	
<p>Refer to the accounting policies in Note IV.3 Consolidated Financial Statements, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VII.2 Involvement with Unconsolidated Structured Entities.</p>	
Key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group’s assets and liabilities.</p> <p>The Group may acquire an ownership interest in, act as a sponsor to, a structured entity, through initiating or investing shares in a wealth management product, an asset management plan, a trust plan, or an asset-backed security. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power the Group is able to exercise over the activities of the entity, and its exposure to and ability to influence the Group’s own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key controls of financial reporting over the consolidation of structured entities; • selecting items of significant structured entities of key product type and performing the following procedures for selected items: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management’s judgment over whether the Group has the ability to exercise power over the structured entity. – inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management’s judgment as to exposure, or rights, to variable returns from the Group’s involvement in such an entity.

Independent Auditor's Report

Recognition of interests in and consolidation of structured entities (continued)

Refer to the accounting policies in Note IV.3 Consolidated Financial Statements, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VII.2 Involvement with Unconsolidated Structured Entities.

Key audit matter	How the matter was addressed in our audit
<p>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<ul style="list-style-type: none"> <li data-bbox="826 648 1390 901">– inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity. <li data-bbox="826 935 1390 1026">– assessing management's judgment over whether the structured entity should be consolidated or not. <li data-bbox="775 1060 1390 1177">• assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to prevailing accounting standards.

Independent Auditor's Report

<i>Fair value of financial instruments</i>	
Refer to accounting policies in Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note XV Fair Value of Financial Instrument.	
Key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.</p> <p>The Group has applied relevant models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment.</p> <p>We identified the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments. • evaluating the fair value of level 1 financial instruments, by comparing the fair values applied by the Group with publicly available market data. • evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent valuation. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments with reference to prevailing accounting standards.

Independent Auditor's Report

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises all 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 the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	2022	2021
Interest income		101,983	92,757
Interest expense		(54,921)	(50,805)
NET INTEREST INCOME	VI.1	47,062	41,952
Fee and commission income		5,521	4,705
Fee and commission expense		(730)	(655)
NET FEE AND COMMISSION INCOME	VI.2	4,791	4,050
Net trading gains	VI.3	6,590	7,238
Net gains on financial investments	VI.4	2,008	773
Other operating income	VI.5	701	571
OPERATING INCOME		61,152	54,584
Operating expenses	VI.6	(17,668)	(14,772)
Expected credit losses	VI.7	(27,653)	(24,831)
PROFIT BEFORE TAXATION		15,831	14,981
Income tax expense	VI.10	(1,842)	(2,065)
PROFIT FOR THE YEAR		13,989	12,916
Attributable to:			
Shareholders of the Bank		13,618	12,648
Non-controlling interests		371	268

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	2022	2021
Other comprehensive income, net of tax	VI.39		
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income		38	14
Items that may be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		(403)	738
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		1,099	98
Exchange difference from the translation of foreign operations		900	(554)
Other comprehensive income, net of tax		1,634	296
Total comprehensive income		15,623	13,212
Total comprehensive income attributable to:			
Shareholders of the Bank		15,252	12,944
Non-controlling interests		371	268
Earnings per share attributable to the shareholders of the Bank	VI.11		
Basic (RMB yuan)		0.56	0.55
Diluted (RMB yuan)		0.56	0.55

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and balances with the central bank	VI.12	185,625	141,510
Precious metals		13,860	5,899
Deposits with banks and other financial institutions	VI.13	43,461	39,391
Placements with banks and other financial institutions	VI.14	9,581	12,762
Derivative financial assets	VI.15	14,179	14,264
Financial assets purchased under resale agreements	VI.16	15,886	22,352
Loans and advances to customers	VI.17	1,486,291	1,311,889
Financial investments	VI.18		
– Financial assets measured at fair value through profit or loss		189,020	179,197
– Financial assets measured at amortised cost		368,792	374,558
– Financial assets measured at fair value through other comprehensive income		194,037	98,067
Fixed assets	VI.20	18,394	14,665
Right-of-use assets	VI.21	5,016	4,670
Intangible assets	VI.22	617	486
Deferred tax assets	VI.23	20,901	18,077
Other assets	VI.24	56,270	48,936
TOTAL ASSETS		2,621,930	2,286,723
LIABILITIES			
Due to the central bank		97,170	50,990
Deposits from banks and other financial institutions	VI.26	241,814	236,976
Placements from banks and other financial institutions	VI.27	64,155	41,021
Financial liabilities at fair value through profit or loss	VI.28	55	12,512
Derivative financial liabilities	VI.15	14,462	13,162
Financial assets sold under repurchase agreements	VI.29	6,066	–
Customer deposits	VI.30	1,681,443	1,415,705
Employee benefits payable	VI.31	5,786	5,278
Taxes payable	VI.32	4,027	5,531
Provisions	VI.33	1,838	4,952
Debt securities issued	VI.34	323,033	318,908
Lease liabilities		3,318	2,926
Other liabilities	VI.35	12,833	11,879
TOTAL LIABILITIES		2,456,000	2,119,840

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	31 December 2022	31 December 2021
EQUITY			
Share capital	VI.36	21,269	21,269
Other equity instruments	VI.37	24,995	39,953
– Preference shares		–	14,958
– Perpetual bonds		24,995	24,995
Capital reserve	VI.38	32,289	32,018
Other comprehensive income	VI.39	2,191	557
Surplus reserve	VI.40	11,075	9,743
Statutory general reserve	VI.41	26,457	23,802
Retained earnings	VI.42	44,657	36,827
Total equity attributable to shareholders of the Bank		162,933	164,169
Non-controlling interests		2,997	2,714
TOTAL EQUITY		165,930	166,883
TOTAL LIABILITIES AND EQUITY		2,621,930	2,286,723

The consolidated financial statements was approved by the board of directors on 27 March 2023:

Zhang Rongsen

*(Perform the duties of chairman and
legal representative on behalf)
Executive Director, President*

Jing Feng

*Principal in-charge of Finance,
Chief Finance Officer*

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

Note	Attributable to equity holders of the Bank							Subtotal	Non-Controlling interests	Total Equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			
Balance at 1 January 2022	21,269	39,953	32,018	557	9,743	23,802	36,827	164,169	2,714	166,883
Changes in equity for the year										
1. Total comprehensive income	-	-	-	1,634	-	-	13,618	15,252	371	15,623
2. Capital deduction by equity holders										
- Capital deduction by other equity instruments holders	VI.37	(14,958)	271	-	-	-	-	(14,687)	-	(14,687)
3. Appropriation of profits										
- Appropriation to surplus reserve	VI.40	-	-	-	1,332	-	(1,332)	-	-	-
- Appropriation to statutory general reserve	VI.41	-	-	-	-	2,655	(2,655)	-	-	-
- Distributions to ordinary shareholders	VI.42	-	-	-	-	-	-	-	(88)	(88)
- Distributions to preference shareholders	VI.42	-	-	-	-	-	(838)	(838)	-	(838)
- Distributions to perpetual bonds	VI.42	-	-	-	-	-	(963)	(963)	-	(963)
Balance at 31 December 2022	21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	2,997	165,930
Balance at 1 January 2021	21,269	14,958	32,018	261	8,499	21,118	32,389	130,512	2,031	132,543
Changes in equity for the year										
1. Total comprehensive income	-	-	-	296	-	-	12,648	12,944	268	13,212
2. Capital contribution from equity holders										
- Capital contribution from otherequity instruments holders	VI.37	24,995	-	-	-	-	-	24,995	-	24,995
- Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	490	490
3. Appropriation of profits										
- Appropriation to surplus reserve	VI.40	-	-	-	1,244	-	(1,244)	-	-	-
- Appropriation to statutory general reserve	VI.41	-	-	-	-	2,684	(2,684)	-	-	-
- Distributions to ordinary shareholders	VI.42	-	-	-	-	-	(3,424)	(3,424)	(75)	(3,499)
- Distributions to preference shareholders	VI.42	-	-	-	-	-	(858)	(858)	-	(858)
Balance at 31 December 2021	21,269	39,953	32,018	557	9,743	23,802	36,827	164,169	2,714	166,883

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	2022	2021
Cash flows from operating activities:		
Profit before taxation	15,831	14,981
Adjustments for:		
– Expected credit losses	27,653	24,831
– Depreciation and amortization	1,862	1,679
– Interest income from financial investments	(19,183)	(16,863)
– Net investment income	(6,489)	(2,178)
– Net losses/(gains) from changes in fair value	2,261	(2,412)
– Net foreign exchange (gains)/losses	(190)	165
– Net (gains)/losses on disposal of fixed assets	(3)	2
– Interest expense on debt securities issued	8,445	8,453
– Interest expense on lease liabilities	139	141
– Deferred tax expense	(3,070)	(3,736)
Net changes in operating assets and operating liabilities:		
Net (increase)/decrease in balances with the central bank	(17,144)	11,594
Net decrease/(increase) in deposits with banks and other financial institutions	304	(7,675)
Net increase in placements with banks and other financial institutions	(5,856)	(1,205)
Net decrease/(increase) in financial assets purchased under resale agreements	1,035	(1,132)
Net increase in loans and advances to customers	(186,411)	(157,336)
Net decrease/(increase) in financial assets held for trading	32,995	(37,915)
Net decrease in other operating assets	5,642	17,089
Net increase/(decrease) in due to the central bank	46,139	(32,881)
Net increase in deposits from banks and other financial institutions	5,469	88,000
Net increase/(decrease) in placements from banks and other financial institutions	10,713	(7,612)
Net increase/(decrease) in financial assets sold under repurchase agreements	6,047	(900)
Net increase in customer deposits	260,702	78,751
Net decrease in other operating liabilities	(14,755)	(4,309)
Net cash flows generated from/(used in) operating activities before taxation	172,136	(30,468)
Income tax paid	(4,371)	(6,615)
Net cash generated from/(used in) operating activities	167,765	(37,083)

The notes on pages 169 to 305 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	2022	2021
Cash flows from investing activities:			
Dividends received		8	3
Proceeds from disposal of fixed assets		185	10
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(5,391)	(2,553)
Investment returns received		24,473	18,942
Proceeds from disposal of investments		1,468,888	2,210,859
Payment for acquisition of investments		(1,618,364)	(2,304,983)
Net cash used in investing activities		(130,201)	(77,722)
Cash flows from financing activities:			
Proceeds from issuance of shares		-	490
Proceeds from issuance of other equity instruments		-	24,995
Proceeds from issuance of debt securities	VI.43 (2)	373,048	496,321
Repayments of principal on debt securities issued	VI.43 (2)	(369,834)	(413,502)
Repayments of interest on debt securities issued	VI.43 (2)	(7,926)	(9,046)
Repayments of other equity instruments		(14,687)	-
Payment for dividend distribution	VI.43 (2)	(2,000)	(4,313)
Repayments of principal element of lease liabilities	VI.43 (2)	(646)	(566)
Repayments of interest element of lease liabilities	VI.43 (2)	(139)	(141)
Net cash (used in)/generated from financing activities		(22,184)	94,238
Effect of exchange rate changes on cash and cash equivalents		1,543	(729)
Net increase/(decrease) in cash and cash equivalents		16,923	(21,296)
Cash and cash equivalents at the beginning of the year	VI.43 (1)	90,825	112,121
Cash and cash equivalents at the end of the year	VI.43 (1)	107,748	90,825
Net cash flows from operating activities include:			
Interest received		80,947	75,440
Interest paid		(41,786)	(40,997)

The notes on pages 169 to 305 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

I General Information

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the China Banking Regulatory Commission (“CBRC” which was renamed to China Banking and Insurance Regulatory Commission in 2018, hereinafter referred to as “CBIRC”) (Yin Jian Fu [2004] No. 91) and Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the CBIRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H).

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with stock code of 601916. At 31 December 2022, the Bank’s registered capital is RMB21,268,696,778.

At 31 December 2022, the Bank has established 310 branches in 22 provinces (autonomous regions or municipalities) and Hong Kong in China, including 72 branches (30 of them are tier-one branches), 2 branch-level specialized institutions and 236 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 31 December 2022, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements. The Bank and its subsidiary, Zheyin Financial Leasing, are collectively referred to as “the Group”.

II Basis of Preparation

1 Statement of Compliance

These financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRSs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622).

2 Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention, except for precious metals held for trading, derivative financial instruments, precious metal leasing of placements from banks and other financial institutions, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note V.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements

1 Impact of Effective International Financial Reporting Standards

The Group has applied the following amendments to IFRSs issued by IASB to these consolidated financial statements from 1 January 2022:

- Amendments to IFRS 3, *Reference to the Conceptual Framework*;
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, *Annual Improvements to IFRS Standards 2018-2020*;
- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*;
- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*.

Major impacts of the adoption of the amended IFRSs (including the International Accounting Standards (IAS) and their amendments and the International Financial Reporting Interpretations Committee(IFRIC)) are discussed below:

(a) Amendments to IFRS: Reference to the Conceptual Framework

The amendments have updated IFRS 3 Business combinations, to refer to the 2018 Conceptual Framework for Financial Reporting, and added an exception to the requirement to refer to the 2018 Conceptual Framework to determinate what constitutes an asset or a liability in a business combination. The exception relates to liabilities and contingent liabilities that would have been within the scope of IAS 37 or IFRIC 21. 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 does not have a significant impact on the Group's consolidated financial statements.

(b) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020, which provides an optional relief for the measurement of cumulative translation differences to certain first-time adopters, clarifies the types of fees to be included when assessing the derecognition of financial liability, amends an illustrative example accompanying IFRS 16, 'Leases', and removes the requirement to exclude taxation cash flows when measuring fair value. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements (continued)

1 Impact of Effective International Financial Reporting Standards (continued)

(c) 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 amendments also clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset, and that the financial performance of the asset is not relevant to this assessment. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(d) Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract.

The amendments clarify the meaning of 'costs to fulfil a contract' for the purposes of assessing whether a contract is onerous. In particular, the amendments explain that such costs comprise 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 merely on assets dedicated to that contract. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

2 Impact of International Financial Reporting Standards Issued but not yet Effective

		Effective date
IFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimate</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 (2020)	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1 (2022)	<i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Not determined

The above new and amendments to IFRSs have not been adopted in advance in these consolidated financial statements. The Group anticipates that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies

1 Accounting Year

The accounting year starts on January 1 and ends on December 31.

2 Functional Currency

The consolidated financial statements are presented in Renminbi (“RMB”), being the functional and presentation currency of the Bank’s operations in the Mainland China. Each entity operating outside the Mainland China determines its own functional currency and the financial statements of each entity are presented using that functional currency. Their financial statements have been translated in accordance with Note IV.5.

3 Consolidated Financial Statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests of a subsidiary are presented separately in the consolidated statement of financial position within equity, and net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated statement of profit or loss and other comprehensive income. When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest’s portion of the opening balance of equity holders’ equity of the subsidiary, the excess is allocated against the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting period and accounting policies in line with the Group’s accounting period and accounting policies. Intra-group assets, liabilities, equities, revenue, expense and cash flows arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

4 Determination of Cash and Cash Equivalents

Cash and cash equivalents comprise monetary assets that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserves with the central bank, deposits or placements with banks and other financial institutions and financial assets purchased under resale agreements with an original tenor of less than 3 months.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

5 Foreign Currency Transactions and Translation

Foreign currency transactions are initially recorded in RMB using the spot exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss, except for the differences arising from the re-translation of non-monetary items denominated in foreign currencies at fair value through other comprehensive income, which are recognized in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Shareholders' equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

6 Financial Instruments

Financial instruments of the Group include cash and balances with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets purchased under resale agreements, loans and advances to customers, financial investments measured at fair value through profit or loss, financial investments measured at amortised cost, financial investments measured at fair value through other comprehensive income, other receivables, finance lease receivables, due to the central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial liabilities measured at fair value through profit or loss, derivative financial liabilities, financial assets sold under repurchase agreements, customer deposits, debt securities issued, other payables, and share capital.

(1) Initial recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost (“AC”), at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment conforms to the definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group’s key management personnel.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Classification of financial assets (continued)

In assessing whether the contractual cash flows on specific dates are solely payments of principal and interest based on principal unpaid, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition of contractual cash flows.

Subsequent measurement of financial assets

- Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value after initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process in effective interest method or in order to recognize impairment gains or losses.

- Debt instruments measured at FVOCI

These assets are subsequently measured at fair value after initial recognition. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, measured at amortised cost and financial guarantees.

– Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including a derivative financial instrument and precious metal leasing in placements from banks and other financial institutions) or it is designated as such on initial recognition.

A financial liability is classified as held for trading if: (i) it has been acquired principally for the purpose of repurchasing it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability may be designated as measured at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces accounting mismatches that would otherwise arise; or (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management internally on that basis.

Financial liabilities measured at FVTPL (including derivative financial liability) are subsequently measured at fair value after initial recognition and net gains and losses (including any interest expense) are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities measured at amortised cost

A financial liability other than a financial liability measured at FVTPL, a financial liability not meeting the criteria for derecognition or arising from continuing involvement, credit commitments or financial guarantees are recognized at fair value and subsequently measured at amortised cost using the effective interest method after initial recognition.

(4) Offsetting financial instruments

Financial assets and financial liabilities are generally presented separately in the consolidated statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts; and
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(5) Derecognition of financial instruments

A financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- 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.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer. For a debt instrument financial asset measured at FVOCI, the sum of the consideration received includes the cumulative gain or loss recognized in other comprehensive income.

Asset securitization

As part of its operational activities, the Group securitizes financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitization of financial assets does not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability; the Group neither retains nor transfers substantially all of the risks and rewards of ownership of the securitized financial assets, and it retains control over the transferred assets, the Group continues to recognize the transferred assets in the consolidated statement of financial position to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the securitized assets, and recognize the corresponding liabilities.

Sales of financial assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in the case of the transferor selling such a financial asset), the Group will derecognize the financial asset.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on:

- Financial assets measured at amortised cost;
- Debt instruments measured at FVOCI;
- Lease receivables; and
- Credit commitments and financial guarantee contracts.

Other financial assets measured at fair value, including financial investments measured at FVTPL, equity investments designated as measured at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months) and are parts of lifetime ECLs.

The Group classifies financial instruments into three stages and makes provisions for ECLs in accordance with the accounting policies described in Note XIII.1 Credit Risk.

Presentation of allowance for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the ECL allowance is recognized in other comprehensive income. The Group recognizes ECL allowances for credit commitments and financial guarantee contracts through provisions (allowance for ECLs on credit commitments).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(7) Write-off of financial assets

The carrying value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(8) Modification of contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether the new contractual 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 under the revised terms. If the modification does not result in substantial changes, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, comparing the risk of a default occurring under the revised terms at balance sheet date with that at the date of initial recognition under the original terms.

(9) Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions 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.

The consideration received from the issuance of equity instruments net of directly attributable transaction costs is recognized in equity.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

7 Preference Shares and Perpetual Bonds

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued that are classified as equity instruments are recognized in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed by the Group according to the contractual terms, the redemption price is charged to equity.

8 Precious Metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value at the balance sheet date recorded in profit or loss.

The Group records the precious metals received as a liability. The precious metals deposited with the Group are measured at fair value both on initial recognition and in subsequent measurement.

9 Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in a hybrid contract is an asset within the scope of IFRS 9 – Financial Instruments, the embedded derivative is not separated from the host contract of the financial asset, instead the hybrid financial instrument as a whole is classified under IFRS 9. If the host contract included in a hybrid contract is not an asset within the scope of IFRS 9, when their economic characteristics and risks of an embedded derivative is not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not measured at FVTPL, then such an embedded derivative is separated from the hybrid contract and accounted for as a derivative. The embedded derivative is measured at fair value with any changes in fair value recognized in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized directly in profit or loss.

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position. The corresponding proceed received, including accrued interest, is recognized in the consolidated statement of financial position as "financial assets sold under purchase agreements". The difference between the selling and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lending) (continued)

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

Securities borrowing and lending transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading purposes and measured at fair value with any gains or losses included in profit or loss.

11 Investment in Subsidiaries

In the Bank’s statement of financial position, long-term equity investment in subsidiaries are accounted for using the cost method for subsequent measurement. Dividends declared by subsidiaries are recognized in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments. In the Bank’s statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (Note IV.15).

In the Group’s consolidated statement of financial position, subsidiaries are accounted for in accordance with policies described in Note IV.3.

12 Fixed assets and Construction in Progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives more than one year. Construction-in-progress represents properties and buildings under construction and are transferred to fixed assets when they are ready for their intended use.

Fixed assets are stated at cost less accumulated depreciation and impairment losses (Note IV.15) in the consolidated statement of financial position. Construction-in-progress is stated cost less impairment losses (Note IV.15) in the consolidated statement of financial position.

Costs of a purchased fixed asset comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed fixed asset comprise construction materials, direct labor costs, capitalized borrowing cost and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

12 Fixed assets and Construction in Progress (continued)

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. They are accounted for as separate items of fixed assets.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

The cost of a fixed asset, less its estimated net residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated residual value and depreciation rate are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Properties and buildings	10 – 30 years	5%	3.17% – 9.50%
Office and electronic equipment	3 – 5 years	5%	19.00% – 31.67%
Motor vehicles	5 years	5%	19.00%

Fixed assets in the operating leases are used for the Group's operating lease activities. The Group determines the depreciation period and depreciation method based on actual conditions. The depreciation is accrued on a straight-line basis based on the duration of the lease.

The estimated useful lives, estimated net residual value and depreciation method of fixed assets are reviewed at least at each year-end.

Gains or losses arising from the disposal or retirement of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

13 Intangible Assets

Intangible assets are stated in consolidated statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note IV.15). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment losses is amortised on a straight-line basis over its estimated useful live.

Useful lives and amortization methods of intangible assets with finite useful life are reviewed at least at each year-end. The amortization period of computer software is 10 years.

The Group reviews the useful life and amortization method of intangible assets with limited useful lives at least at the end of each year.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

14 Repossessed Assets

In the recovery of assets such as impaired loans and lease receivables, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. When it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrowers, repossessed assets except the equity instruments are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, litigation expenses advanced and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognized at the carrying value in the consolidated statement of financial position, net of allowance for impairment losses (Note IV.15).

15 Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress;
- right-of-use assets;
- intangible assets;
- investment in subsidiaries; and
- other assets (finance lease receivables excluded).

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note IV.16) less costs of disposal and its value in use.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), its present value of expected future cash flows (if measurable) and zero.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

16 Fair Value Measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

17 Employee Benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss.

(2) Post-employment benefits – defined contribution plans

The Group participates in defined contribution plans including basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organizations, all of which are defined contribution plans. The Group pays a fixed contribution into the defined contribution plans and has no obligation to make further contributions if the plans does not hold sufficient assets to pay all employee benefits.

Employees also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group contributes a certain percentage of the employees’ salaries to the Annuity Plan, which is charged to profit or loss when it is incurred.

18 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, a provision shall be determined by discounting the related future cash outflows.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

19 Credit Commitments and Financial Guarantee Contracts

The Group issues credit commitments and financial guarantee contracts, including acceptances, letters of credit, letters of guarantee and receivables confirmation.

A credit commitment is a commitment provided by the Group to customers to extend loans under agreed contractual terms within a certain period. Expected credit losses relating to credit commitments are provided for using the ECL model and included in provisions.

Financial guarantees are contracts that require the guarantor to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the allowance for ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor or any other third party.

20 Fiduciary Activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group under fiduciary capacity and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding to the Group, and the Group grants loans to third parties. The Group has been contracted by those customers to manage the administration and collection of these entrusted loans on their behalf. The Group receives fees in return for the services it provides. As the Group does not assume the risks and rewards of the entrusted loans, the entrusted loans are not recognized as the Group's assets or liabilities.

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 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.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

21 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(1) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the carrying value of the financial asset, or the amortised cost of the financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or transaction costs that are attributable to the instrument and are a part of the effective interest rate, but not ECLs.

Interest income is calculated by applying the effective interest rate to the carrying value of financial assets and is included in “interest income”, except for:

- purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and
- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost.

The adjusted effective interest rate is the rate that discounts the estimated future cash flows of the purchased or originated credit-impaired financial asset through the asset’s expected life to its amortised cost. In determining the adjusted effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, renewal, call and similar options) and ECLs.

(2) Fee and commission income

The fee and commission income is recognized when its performance obligation in contracts is satisfied and when the customer obtains the control right of relevant services.

For the fee and commission income that the performance obligation is performed at a certain point in time, the Group recognizes income when the customer obtains the control right of relevant services. For the fee and commission income that the performance obligation is performed during a certain period of time, the Group recognizes income according to the progress of the performance during the period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

21 Revenue (continued)

(3) Dividend income

Dividends income is recognized in profit or loss when the right to receive payment is established.

22 Government Grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a reasonable and systematic method over the useful life of the asset. A grant related to income that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses incurred is recognized in profit or loss immediately.

23 Income Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

23 Income Taxes (continued)

At the balance sheet date, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24 Leases

(1) The Group as the lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and the costs to restore the site. The right-of-use asset is depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of relevant assets where appropriate as incurred.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

24 Leases (continued)

(1) The Group as the lessee (continued)

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as the lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

Under a finance lease, at the commencement date, the Group recognizes the finance lease receivable and derecognizes the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease. The Group calculates and recognizes interest income for each period of the lease term using a fixed periodic interest rate.

Under an operating lease, lease receipts are recognized as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss as they are earned.

25 Dividends

Dividends proposed in the profit appropriation plan which will be authorized and declared after the balance sheet date are not recognized as a liability at the balance sheet date but disclosed separately in the notes of subsequent events to the consolidated financial statements. Distributions to preference shareholders are recognized as liabilities in the period approved by the board of directors.

26 Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

27 Segment Reporting

Segment information are disclosed by reportable segments, which are identified based on operating segments determined based on the structure of the Group's internal organization, management requirements and internal reporting system.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of financial statement line items. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the ECL Allowance

The measurement of the ECL allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI, credit commitments and financial guarantees is an area that requires the use of complex models and significant assumptions about future economic conditions and borrower's credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting policies for measuring ECLs, such as:

- The segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECLs, choosing appropriate models and key inputs for the measurement of ECLs;
- Criteria for determining whether there was a significant increase in credit risk, or the credit was impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Discounted cash flows and discount rates applied to corporate loans and advances, and financial assets measured at amortised cost in stage 3.

For details about the measurement of ECLs, please refer to Note XIII.1(3).

(ii) Fair Value of Financial Instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Under such circumstance, management needs to make estimates on such unobservable market inputs, such as counterparty credit risk, market fluctuations and correlations. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates (continued)

(iii) Consolidation of Structured Entities

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager or has interests in so as to determine whether the Group has control over the structured entity. In assessing whether the Group is acting as agent or manager, the Group considers various factors such as the scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which the Group is entitled for the services it provides and the Group's exposure to variability of returns of other arrangements (including interests the Group directly holds) in the structured entities. The reassessment of control is made if facts and circumstances indicate changes in any of the factors.

(iv) Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are recognized accordingly. Deferred tax assets are recognized for temporary deductible differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. This requires significant estimation on the tax treatment of certain transactions and also significant assessment on the probability that sufficient taxable profits will be available for the deferred tax assets to be recovered.

(v) Classification of Financial Assets

The critical judgments the Group makes 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. In the process of assessing the characteristics of contractual cash flows, the Group needs to make judgement on whether the contractual cash flow of financial assets is consistent with the basic lending arrangement.

(vi) Derecognition of Financial Assets

In the normal course of business, the Group transfers financial assets through various types of transactions including regular sales and transfers, securitization, and selling financial assets under repurchase agreements. The Group applies significant judgement in assessing whether the transfer complies with the conditions for derecognition. Where the Group enters into structured transactions by which it transfers financial asset to special purpose entities, the Group analyzes whether it controls these special purpose entities to determine whether the Group needs to consolidate these special purpose entities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements

1 Net Interest Income

	2022	2021
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	48,136	43,116
– Personal loans and advances	24,731	24,311
– Discounted bills	2,485	2,511
Financial investments		
– Financial assets measured at amortised cost (“AC”)	14,964	14,869
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	4,219	1,994
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	2,526	1,592
Balances with the central bank	2,029	1,968
Finance lease receivables	2,893	2,396
Total	101,983	92,757
Interest expense:		
Customer deposits		
– Corporate customers	(32,216)	(24,236)
– Personal customers	(4,498)	(9,650)
Debt securities issued	(8,445)	(8,453)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(8,097)	(6,725)
Due to the central bank	(1,526)	(1,600)
Lease liabilities	(139)	(141)
Total	(54,921)	(50,805)
Net interest income	47,062	41,952

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

2 Net Fee and Commission Income

	2022	2021
Fee and commission income:		
Agency and entrustment service	1,802	1,384
Commitment and guarantee service	1,315	1,088
Underwriting and consultation service	947	766
Settlement and clearing business	628	498
Custodian and other fiduciary service	531	487
Fees from bank cards	217	263
Others	81	219
Total	5,521	4,705
Fee and commission expense	(730)	(655)
Net fee and commission income	4,791	4,050

3 Net Trading Gains

	2022	2021
Net gains arising from financial instruments measured at FVTPL	4,149	5,920
Exchange gains and related derivatives	2,405	1,412
Precious metals and related derivatives	(65)	107
Other derivatives	101	(201)
Total	6,590	7,238

4 Net Gains on Financial Investments

	2022	2021
Net gains arising from financial assets measured at FVOCI	1,895	830
Net gains/(losses) arising from financial assets measured at AC	161	(119)
Dividend income from equity instruments designated to be measured at FVOCI	8	3
Other investment (losses)/gains	(56)	59
Total	2,008	773

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

5 Other Operating Income

	2022	2021
Operating lease income	264	140
Government grants	156	206
Other miscellaneous income	281	225
Total	701	571

6 Operating Expense

	2022	2021
Staff costs (i)	10,896	9,182
General and administrative expenses	4,076	2,866
Depreciation and amortisation	1,736	1,679
Taxes and surcharges	685	853
Donations	25	17
Auditors' remuneration	6	6
Others (ii)	244	169
Total	17,668	14,772

(i) Staff costs

	2022	2021
Salaries, bonuses and allowances	8,265	6,939
Other social insurance and benefit costs	1,035	817
Housing funds	427	374
Pension costs – defined contribution plans	995	896
Labor union fee and staff education fee	174	156
Total	10,896	9,182

(ii) During reporting period, the expense relating to short-term leases and leases of low-value assets are not significant.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

7 Expected Credit Losses (“ECL”s)

	Note	2022	2021
Deposits with banks and other financial institutions		8	(2)
Placements with banks and other financial institutions		165	74
Financial assets purchased under resale agreements		(11)	18
Loans and advances to customers			
– measured at AC		15,996	11,987
– measured at FVOCI		1,249	7
Financial investments			
– measured at AC		12,393	12,599
– measured at FVOCI		218	129
Finance lease receivables		500	510
Others		251	236
Off-balance sheet items		(3,116)	(727)
Total	VI.25	27,653	24,831

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments

(in RMB thousands)	2022					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Zhang Rongsen	-	1,200	82	725	240	2,247
Chen Haiqiang	-	1,000	74	605	220	1,899
Ma Hong	-	495	74	627	220	1,416
Shen Renkang	-	39	6	-	20	65
Non-Executive Directors						
Ren Zhixiang	-	-	-	-	-	-
Gao Qinhong	-	-	-	-	-	-
Hu Tiangao	-	-	-	-	-	-
Zhu Weiming	-	-	-	-	-	-
Hou Xingchuan	-	-	-	-	-	-
Independent Non-Executive Directors						
Tong Benli	50	-	-	-	-	50
Dai Deming	50	-	-	-	-	50
Liu Pak Wai	50	-	-	-	-	50
Zheng Jindu	333	-	-	-	-	333
Zhou Zhifang	367	-	-	-	-	367
Wang Guocai	350	-	-	-	-	350
Wang Wei	333	-	-	-	-	333
Xu Yongbin	308	-	-	-	-	308
Supervisors						
Guo Dingfang	-	495	74	399	220	1,188
Pan Jianhua	-	-	-	-	-	-
Cheng Huifang	157	-	-	-	-	157
Pan Huafeng	-	-	-	-	-	-
Chen Zhongwei	-	-	-	-	-	-
Gao Qiang	157	-	-	-	-	157
Zhang Fanquan	317	-	-	-	-	317
Song Qinghua	300	-	-	-	-	300
Chen Sanlian	300	-	-	-	-	300
Total	3,072	3,229	310	2,356	920	9,887

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

(in RMB thousands)	2021					Contribution to pension schemes	Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses			
Executive Directors							
Shen Renkang	–	466	66	842	243	1,617	
Zhang Rongsen	–	1,117	78	675	241	2,111	
Ma Hong	–	70	11	–	37	118	
Chen Haiqiang	–	1,000	66	605	222	1,893	
Xu Renyan	–	600	31	360	109	1,100	
Non-Executive Directors							
Ren Zhixiang	–	–	–	–	–	–	
Gao Qinhong	–	–	–	–	–	–	
Hu Tiangao	–	–	–	–	–	–	
Zhu Weiming	–	–	–	–	–	–	
Wang Jian	–	–	–	–	–	–	
Lou Ting	–	–	–	–	–	–	
Independent Non-Executive Directors							
Tong Benli	300	–	–	–	–	300	
Dai Deming	300	–	–	–	–	300	
Liu Pak Wai	300	–	–	–	–	300	
Zheng Jindu	300	–	–	–	–	300	
Zhou Zhifang	300	–	–	–	–	300	
Wang Guocai	300	–	–	–	–	300	
Wang Wei	300	–	–	–	–	300	
Supervisors							
Guo Dingfang	–	209	39	–	130	378	
Yu Jianqiang	–	700	11	350	117	1,178	
Pan Jianhua	–	–	–	–	–	–	
Pan Huafeng	–	–	–	–	–	–	
Chen Zhongwei	–	–	–	–	–	–	
Wang Chengliang	–	–	–	–	–	–	
Zheng Jianming	–	–	–	–	–	–	
Wang Feng	–	–	–	–	–	–	
Cheng Huifang	300	–	–	–	–	300	
Zhang Fanquan	150	–	–	–	–	150	
Song Qinghua	150	–	–	–	–	150	
Chen Sanlian	150	–	–	–	–	150	
Yuan Xiaoqiang	175	–	–	–	–	175	
Wang Jun	175	–	–	–	–	175	
Huang Zuhui	175	–	–	–	–	175	
Total	3,375	4,162	302	2,832	1,099	11,770	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

- (i) The total pre-tax remuneration of some directors and the supervisors of the Bank performing their duties is still in the process of confirmation, and the rest will be disclosed separately after confirmation.
- (ii) On January 11 2022, Mr. Shen Renkang resigned as the executive director and chairman of the Board of Directors; On February 18 2022, Mr. Wu Jianwei and Mr. Sheng Hongqing resigned from the position of assistant president of the Bank; On June 30 2022, Ms. Cheng Huifang resigned as the external supervisor; On August 24 2022, Mr. Pan Jianhua resigned as the shareholder supervisor. (On 7 June 2021, Mr. Xu Renyan resigned as an executive director and President of the Bank; On 15 July 2021, due to the expiration of the term of the Fifth Board of Directors, Mr. Wang Jian and Ms. Lou Ting will no longer serve as the non-executive directors, and Mr. Tong Liben, Mr. Dai Deming and Mr. Liu Pak Wai will no longer serve as the independent non-executive directors. However, they will continue to perform their duties as required until the new independent directors obtain qualifications. On 16 July 2021, Mr. Yu Jianqiang, Mr. Wang Chengliang, Mr. Yuan Xiaoqiang, Mr. Wang Jun and Mr. Huang Zuhui will no longer serve as the supervisors of the Bank. On 9 September 2021, Mr. Wang Feng resigned as the employee supervisor. On 22 December 2021, Mr. Zheng Jianming resigned as the deputy chief supervisor and employee supervisor).
- (iii) On January 11 2022, Mr. Lu Jianqiang was nominated to serve as chairman and chairman of the Board of Directors; On February 21 2022, the China Banking and Insurance Regulatory Commission (hereinafter referred to as "the China Banking and Insurance Regulatory Commission") approved Mr. Xu Yongbin's qualification as an independent director; On June 27 2022, Mr. Gao Qiang was elected as an external supervisor of the sixth session of the Board of Supervisors; On November 21 2022, Zhou Weixin was appointed as the assistant president of the Bank. (On 16 June 2021, Mr. Guo Dingfang, Mr. Zheng Jianming, Mr. Wang Feng, Mr. Chen Zhongwei and Mr. Pan Huafeng were elected as the employee supervisors of the sixth session of the Supervisory Committee. On 15 July 2021, Mr. Shen Renkang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang were elected as the executive directors. Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming and Mr. Zhuang Yuemin were elected as the shareholder directors. Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Guan Pinfang were elected as the independent directors. Mr. Pan Jianhua was elected as the shareholder supervisor. Ms. Cheng Huifang, Mr. Zhang Fanquan, Ms. Song Qinghua and Mr. Chen Sanlian were elected as the external supervisors).
- (iv) Employee supervisors of the Bank receive remuneration as staff, and receive no remuneration as supervisors.
- (v) Supervisors of the Bank receive only remuneration in respect of their services as supervisors. No emoluments were paid to or receivable by supervisors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

9 Five Highest Paid Individuals

For the year ended 31 December 2022, the five highest paid individuals in the Group include neither director nor supervisor (2021: no director or supervisor). The five highest paid individuals for the year are as follows:

	2022	2021
Salaries and allowances and other benefits	2	2
Discretionary bonuses	39	36
Contribution to pension schemes	-	-
Total	41	38

The emoluments fell within the following bands:

	Number of Individuals	
	2022	2021
RMB7,000,001 – RMB7,500,000	2	2
RMB7,500,001 – RMB8,000,000	1	2
RMB8,000,001 – RMB8,500,000	-	1
RMB8,500,001 – RMB12,000,000	2	-

- (i) No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.
- (ii) During the year ended 31 December 2022, no non-cash benefits (share options, cars, insurance premium, club membership, etc.) were paid to the directors or supervisors (2021: Nil).
- (iii) During the year ended 31 December 2022, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2021: Nil).
- (iv) During the year ended 31 December 2022, no termination benefits were paid to the directors or supervisors by the Group (2021: Nil).
- (v) During the year ended 31 December 2022, no consideration was provided by the Group to former employers for making available directors' and supervisors' services (2021: Nil).
- (vi) During the year ended 31 December 2022, no loans, quasi-loans or other dealings were provided in favour of directors or their connected entities (2021: Nil).
- (vii) During the year ended 31 December 2022, no significant transactions, arrangements and contracts were in relation to the corporate in which a director of the Group had a material interest, whether directly or indirectly subsisted (2021: Nil).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

10 Income Tax Expense

	Note	2022	2021
Current income tax expense		4,912	5,801
Deferred tax expense	VI.23	(3,070)	(3,736)
Total		1,842	2,065

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

	2022	2021
Profit before taxation	15,831	14,981
Tax calculated at statutory tax rate of 25%	3,958	3,745
Effects of non-taxable income (i)	(2,813)	(1,870)
Effects of non-deductible expenses (ii)	938	190
Effects of perpetual bond interest expense	(241)	–
Income tax expense	1,842	2,065

- (i) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.
- (ii) The non-deductible expenses mainly include the non-deductible write-off losses assessed and confirmed item by item, and certain expenses, which are not deductible before taxation according to PRC tax regulations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

11 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. At 31 December 2022, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	2022	2021
Consolidated net profit attributable to shareholders of the Bank	13,618	12,648
Less: Net profit attributable to other equity instruments holders of the Bank	(1,801)	(858)
Consolidated net profit attributable to ordinary shareholders of the Bank (in RMB millions)	11,817	11,790
Weighted average number of ordinary shares (in millions of shares)	21,269	21,269
Basic and diluted earnings per share (RMB yuan/share)	0.56	0.55

12 Cash and Balances with the Central Bank

	Note	31 December 2022	31 December 2021
Cash		560	469
Balances with the central bank			
– Statutory deposit reserves	(1)	130,080	112,958
– Surplus deposit reserves	(2)	54,885	28,017
– Fiscal deposits		30	8
Subtotal		184,995	140,983
Interest accrued		70	58
Total		185,625	141,510

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

12 Cash and Balances with the Central Bank (continued)

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"). At the balance sheet date, rates for statutory deposit reserves were as follows:

	31 December 2022	31 December 2021
Statutory deposit reserves rate for deposits denominated in RMB	7.50%	8.00%
Statutory deposit reserves rate for deposits denominated in foreign currencies	6.00%	9.00%

The statutory deposit reserves ratios of the subsidiary of the Bank complied with the requirement of the PBOC.

- (2) Surplus deposit reserves placed with the PBOC is mainly for settlement purpose.
- (3) At 31 December 2022, the foreign exchange risk reserve ratio for forward foreign exchange sales of the Bank is 20.00% (31 December 2021: 0.00%).

13 Deposits with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2022	31 December 2021
In Mainland China		
– Banks	28,978	28,405
– Other financial institutions	8,640	2,462
Outside Mainland China		
– Banks	4,829	7,741
– Other financial institutions	934	694
Interest accrued	93	94
Total	43,474	39,396
Less: Allowance for ECLs (Note VI.25)	(13)	(5)
Carrying amount	43,461	39,391

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2022	31 December 2021
In Mainland China		
– Banks	–	1,910
– Other financial institutions	9,457	4,069
Outside Mainland China		
– Banks	223	6,824
Interest accrued	121	10
Total	9,801	12,813
Less: Allowance for ECLs (Note VI.25)	(220)	(51)
Carrying amount	9,581	12,762

15 Derivative Financial Instruments

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal and other derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

At 31 December 2022

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,928,894	4,907	(5,184)
Currency derivatives	690,538	8,291	(8,390)
Precious metal and other derivatives	71,063	981	(888)
Total	2,690,495	14,179	(14,462)

At 31 December 2021

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,594,985	7,546	(7,415)
Currency derivatives	672,610	6,318	(5,568)
Precious metal and other derivatives	35,798	400	(179)
Total	2,303,393	14,264	(13,162)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

16 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by type and location of counterparties

	31 December 2022	31 December 2021
In Mainland China		
– Banks	15,192	4,163
– Other financial institutions	700	18,204
Interest accrued	1	3
Total	15,893	22,370
Less: Allowance for ECLs (Note VI.25)	(7)	(18)
Carrying amount	15,886	22,352

(2) Analyzed by type of collateral

	31 December 2022	31 December 2021
Bills	2,022	938
Bonds		
– Financial bonds	2,239	15,154
– Government bonds	11,631	6,275
Interest accrued	1	3
Total	15,893	22,370
Less: Allowance for ECLs (Note VI.25)	(7)	(18)
Carrying amount	15,886	22,352

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers

	31 December 2022	31 December 2021
Loans and advances to customers measured at AC	1,163,019	1,062,484
Loans and advances to customers measured at FVOCI	323,272	249,405
Total	1,486,291	1,311,889

(1) Analyzed by classification and nature

	Note	31 December 2022	31 December 2021
Loans and advances to customers measured at AC			
Corporate loans and advances		808,018	712,678
Personal loans and advances			
– Personal business loans		159,281	169,675
– Consumer loans		122,278	120,975
– Residential mortgage loans		107,249	90,844
Personal loans and advances		388,808	381,494
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		179,061	170,312
Discounted bills	(i)	112,374	78,855
Personal loans and advances		29,073	–
Subtotal		1,517,334	1,343,339
Fair value changes		2,605	238
Interest accrued		5,091	3,662
Gross amount		1,525,030	1,347,239
Less: Allowance for ECLs (Note VI.25)		(38,739)	(35,350)
Carrying amount		1,486,291	1,311,889

(i) At balance sheet date, part of discounted bills are pledged for secured liabilities, please refer to Note XI 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(2) Analyzed by type of collateral

	31 December 2022		31 December 2021	
	Amount	Proportion	Amount	Proportion
Unsecured loans	367,312	24.21%	364,570	27.14%
Guaranteed loans	289,524	19.08%	199,474	14.85%
Collateralized loans				
– Mortgage loans	675,821	44.53%	599,867	44.65%
– Pledged loans	72,303	4.77%	100,573	7.49%
Discounted bills	112,374	7.41%	78,855	5.87%
Subtotal	1,517,334	100.00%	1,343,339	100.00%
Fair value changes	2,605		238	
Interest accrued	5,091		3,662	
Gross amount	1,525,030		1,347,239	
Less: Allowance for ECLs (Note VI.25)	(38,739)		(35,350)	
Carrying amount	1,486,291		1,311,889	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

- (3) Overdue loans and advances to customers analyzed by overdue period (fair value changes and interest accrued excluded)

	31 December 2022				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,279	2,981	1,085	38	6,383
Guaranteed loans	2,733	1,066	4,283	216	8,298
Collateralized loans					
– Mortgage loans	6,721	5,858	1,417	106	14,102
– Pledged loans	572	170	411	6	1,159
Total	12,305	10,075	7,196	366	29,942

	31 December 2021				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,728	2,367	383	12	5,490
Guaranteed loans	591	1,876	6,680	127	9,274
Collateralized loans					
– Mortgage loans	1,828	2,057	2,890	95	6,870
– Pledged loans	19	254	508	1	782
Total	5,166	6,554	10,461	235	22,416

The Group classifies loans and advances to customers with principal or interest overdue 1 day and above as overdue loans and advances to customers.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at AC (interest accrued excluded)

	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	749,559	39,344	19,115	808,018
– Personal loans and advances	378,014	4,263	6,531	388,808
Total	1,127,573	43,607	25,646	1,196,826
Less: Allowance for ECLs (Note VI.25)	(13,094)	(10,428)	(15,217)	(38,739)
Carrying amount	1,114,479	33,179	10,429	1,158,087
	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	655,727	35,405	21,546	712,678
– Personal loans and advances	374,301	2,912	4,281	381,494
Total	1,030,028	38,317	25,827	1,094,172
Less: Allowance for ECLs (Note VI.25)	(11,387)	(7,275)	(16,688)	(35,350)
Carrying amount	1,018,641	31,042	9,139	1,058,822

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs (continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI (fair value changes and interest accrued excluded)

	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	177,494	989	578	179,061
– Discounted bills	112,294	49	31	112,374
– Personal loans and advances	28,915	133	25	29,073
Total	318,703	1,171	634	320,508
Allowance for ECLs (Note VI.25)	(1,723)	(38)	(225)	(1,986)

	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	170,019	178	115	170,312
– Discounted bills	78,842	–	13	78,855
Total	248,861	178	128	249,167
Allowance for ECLs (Note VI.25)	(680)	–	(57)	(737)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) Movements of the allowance for ECLs of loans and advances to customers measured at AC

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	11,387	7,275	16,688	35,350
Transfer				
– to Stage 1	203	(193)	(10)	–
– to Stage 2	(209)	442	(233)	–
– to Stage 3	(109)	(913)	1,022	–
Charge (Note VI.7)	1,773	3,817	10,406	15,996
Write-off and transfer out	–	–	(14,388)	(14,388)
Recoveries of loans and advances previously written off	–	–	1,972	1,972
Other movements	49	–	(240)	(191)
Balance at 31 December 2022	13,094	10,428	15,217	38,739
	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	16,381	4,136	11,306	31,823
Transfer				
– to Stage 1	7	(5)	(2)	–
– to Stage 2	(670)	673	(3)	–
– to Stage 3	(448)	(1,522)	1,970	–
(Reversal)/Charge (Note VI.7)	(3,880)	3,995	11,872	11,987
Write-off and transfer out	–	–	(9,234)	(9,234)
Recoveries of loans and advances previously written off	–	–	981	981
Other movements	(3)	(2)	(202)	(207)
Balance at 31 December 2021	11,387	7,275	16,688	35,350

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers (continued)

(b) Movements of the allowance for ECLs on loans and advances to customers measured at FVOCI

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	680	–	57	737
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	(3)	–	3	–
Charge (Note VI.7)	1,046	38	165	1,249
Balance at 31 December 2022	1,723	38	225	1,986

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	726	–	10	736
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	(1)	–	1	–
(Reversal)/Charge (Note VI.7)	(45)	–	52	7
Write-off	–	–	(6)	(6)
Balance at 31 December 2021	680	–	57	737

18 Financial Investment

	Note	31 December 2022	31 December 2021
Financial investments measured at FVTPL	18.1	189,020	179,197
Financial investments measured at AC	18.2	368,792	374,558
Financial investments measured at FVOCI	18.3	194,037	98,067
Total		751,849	651,822

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL

	31 December 2022	31 December 2021
Fund investments	126,128	88,881
Bond and ABS investments		
– Government bonds	4,752	5,138
– Financial bonds	9,451	7,408
– Interbank certificates of deposit	7,851	3,905
– Asset-backed securities (“ABS”)	21,417	45,979
– Other bonds	12,185	20,388
Trust schemes and asset management plans	2,924	4,337
Equity investments	4,092	3,161
Wealth management products	220	–
Total	189,020	179,197

Analyzed by listing location:

	31 December 2022	31 December 2021
Fund investments		
– Listed outside Hong Kong	126,128	88,881
Bond and ABS investments		
– Listed in Hong Kong	14,285	18,602
– Listed outside Hong Kong	41,371	64,216
Trust schemes and asset management plans		
– Unlisted	2,924	4,337
Equity investments		
– Listed outside Hong Kong	1,654	694
– Unlisted	2,438	2,467
Wealth management products		
– Unlisted	220	–
Total	189,020	179,197

Bonds traded on the Mainland interbank bond market are included in the outside Hong Kong listed category.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL (continued)

Analyzed by type of issuers:

	31 December 2022	31 December 2021
Mainland China issuers		
– Government	4,752	4,503
– Banking and other financial institutions	163,122	143,144
– Corporate entities	15,497	18,963
Issuers outside Mainland China		
– Government	–	635
– Banking and other financial institutions	987	3,134
– Corporate entities	4,662	8,818
Total	189,020	179,197

18.2 Financial investments measured at AC

	Note	31 December 2022	31 December 2021
Bond and ABS investments	(i)		
– Government bonds		155,550	129,579
– Financial bonds		75,372	84,117
– Debt financing plans		44,029	72,596
– Asset-backed securities (“ABS”)		664	1,342
– Other bonds		25,760	3,039
Trust schemes and asset management plans	(ii)	81,190	93,785
Interest accrued		7,275	6,775
Total		389,840	391,233
Less: Allowance for ECLs (Note VI.25)		(21,048)	(16,675)
Carrying amount		368,792	374,558

(i) At balance sheet date, part of bond investments measured at amortised cost are pledged for secured liabilities, please refer to Note XI 1.

(ii) Trust schemes and asset management plans, mainly invested in credit assets and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at AC (continued)

Analyzed by listing location:

	31 December 2022	31 December 2021
Bond and ABS investments		
– Listed in Hong Kong	23,018	586
– Listed outside Hong Kong	234,328	217,491
– Unlisted	44,029	72,596
Trust schemes and asset management plans		
– Unlisted	81,190	93,785
Interest accrued	7,275	6,775
Total	389,840	391,233

Analyzed by type of issuers:

	31 December 2022	31 December 2021
Mainland China issuers:		
– Government	155,550	129,597
– Banking and other financial institutions	75,428	83,530
– Corporate entities	143,531	170,835
Issuers outside Mainland China		
– Banking and other financial institutions	–	586
– Corporate entities	8,056	–
Interest accrued	7,275	6,685
Total	389,840	391,233

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows (interest accrued and fair value changes excluded):

	31 December 2022			
	Stage1	Stage2	Stage3	Total
Debt investments	331,120	18,877	32,568	382,565
Less: Allowance for ECLs (Note VI.25)	(980)	(3,866)	(16,202)	(21,048)
Carrying amount	330,140	15,011	16,366	361,517

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at AC (continued)

	31 December 2021			Total
	Stage1	Stage2	Stage3	
Debt investments	341,802	17,772	24,884	384,458
Less: Allowance for ECLs (Note VI.25)	(1,069)	(1,915)	(13,691)	(16,675)
Carrying amount	340,733	15,857	11,193	367,783

Movement of allowance for ECLs of financial investments measured at AC

	2022			Total
	Stage 1	Stage 2	Stage 3	
	1,069	1,915	13,691	16,675
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(68)	68	–	–
– to Stage 3	(13)	(607)	620	–
(Reversal)/Charge (Note VI.7)	(8)	2,490	9,911	12,393
Write-off and transfer out	–	–	(8,648)	(8,648)
Recoveries of financial investments previously written off	–	–	1,104	1,104
Other movements	–	–	(476)	(476)
Balance at 31 December 2022	980	3,866	16,202	21,048

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	2,623	1,878	9,030	13,531
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(97)	97	–	–
– to Stage 3	(19)	(1,231)	1,250	–
(Reversal)/Charge (Note VI.7)	(1,438)	1,171	12,866	12,599
Write-off and transfer out	–	–	(10,300)	(10,300)
Recoveries of financial investments previously written off	–	–	845	845
Balance at 31 December 2021	1,069	1,915	13,691	16,675

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI

	Note	31 December 2022	31 December 2021
Bond and ABS investments	(i)		
– Government bonds		78,797	52,175
– Financial bonds		27,475	14,349
– Interbank certificates of deposit		34,056	652
– Asset-backed securities (“ABS”)		13,726	5,373
– Other bonds		35,739	20,696
Other debt instruments		999	2,522
Interest accrued		1,932	1,038
Subtotal		192,724	96,805
Financial investments designated to be measured at FVOCI			
Equity investments	(ii)	1,313	1,262
Total		194,037	98,067

(ii) At balance sheet date, part of bond investments in the financial investments measured at FVOCI are pledged for secured liabilities, please refer to Note XI 1.

(iii) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2022, dividend income recognized on such equity investments amounted to RMB8 million (For the year ended 31 December 2021: RMB2.6 million).

Analyzed by listing location:

	31 December 2022	31 December 2021
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	22,950	23,659
– Listed outside Hong Kong	166,843	69,586
– Unlisted	999	2,522
Equity investments		
– Unlisted	1,313	1,262
Interest accrued	1,932	1,038
Total	194,037	98,067

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI (continued)

Analyzed by type of issuers:

	31 December 2022	31 December 2021
Mainland China issuers:		
– Government	70,485	47,169
– Banking and other financial institutions	23,787	10,496
– Corporate entities	36,660	18,339
Issuers outside Mainland China:		
– Government	8,312	5,006
– Banking and other financial institutions	40,657	6,509
– Corporate entities	10,891	8,248
Interest accrued	1,932	1,038
Subtotal	192,724	96,805
Equity investments	1,313	1,262
Total	194,037	98,067

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI (continued)

Movement of the allowance for ECLs of debt instruments measured at FVOCI

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	146	-	28	174
Transfer				
- to Stage 1	-	-	-	-
- to Stage 2	-	-	-	-
- to Stage 3	-	-	-	-
Charge/(Reversal) (Note VI.7)	240	-	(22)	218
Write-off	-	-	(6)	(6)
Other movements	5	-	-	5
Balance at 31 December 2022	391	-	-	391
	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	26	-	19	45
Transfer				
- to Stage 1	-	-	-	-
- to Stage 2	-	-	-	-
- to Stage 3	-	-	-	-
Charge (Note VI.7)	120	-	9	129
Balance at 31 December 2021	146	-	28	174

19 Investment in Subsidiaries

The Bank

	31 December 2022	31 December 2021
Zheyin Financial Leasing	2,040	2,040

For details of subsidiaries, please refer to Note VII. 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets

	Note	31 December 2022	31 December 2021
Fixed assets	(1)	16,565	12,988
Construction in progress	(2)	1,829	1,677
Total		18,394	14,665

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets in the operating leases	Total
Cost					
At 1 January 2022	12,664	1,923	164	1,664	16,415
Additions	2,885	187	23	1,371	4,466
Transfers from construction in progress	346	-	-	-	346
Disposals	-	(31)	(10)	(335)	(376)
At 31 December 2022	15,895	2,079	177	2,700	20,851
Less: Accumulated depreciation					
At 1 January 2022	(1,834)	(1,274)	(125)	(194)	(3,427)
Charge	(516)	(254)	(14)	(126)	(910)
Disposals	-	28	9	14	51
At 31 December 2022	(2,350)	(1,500)	(130)	(306)	(4,286)
Carrying amount					
Balance at 31 December 2022	13,545	579	47	2,394	16,565
Balance at 1 January 2022	10,830	649	39	1,470	12,988

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(1) Fixed assets (continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2021	11,360	1,796	160	1,045	14,361
Additions	605	178	18	619	1,420
Transfers from construction inprogress	703	–	–	–	703
Disposals	(4)	(51)	(14)	–	(69)
At 31 December 2021	12,664	1,923	164	1,664	16,415
Less: Accumulated depreciation					
At 1 January 2021	(1,349)	(1,040)	(116)	(124)	(2,629)
Charge	(485)	(266)	(21)	(70)	(842)
Disposals	–	32	12	–	44
At 31 December 2021	(1,834)	(1,274)	(125)	(194)	(3,427)
Carrying amount					
Balance at 31 December 2021	10,830	649	39	1,470	12,988
Balance at 1 January 2021	10,011	756	44	921	11,732

At 31 December 2022, there is no significant idle assets held by the Group. (31 December 2021: Nil)

At 31 December 2022, the Group's properties and buildings with a net value of RMB1,934 million (31 December 2021: RMB1,691 million) were still in progress of obtaining the legal titles.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(2) Construction in progress

	Construction in progress
Balance at 1 January 2021	1,742
Additions	733
Transfers to fixed assets	(703)
Transfers to long-term prepaid expenses	(95)
Balance at 31 December 2021	1,677
Additions	565
Transfers to fixed assets	(346)
Transfers to long-term prepaid expenses	(67)
Balance at 31 December 2022	1,829

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

21 Right-of-use Assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2021	1,950	4,170	44	6,164
Additions	–	579	8	587
Reductions	–	(91)	(3)	(94)
At 31 December 2021	1,950	4,658	49	6,657
Additions	–	1,094	10	1,104
Reductions	–	(68)	(3)	(71)
At 31 December 2022	1,950	5,684	56	7,690
Less: Accumulated depreciation				
At 1 January 2021	(174)	(1,154)	(10)	(1,338)
Charge	(49)	(609)	(8)	(666)
Reductions	–	16	1	17
At 31 December 2021	(223)	(1,747)	(17)	(1,987)
Charge	(49)	(637)	(6)	(692)
Reductions	–	5	–	5
At 31 December 2022	(272)	(2,379)	(23)	(2,674)
Carrying amount				
Balance at 31 December 2022	1,678	3,305	33	5,016
Balance at 1 January 2022	1,727	2,911	32	4,670

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

22 Intangible Assets

	Computer software
Cost	
At 1 January 2021	596
Additions	244
At 31 December 2021	840
Additions	209
At 31 December 2022	1,049
Less: Accumulated amortization	
At 1 January 2021	(302)
Charge	(52)
At 31 December 2021	(354)
Charge	(78)
At 31 December 2022	(432)
Carrying amount	
Balance at 31 December 2022	617
Balance at 1 January 2022	486

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

23 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	79,562	19,891	70,465	17,616
Employee benefits payable	2,838	710	3,629	907
Unrealized losses of financial instruments measured at FVTPL and precious metals	1,279	320	–	–
Unrealized losses of financial investments measured at FVOCI	29	7	–	–
Others	818	203	866	217
Deferred tax assets before offsetting	84,526	21,131	74,960	18,740
Depreciation of fixed assets	(344)	(86)	(448)	(112)
Unrealized gains of financial instruments measured at FVTPL and precious metals	–	–	(1,160)	(290)
Unrealized gains of financial investments measured at FVOCI	–	–	(458)	(114)
Unrealized gains of derivative financial instruments	(577)	(144)	(587)	(147)
Deferred tax liabilities before offsetting	(921)	(230)	(2,653)	(663)
Net amount after offsetting	83,605	20,901	72,307	18,077

(2) Changes in deferred tax

	31 December 2022	31 December 2021
Balance at the beginning of the year	18,077	14,620
Charge to profit or loss for the year	3,070	3,736
Charge to other comprehensive income	(246)	(279)
Balance at the end of the year	20,901	18,077

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets

	Note	31 December 2022	31 December 2021
Finance lease receivables	(1)	46,752	38,802
Continuing involvement assets (Note VI.44 (1))		1,577	1,948
Settlement and clearing accounts		1,434	2,084
Guaranteed deposits		1,040	502
Interest receivable		974	853
Repossessed assets		808	900
Long-term prepaid expenses		768	734
Fee receivables		678	740
Deductible input Value Added Tax ("VAT")		598	276
Prepayment of land and building and deposit		370	273
Others		1,271	1,824
Total		56,270	48,936

(1) Finance lease receivables

	31 December 2022	31 December 2021
Finance lease receivables	3,128	2,488
Less: Unrecognized finance income	(270)	(273)
Balance of finance lease receivables	2,858	2,215
Finance leaseback receivables	44,986	37,486
Subtotal	47,844	39,701
Interest accrued	414	478
Less: Allowance for ECLs (Note VI.25)	(1,506)	(1,377)
Carrying amount	46,752	38,802

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

The undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows:

	31 December 2022		31 December 2021	
	Amount	Proportion	Amount	Proportion
Within 1 year	1,594	50.97%	1,116	44.86%
1 – 2 years	959	30.66%	620	24.92%
2 – 3 years	368	11.76%	471	18.93%
3 – 4 years	63	2.01%	142	5.71%
4 – 5 years	20	0.64%	64	2.57%
Above 5 years	124	3.96%	75	3.01%
Total	3,128	100.00%	2,488	100.00%

Analyzed by assessment of allowance for ECLs of finance lease receivables (interest accrued excluded)

	31 December 2022			
	Stage1	Stage2	Stage3	Total
Finance lease receivables	45,744	645	1,455	47,844
Less: Allowance for ECLs (Note VI.25)	(916)	(58)	(532)	(1,506)
Carrying amount	44,828	587	923	46,338

	31 December 2021			
	Stage1	Stage2	Stage3	Total
Finance lease receivables	38,449	895	357	39,701
Less: Allowance for ECLs (Note VI.25)	(781)	(268)	(328)	(1,377)
Carrying amount	37,668	627	29	38,324

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

Movements of the allowance for ECLs of finance lease receivables

	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	781	268	328	1,377
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(16)	16	–	–
– to Stage 3	(50)	(195)	245	–
Charge/(Reversal) (Note VI.7)	201	(31)	330	500
Write-off	–	–	(479)	(479)
Recoveries of finance lease receivables previously written off	–	–	108	108
Balance at 31 December 2022	916	58	532	1,506

	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	573	293	354	1,220
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(253)	253	–	–
– to Stage 3	–	(281)	281	–
Charge/(Reversal) (Note VI.7)	461	3	46	510
Write-off	–	–	(354)	(354)
Recoveries of finance lease receivables previously written off	–	–	1	1
Balance at 31 December 2021	781	268	328	1,377

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

25 Allowance for ECLs

	Note	1 January 2022	Charge/ (Reversal) for the year	Write-off and transfer out for the year	Others (i)	31 December 2022
Deposits with banks and other financial institutions	VI.13	5	8	-	-	13
Placements with banks and other financial institutions	VI.14	51	165	-	4	220
Financial assets purchased under resale agreements	VI.16	18	(11)	-	-	7
Loans and advances to customers	VI.17					
– measured at AC		35,350	15,996	(14,388)	1,781	38,739
– measured at FVOCI		737	1,249	-	-	1,986
Financial investment	VI.18					
– measured at AC		16,675	12,393	(8,648)	628	21,048
– measured at FVOCI		174	218	(6)	5	391
Finance lease receivables	VI.24(1)	1,377	500	(479)	108	1,506
Other assets		232	251	(92)	26	417
Off-balance sheet items	VI.33	4,952	(3,116)	-	2	1,838
Total		59,571	27,653	(23,613)	2,554	66,165

	Note	1 January 2021	(Reversal)/ Charge for the year	Write-off and transfer out for the year	Others (i)	31 December 2021
Deposits with banks and other financial institutions	VI.13	349	(2)	(342)	-	5
Placements with banks and other financial institutions	VI.14	151	74	(174)	-	51
Financial assets purchased under resale agreements	VI.16	-	18	-	-	18
Loans and advances to customers	VI.17					
– measured at AC		31,823	11,987	(9,234)	774	35,350
– measured at FVOCI		736	7	(6)	-	737
Financial investment	VI.18					
– measured at AC		13,531	12,599	(10,300)	845	16,675
– measured at FVOCI		45	129	-	-	174
Finance lease receivables	VI.24(1)	1,220	510	(354)	1	1,377
Other assets		95	236	(105)	6	232
Off-balance sheet items	VI.33	5,686	(727)	-	(7)	4,952
Total		53,636	24,831	(20,515)	1,619	59,571

(i) Others include the recoveries of financial assets previously written off and an effect of changes in exchange rates.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

26 Deposits from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2022	31 December 2021
In Mainland China		
– Banks	59,267	106,516
– Other financial institutions	174,251	126,531
Outside Mainland China		
– Other financial institutions	7,020	2,022
Interest accrued	1,276	1,907
Total	241,814	236,976

27 Placements from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	Note	31 December 2022	31 December 2021
Measured at amortised cost:			
In Mainland China			
– Banks		38,536	32,858
– Other financial institutions		3,400	3,517
Outside Mainland China			
– Banks		9,510	4,358
Interest accrued		409	288
Subtotal		51,855	41,021
Designated as at fair value through profit or loss:	(1)		
In Mainland China			
– Banks		11,835	–
– Other financial institutions		465	–
Subtotal		12,300	–
Total		64,155	41,021

(1) There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

28 Financial Liabilities at Fair Value through Profit or Loss

	31 December 2022	31 December 2021
Financial liabilities related to precious metals (i)	55	12,114
Short positions of trading bonds	-	398
Total	55	12,512

- (i) According to the risk management strategy, the Group matches the financial liabilities related to precious metals with precious metals or derivatives, and therefore recognizes them as financial liabilities measured at fair value through profit and loss.

29 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	31 December 2022	31 December 2021
Bonds sold under repurchase agreements	6,047	-
Interest accrued	19	-
Total	6,066	-

30 Customer Deposits

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	614,537	566,580
– Personal customers	62,575	68,625
Subtotal	677,112	635,205
Time deposits		
– Corporate customers	830,064	644,897
– Personal customers	150,916	116,827
Subtotal	980,980	761,724
Other deposits	1,297	1,758
Interest accrued	22,054	17,018
Total	1,681,443	1,415,705

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

30 Customer Deposits (continued)

Pledged deposits are listed as follows:

	31 December 2022	31 December 2021
Bank acceptances deposits	27,158	12,208
Letters of credit and guarantee deposits	23,031	12,123
Other pledged deposits	108,297	93,683
Total	158,486	118,014

31 Employee Benefits Payable

	1 January 2022	Accrual during the year	Payments during the year	31 December 2022
Salaries, bonuses and allowances	5,180	8,265	(7,799)	5,646
Staff welfare	-	714	(714)	-
Housing fund	-	427	(427)	-
Social insurance				
- Medical insurance	-	234	(234)	-
- Work-related injury insurance	-	6	(6)	-
- Maternity insurance	-	7	(7)	-
Commercial insurance	-	74	(74)	-
Labour union fee and staff education fee	98	174	(132)	140
Post employment benefits	-	455	(455)	-
Unemployment insurance	-	15	(15)	-
Annuity	-	525	(525)	-
Total	5,278	10,896	(10,388)	5,786

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

31 Employee Benefits Payable (continued)

	1 January 2021	Accrual during the year	Payments during the year	31 December 2021
Salaries, bonuses and allowances	4,789	6,939	(6,548)	5,180
Staff welfare	–	541	(541)	–
Housing fund	–	374	(374)	–
Social insurance				
– Medical insurance	–	211	(211)	–
– Work-related injury insurance	–	5	(5)	–
– Maternity insurance	–	8	(8)	–
Commercial insurance	–	52	(52)	–
Labour union fee and staff education fee	84	156	(142)	98
Post employment benefits	–	390	(390)	–
Unemployment insurance	–	14	(14)	–
Annuity	–	492	(492)	–
Total	4,873	9,182	(8,777)	5,278

32 Taxes Payable

	31 December 2022	31 December 2021
Income tax payable	3,834	3,293
Value added tax (“VAT”) payable	–	1,813
Others	193	425
Total	4,027	5,531

33 Provisions

	31 December 2022	31 December 2021
Allowance for ECLs of off-balance sheet items (Note VI.25)	1,838	4,952

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

34 Debt Securities Issued

	Note	31 December 2022	31 December 2021
Fixed-rate offering – tier 2 capital bond – 2028	(1)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2023	(2)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2023	(3)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2024	(4)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(5)	10,000	–
Fixed-rate small and micro businesses financial bonds – 2025	(6)	10,000	–
Fixed-rate small and micro businesses financial bonds – 2025	(7)	5,000	–
Fixed-rate small and micro businesses financial bonds – 2027	(8)	5,000	–
Fixed-rate green financial bonds – 2022	(9)	–	5,000
Fixed-rate green financial bonds – 2025	(10)	10,000	–
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” - 2025	(11)	5,000	–
Fixed-rate financial bonds – 2024	(12)	1,500	1,500
Fixed-rate financial bonds – 2025	(13)	1,400	–
Fixed-rate USD note – 2023	(14)	486	–
Zero-coupon USD note – 2023	(15)	695	–
Fixed-rate USD medium term note – 2024	(16)	3,475	3,183
Certificates of deposit	(17)	1,243	3,001
Interbank certificates of deposit	(18)	217,684	255,190
Subtotal		321,483	317,874
Interest accrued		1,550	1,034
Total		323,033	318,908

- (1) Fixed-rate offering – tier 2 capital bonds of RMB15 billion were issued on 13 June 2018, with a maturity of 10 years and a fixed coupon rate of 4.80%. The Bank has an option to redeem the bond at its par value in 2023.
- (2) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 8 April 2020, with a maturity of 3 years and a fixed coupon rate of 2.50%. The Bank has no option to redeem the bond before maturity.
- (3) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 3 March 2020, with a maturity of 3 years and a fixed coupon rate of 2.95%. The Bank has no option to redeem the bond before maturity.
- (4) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 September 2021, with a maturity of 3 years and a fixed coupon rate of 3.00%. The Bank has no option to redeem the bond before maturity.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

34 Debt Securities Issued (continued)

- (5) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 25 February 2022, with a maturity of 3 years and a fixed coupon rate of 2.83%. The Bank has no option to redeem the bond before maturity.
- (6) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 7 April 2022, with a maturity of 3 years and a fixed coupon rate of 2.93%. The Bank has no option to redeem the bond before maturity.
- (7) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 3 years and a fixed coupon rate of 2.47%. The Bank has no option to redeem the bond before maturity.
- (8) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%. The Bank has no option to redeem the bond before maturity.
- (9) Fixed-rate green financial bonds of RMB5 billion were issued on 16 September 2019, with a maturity of 3 years and a fixed coupon rate of 3.42%. The Bank has no option to redeem the bond before maturity. The bond matured on 18 September 2022.
- (10) Fixed-rate green financial bonds of RMB5 billion were issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%. The Bank has no option to redeem the bond before maturity.
- (11) Fixed-rate special financial bonds for “agriculture, rural areas and farmers” of RMB5 billion were issued on 23 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%. The Bank has no option to redeem the bond before maturity.
- (12) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 22 July 2021, with a maturity of 3 years and a fixed coupon rate of 3.48%.
- (13) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%.
- (14) Fixed-rate USD note of USD70 million (total value amounted RMB486 million) was issued by the Hong Kong Branch on 28 November 2022. This note will mature on 30 January 2023 with a fixed coupon rate of 4.00%.
- (15) Zero-coupon USD note of USD0.1 billion (total value amounted RMB695 million) was issued by the Hong Kong Branch on 20 November 2022. This note will mature on 10 February 2023.
- (16) Fixed-rate USD medium term note of USD0.5 billion (total value amounted RMB34.75 billion) was issued by the Hong Kong Branch on 16 March 2021 with a maturity of 3 years. This note will mature in 2024 with a fixed coupon rate of 1.10%.
- (17) There were 2 unpaid certificates of deposit at Hong Kong Branch at 31 December 2022, which have total face value amounted RMB1,243 million with maturity less than one year. One of the certificates of deposit were issued in US dollar with a face value amounted RMB243 million. The other certificates of deposit were issued in offshore RMB and have total face value amounted RMB1 billion (There were six unpaid certificates of deposit at Hong Kong Branch at 31 December 2021, which have total face value amounted RMB3,001 million and with maturity less than one year. Five of the certificates of deposit issued in US dollar have total face value amounted RMB2,801 million. One of the certificates of deposit were issued in offshore RMB and have total face value amounted RMB200 million).
- (18) At 31 December 2022, the Bank has issued a total of 107 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2021, the Bank issued a total of 150 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Other Liabilities

	31 December 2022	31 December 2021
Deposits related to finance lease	3,756	3,170
Settlement and clearing accounts	2,930	2,894
Account payable	1,732	1,824
Continuing involvement liabilities (Note VI.44 (1))	1,577	1,948
Deferred income	748	654
Dividends payable	194	305
Others	1,896	1,084
Total	12,833	11,879

36 Share Capital

	31 December 2022	31 December 2021
Ordinary shares listed in Mainland China (A share)	16,715	16,715
Ordinary shares listed in Hong Kong (H share)	4,554	4,554
Total	21,269	21,269

37 Other Equity Instruments

	Note	31 December 2022	31 December 2021
Preference shares	(1)	-	14,958
Perpetual bonds	(2)	24,995	24,995
Total		24,995	39,953

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(1) Preference shares

(i) List of preference shares issued

Equity instruments in issue	Preference shares
Issue date	29 March 2017
Accounting treatment	Equity instrument
Dividend rate	5.45%
Original issuance price per share (USD/share)	20
Number (In millions)	108.75
In original currency (USD in millions)	2,175
In RMB (RMB in millions)	14,989
Issuance fee (RMB in millions)	31
Maturity date	No maturity date
Conversion condition	Mandatory
Conversion status	No conversion during the year

(ii) Main terms of preference shares

The dividend for offshore preference shares is non-cumulative. The offshore preference shares dividend will be calculated on following dividend yields:

- from the issuance date (including the issuance date) to the first reset date (excluding the reset date), at the rate of 5.45% per annum; and
- thereafter, for the period from the first reset date and the period from each reset date (including the former reset date) to the next coming reset date (excluding the latter reset date), at the relevant reset dividend rate.

On the premise of ensuring that the Bank's capital adequacy ratio meets regulatory requirements, the Bank has a distributable after-tax profit after making up previous years' losses, contributing to the statutory surplus reserve and statutory general reserve, and the Bank's board of directors has announced the distribution in accordance with the Bank's articles of association. In the case of the dividend resolution, the Bank may distribute such dividends to shareholders of overseas preference shares.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(1) Preference shares (continued)

(ii) Main terms of preference shares (continued)

Subject to a resolution to be passed at the shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in total or in partial) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness which are due.

Under the circumstances where the Bank cancels a dividend in total or in partial, in accordance with the shareholders' resolution and the conditions, the Bank would not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any ordinary shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the offshore preference shares.

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders):

- Cancel any dividend in respect of the relevant loss absorption amount that is accrued but unpaid up to and including the conversion date; and
- On the conversion date, all or some of the offshore preference shares shall be irrevocably and compulsorily converted into H shares with equal number. The converted H shares number is equal to the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.7544) divided by the effective conversion price, rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H shares. Any fractional share less than one H share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The "trigger event" refers to an additional tier 1 capital instrument trigger event or a non-viability trigger event, as the case may be. The "additional tier 1 capital instrument trigger event" refers to the occasion where the Bank's core tier 1 capital adequacy ratio of the Bank has fallen to 5.125% or below. The "non-viability trigger event" is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

Upon the winding-up of the Bank, the offshore preference shareholders shall rank: (1) junior to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; (2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and (3) in priority to the ordinary shareholders.

On such winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the conditions have been made, be applied to the claims of the shareholders so that the claims of the offshore preference shareholders shall be pari passu with the claims of holders of any parity obligations and in priority to the claims of the ordinary shareholders.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(1) Preference shares (continued)

(ii) Main terms of preference shares (continued)

The Bank may, subject to obtaining the CBIRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem all or some of the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from the immediately preceding dividend payment date (inclusive) to the date scheduled for redemption (exclusive).

(iii) Changes in preference shares outstanding

Pursuant to the terms of the perpetual Offshore Preference Shares and the reply letter from the CBIRC where no objection was raised to the Bank's redemption of the Offshore Preference Shares, the Bank redeemed the aforementioned Offshore Preference Shares in whole on 29 March 2022 (the "Redemption Date") at the redemption price, being the aggregate of an amount equal to the liquidation preference of each Offshore Preference Share plus any declared but unpaid dividends accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the Redemption Date.

Please refer to Note VI.42 for details of dividends paid by the Bank to preference shareholders.

(2) Perpetual bonds

(i) List of perpetual bonds issued at the end of the year

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250.00
Amount (RMB in millions)	25,000
Issuance fee (RMB in millions)	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

(ii) Main terms of perpetual bonds

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Perpetual bonds (continued)

(ii) Main terms of perpetual bonds (continued)

The Bank shall exercise the right of redemption subject to the approval of the CBIRC and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the CBIRC.

The claims in respect of the perpetual bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the perpetual bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on www.ChinaBond.com.cn (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Perpetual bonds (continued)

(ii) Main terms of perpetual bonds (continued)

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part or interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

(iii) Changes in perpetual bonds outstanding

There was no change in the perpetual bonds outstanding during the period.

(3) Information related to the holders of the equity instruments

	31 December 2022	31 December 2021
Equity attributable to:		
– Ordinary shareholders of the Bank	137,938	124,216
– Other equity instruments holders of the Bank	24,995	39,953
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	2,997	2,714

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(4) Changes in other equity instruments outstanding at the end of the year

	31 December 2021	Increase	Decrease	31 December 2022
Preference shares				
Number of shares (In millions)	108.75	–	(108.75)	–
In original currency (USD in millions)	2,175	–	(2,175)	–
Total in RMB (RMB in millions)	14,958	–	(14,958)	–
Perpetual Bond				
Number of shares (In millions)	250.00	–	–	250.00
Amount (RMB in millions)	24,995	–	–	24,995

38 Capital Reserve

	1 January 2022	Increase	Decrease	31 December 2022
Share premium	32,018	271	–	32,289

	1 January 2021	Increase	Decrease	31 December 2021
Share premium	32,018	–	–	32,018

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

39 Other Comprehensive Income

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of comprehensive income for the year ended 31 December 2022			
	Net-of-tax amount attributable to		31 December 2022	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to
	1 January 2022	shareholders of the Bank					
Items that will not be reclassified to profit or loss							
- Changes in fair value of financial investments designated to be measured at FVOCI	179	38	217	51	-	(13)	38
Items that may be reclassified to profit or loss							
- Changes in fair value of financial assets measured at FVOCI	166	(403)	(237)	1,358	(1,895)	134	(403)
- Allowance for ECLs of financial assets measured at FVOCI	684	1,099	1,783	1,466	-	(367)	1,099
- Exchange differences from the translation of foreign operations	(472)	900	428	900	-	-	900
Total	557	1,634	2,191	3,775	(1,895)	(246)	1,634

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

39 Other Comprehensive Income (continued)

	Other comprehensive income In the consolidated statement of financial position			Other comprehensive income in the consolidated statement of comprehensive income for the year ended 31 December 2021			
	1 January 2021	Net-of-tax amount attributable to shareholders of the Bank	31 December 2021	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
Items that will not be reclassified to profit or loss							
- Changes in fair value of financial investments designated to be measured at FVOCI	165	14	179	18	-	(4)	14
Items that may be reclassified to profit or loss							
- Changes in fair value of financial assets measured at FVOCI	(572)	738	166	151	830	(243)	738
- Allowance for ECLs of financial assets measured at FVOCI	586	98	684	130	-	(32)	98
- Exchange differences from the translation of foreign operations	82	(554)	(472)	(554)	-	-	(554)
Total	261	296	557	(255)	830	(279)	296

40 Surplus Reserve

	Statutory surplus reserve
Balance at 1 January 2021	8,499
Appropriation (Note VI.42)	1,244
Balance at 31 December 2021	9,743
Appropriation (Note VI.42)	1,332
Balance at 31 December 2022	11,075

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

41 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2021	21,118
Appropriation (Note VI.42)	2,684
Balance at 31 December 2021	23,802
Appropriation (Note VI.42)	2,655
Balance at 31 December 2022	26,457

Pursuant to *the Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

42 Dividends

	Note	2022	2021
Balance at the beginning of the year		36,827	32,389
Add: Net profit attributable to shareholders of the Bank		13,618	12,648
Deduct: Appropriation to surplus reserve		(1,332)	(1,244)
Appropriation to statutory general reserve		(2,655)	(2,684)
Distribution to ordinary shareholders	(a)	-	(3,424)
Distribution to offshore preference shareholders	(b)	(838)	(858)
Distribution to perpetual bonds holders	(c)	(963)	-
Balance at the end of the year		44,657	36,827

(a) **Approved and distributed dividends of ordinary shareholders**

As approved by shareholders in 2020 Annual General Meeting on 30 June 2021, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.61 for each 10 ordinary shares, with total amount of RMB3,424 million.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

42 Dividends (continued)

(b) Approved and distributed dividends of offshore preference shareholders

On 25 January 2022, the board of directors approved to distribute dividends with a total amount of USD132 million (tax inclusive) to offshore preference shareholders. It is calculated at a dividend rate of 5.45% (after tax), equivalent to RMB838 million. The dividend issuance date was 29 March 2022.

On 5 January 2021, the board of directors approved to distribute dividends with a total amount of USD132 million (tax inclusive) to offshore preference shareholders. It is calculated at a dividend rate of 5.45% (after tax), equivalent to RMB858 million. The dividend issuance date was 29 March 2021.

(c) Announcement and distribution to perpetual bonds holders

On 21 November 2022, the bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2022.

43 Notes to Cash Flow Statements

(1) Cash and cash equivalents

	31 December 2022	31 December 2021
Cash	560	469
Surplus deposit reserves with the central bank	54,885	28,017
Deposits with banks and other financial institutions with original maturities of less than three months	36,007	31,624
Placements with banks and other financial institutions with original maturities of less than three months	501	9,480
Financial assets purchased under resale agreements with original maturities of less than three months	15,795	21,235
Total	107,748	90,825

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

43 Notes to Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Dividend payable	Lease liabilities	Total
At 1 January 2022	318,908	305	2,926	322,139
Cash changes:				
Proceeds from issuance of debt securities	373,048	-	-	373,048
Repayments of principal on debt securities issued	(369,834)	-	-	(369,834)
Repayments of interest on debt securities issued	(7,926)	-	-	(7,926)
Payment for dividend distribution	-	(2,000)	-	(2,000)
Payment for principal element of lease liabilities	-	-	(646)	(646)
Payment for interest element of lease liabilities	-	-	(139)	(139)
Non-cash changes:				
Interest expense (Note VI.1)	8,445	-	139	8,584
Dividends declared	-	1,889	-	1,889
Additions of lease liabilities	-	-	1,038	1,038
Exchange difference	392	-	-	392
At 31 December 2022	323,033	194	3,318	326,545

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

43 Notes to Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities (continued)

	Debt securities issued	Dividend payable	Lease liabilities	Total
At 1 January 2021	236,682	261	2,981	239,924
Cash changes:				
Proceeds from issuance of debt securities	496,321	–	–	496,321
Repayments of principal on debt securities issued	(413,502)	–	–	(413,502)
Repayments of interest on debt securities issued	(9,046)	–	–	(9,046)
Payment for dividend distribution	–	(4,313)	–	(4,313)
Payment for principal element of lease liabilities	–	–	(566)	(566)
Payment for interest element of lease liabilities	–	–	(141)	(141)
Non-cash changes:				
Interest expense (Note VI.1)	8,453	–	141	8,594
Dividends declared	–	4,357	–	4,357
Additions of lease liabilities	–	–	511	511
At 31 December 2021	318,908	305	2,926	322,139

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

(1) Securitization transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets or if cease to retain control over the asset.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. For the year ended 31 December 2022, the Group has transferred the ownership of the loans amounted to RMB3,028 million (2021: RMB445 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring the subordinated tranches, was RMB2,283 million (2021: RMB8,289 million). At 31 December 2022, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB1,577 million (31 December 2021: RMB1,948 million). The Group also recognised other assets and other liabilities of the same amount arising from such continuing involvement.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Transfer of Financial Assets (continued)

(2) Non-performing assets transfers

For the year ended 31 December 2022, the Group transferred non-performing loans amounting to RMB4,898 million (2021: RMB4,120 million) and financial investments amounting to RMB6,339 million (2021: RMB861 million) to the asset management companies. For the year ended 31 December 2022, the Group has transferred the ownership of non-performing loans amounting to RMB2,830 million (2021: RMB420 million) through securitization transactions. As the Group transferred substantially all the risks and rewards of these non-performing loans and financial investments, the Group derecognized these non-performing loans and financial investments.

(3) Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 31 December 2022, the face value of debt securities lent to counterparties was RMB25,350 million (31 December 2021: RMB21,960 million).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII The Equity in Other Entities

1 The equity in subsidiary

At the balance sheet date, details of the subsidiary included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/voting rights
Zhejiang Zheyin Financial Leasing Co., Ltd.	Zhejiang Province	Zhoushan	Financial institution	RMB4 billion	51%

At 16 December 2021, the Bank's subsidiary, Zheyin Financial Leasing, received an additional capital contribution of RMB1 billion, of which RMB0.51 billion was made by the Bank, accounting for 51% of the contribution. The Bank's shareholding percentage remains unchanged.

2 Interests in the unconsolidated structured entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes, asset management plans, asset-backed securities and wealth management products. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

If the Group has power over such structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements. If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

Except those consolidated structured entities, basic information of unconsolidated structured entities is as follow:

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII The Equity in Other Entities (continued)

2 Interests in the unconsolidated structured entities (continued)

(1) Basic information of unconsolidated structured entities directly held by the Group:

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans, asset-backed securities and wealth management products initiated and established by third-party institutions.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognized relating to the Group's interests in structured entities sponsored by third party institutions and directly held by the Group:

	31 December 2022			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	126,128	–	–	126,128
Trust schemes and asset management plans	2,924	63,464	–	66,388
Asset-backed securities	19,840	661	13,814	34,315
Wealth management products	220	–	–	220
Total	149,112	64,125	13,814	227,051

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII The Equity in Other Entities (continued)

2 Interests in the unconsolidated structured entities (continued)

(1) Basic information of unconsolidated structured entities directly held by the Group: (continued)

	31 December 2021			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at VOCl	
Fund investments	88,881	–	–	88,881
Trust schemes and asset management plans	4,337	78,785	–	83,122
Asset-backed securities	45,979	1,302	5,401	52,682
Total	139,197	80,087	5,401	224,685

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortised cost of the assets held by the Group in the consolidated statement of financial position.

(2) Interests in structured entities, of which the Group is the sponsor, but which are not included in the consolidated financial statements:

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by providing management services.

At 31 December 2022, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB210,705 million (31 December 2021: RMB245,092 million). For the year ended 31 December 2022, the commission income received by the Group for providing asset management services for such financial products was RMB676 million (2021: RMB529 million). At the balance sheet date, the balance of service charges receivable for asset management services of the Group was not material.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting

1 Business segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, deposit products, credit commitments and financial guarantee, underwriting of debt instruments and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, deposit products, wealth management business, card business and various types of retail banking services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, equity instruments investments, financial derivatives business for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, profits, assets and liabilities are included in the internal balances and internal transactions that are offsetted in preparing the financial statements. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business segment (continued)

Other business (continued)

Business segment

	Corporate banking	Retail banking	2022 Treasury operations	Others	Total
External net interest income	15,121	19,403	10,989	1,549	47,062
Inter-segment net interest income/(expenses)	14,234	(7,149)	(7,085)	-	-
Net interest income	29,355	12,254	3,904	1,549	47,062
Net fee and commission income/(expenses)	2,715	870	1,214	(8)	4,791
Net trading gains	-	-	6,590	-	6,590
Net gains on financial investments	420	-	1,588	-	2,008
Other operating income	-	17	61	623	701
Operating income	32,490	13,141	13,357	2,164	61,152
Operating expenses	(9,161)	(4,121)	(3,640)	(746)	(17,668)
Expected credit losses	(6,912)	(7,295)	(12,773)	(673)	(27,653)
Total operating expenses	(16,073)	(11,416)	(16,413)	(1,419)	(45,321)
Profit/(losses) before taxation	16,417	1,725	(3,056)	745	15,831
Segment assets	1,248,657	437,718	842,316	72,338	2,601,029
Unallocated assets					20,901
Total assets					2,621,930
Segment liabilities	(1,465,687)	(217,232)	(755,389)	(17,692)	(2,456,000)
Other segment information:					
Credit commitments and financial guarantee	708,646	13,674	-	766	723,086
Depreciation and amortization	927	438	323	174	1,862
Capital expenditure	2,519	838	1,747	353	5,457

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business segment (continued)

Other business (continued)

Business segment (continued)

	Corporate banking	Retail banking	2021 Treasury operations	Others	Total
External net interest income	17,684	13,322	9,699	1,247	41,952
Inter-segment net interest income/(expenses)	6,859	(1,236)	(5,623)	–	–
Net interest income	24,543	12,086	4,076	1,247	41,952
Net fee and commission income/(expenses)	2,723	663	679	(15)	4,050
Net trading gains	–	–	7,238	–	7,238
Net gains on financial investments	525	–	248	–	773
Other operating income	–	67	–	504	571
Operating income	27,791	12,816	12,241	1,736	54,584
Operating expenses	(7,734)	(3,664)	(2,754)	(620)	(14,772)
Expected credit losses	(6,138)	(5,295)	(12,818)	(580)	(24,831)
Total operating expenses	(13,872)	(8,959)	(15,572)	(1,200)	(39,603)
Profit/(losses) before taxation	13,919	3,857	(3,331)	536	14,981
Segment assets	1,080,511	390,853	755,692	41,590	2,268,646
Unallocated assets					18,077
Total assets					2,286,723
Segment liabilities	(1,232,784)	(189,060)	(678,032)	(19,964)	(2,119,840)
Other segment information:					
Credit commitments and financial guarantee	720,975	14,097	–	574	735,646
Depreciation and amortization	899	424	313	43	1,679
Capital expenditure	1,216	440	850	47	2,553

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional division

The Group operates principally in mainland China, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China:

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning, Taiyuan.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional division (continued)

Regional division

	2022					Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China	Elimination	
External net interest income	31,625	3,947	3,928	7,562	-	47,062
Inter-segment net interest (expenses)/income	(7,603)	4,787	1,048	1,768	-	-
Net interest income	24,022	8,734	4,976	9,330	-	47,062
Net fee and commission income	1,366	1,330	759	1,336	-	4,791
Net trading gains	6,220	115	92	163	-	6,590
Net gains on financial investments	1,345	278	48	337	-	2,008
Other operating income	507	51	30	113	-	701
Operating income	33,460	10,508	5,905	11,279	-	61,152
Operating expenses	(10,427)	(2,633)	(1,553)	(3,055)	-	(17,668)
Expected credit losses	(18,457)	(2,480)	(2,387)	(4,329)	-	(27,653)
Total operating expenses	(28,884)	(5,113)	(3,940)	(7,384)	-	(45,321)
Profit before taxation	4,576	5,395	1,965	3,895	-	15,831
Segment assets	2,368,320	353,991	259,770	352,688	(733,740)	2,601,029
Unallocated assets						20,901
Total assets						2,621,930
Segment liabilities	(2,232,766)	(351,690)	(254,705)	(350,579)	733,740	(2,456,000)
Other segment information:						
Credit commitments and financial guarantee	325,737	154,084	77,988	165,277	-	723,086
Depreciation and amortization	1,042	319	161	340	-	1,862
Capital expenditure	5,197	54	30	176	-	5,457

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional division (continued)

Regional division (continued)

	2021					Elimination	Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China			
External net interest income	25,228	3,595	3,866	9,263	-	41,952	
Inter-segment net interest (expenses)/income	(1,755)	2,962	79	(1,286)	-	-	
Net interest income	23,473	6,557	3,945	7,977	-	41,952	
Net fee and commission income	1,359	983	307	1,401	-	4,050	
Net trading gains	6,753	218	14	253	-	7,238	
Net gains on financial investments	370	143	124	136	-	773	
Other operating income	384	53	17	117	-	571	
Operating income	32,339	7,954	4,407	9,884	-	54,584	
Operating expenses	(8,514)	(2,407)	(1,327)	(2,524)	-	(14,772)	
Expected credit losses	(19,185)	(2,029)	(1,762)	(1,855)	-	(24,831)	
Total operating expenses	(27,699)	(4,436)	(3,089)	(4,379)	-	(39,603)	
Profit before taxation	4,640	3,518	1,318	5,505	-	14,981	
Segment assets	1,934,599	321,957	217,480	303,499	(508,889)	2,268,646	
Unallocated assets						18,077	
Total assets						2,286,723	
Segment liabilities	(1,796,692)	(319,302)	(216,886)	(295,849)	508,889	(2,119,840)	
Other segment information:							
Credit commitments and financial guarantee	317,909	169,900	59,341	188,496	-	735,646	
Depreciation and amortization	896	317	156	310	-	1,679	
Capital expenditure	1,712	147	39	655	-	2,553	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies

1 Credit commitments and financial guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Letter of credit and financial guarantee refer to guarantee of customers' performance the Group provides to third parties. Approved loan commitments, finance lease commitments and undrawn credit card limit refer to the Group's credit commitments. Receivables confirmation refer to the Group's commitment to receivables confirmation issued by customers.

The amount of bank acceptances, letter of credit, letter of guarantee, receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The amount of loan commitments, finance lease commitment and undrawn credit line of credit card are the contract amount assumed to be fully issued. The Group expects that bank acceptances, letter of credit, letter of guarantee and receivables confirmation will be settled at the same time as the payment of customers. Loan commitments, finance lease commitment and undrawn credit line of credit card may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	31 December 2022	31 December 2021
Bank acceptances	365,130	364,967
Letters of credit issued	185,821	134,755
Letters of guarantee issued		
– Financing letters of guarantee	30,847	19,409
– Non-financing letters of guarantee	9,473	12,632
Corporate loan commitments and finance lease commitments	3,637	4,431
Undrawn credit card facility	13,674	14,097
Receivables confirmation and other financial guarantee contracts	114,504	185,355
Total	723,086	735,646

2 Capital commitments

At the balance sheet date, the Group's capital commitments are as follows:

	31 December 2022	31 December 2021
Contracted but not yet incurred	2,550	2,615
Authorized but not contracted	1,494	1,864
Total	4,044	4,479

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies (continued)

3 Bond underwriting and redemption commitments

- (1) At 31 December 2022, the Group has outstanding bond underwriting commitment with an amount of RMB1,920 million (31 December 2021: RMB3,090 million).
- (2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the “MOF”) and the PBOC.

At 31 December 2022, the Group had underwritten bonds with an accumulated amount of RMB1,201 million (31 December 2021: RMB1,184 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Litigations and arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. The Group expects that such pending litigations will not materially affect the Group’s financial position.

X Fiduciary Business

1 Entrusted loan business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

At the balance sheet dates, the entrusted business assets and liabilities of the Group are as follows:

	31 December 2022	31 December 2021
Entrusted loans	24,733	22,190
Entrusted loan funds	24,733	22,190

2 Wealth management services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the 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 balance sheet.

At balance sheet date, please refer to Note VII.2 (2) for information about wealth management services.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XI Collateral Information

1 Assets pledged as security

The book value (interest accrued excluded) of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, financial assets sold under repurchase agreements and customer deposits. These transactions are conducted on the general standard terms of the relevant business.

	31 December 2022	31 December 2021
Due to the central bank	96,923	50,784
Financial assets sold under repurchase agreements	6,047	–
Customer deposits	42,018	47,418
Total	144,988	98,202

(1) Analyzed by collateral type

	31 December 2022	31 December 2021
Bond investments	131,482	93,109
Bills	18,426	13,284
Total	149,908	106,393

In addition, the Group provides collateral for the securities borrowed through the security lending and swap business. At 31 December 2022, the assets as collateral under the security lending and swap business of the Group were RMB101 million (31 December 2021: RMB216 million).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XI Collateral Information (continued)

2 Assets received as collateral

At 31 December 2022, the Group received securities amounting to RMB100 million (31 December 2021: RMB200 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in the granting of loans and advances to customers and financial investments that are credit-impaired could be referred to in Note XIII.1(10).

XII Related Party Relationship and Transactions

1 Shareholders

At the balance sheet date, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655	12.49%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,487	6.99%
Traveller Automobile Group Co., Ltd.	1,347	6.33%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,243	5.84%
Hengdian Group Holdings Limited	1,243	5.84%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

2 Related party transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2022 is as follows:								
Interest income	1	-	-	99	1	1	102	0.10%
Interest expense	(151)	(10)	-	(8)	(1)	(2)	(172)	0.31%
Fee and commission income	-	5	-	13	-	-	18	0.33%
Net trading gains	36	-	-	-	71	-	107	1.73%
Other operating income	-	-	-	-	-	1	1	0.21%
The balance of major current accounts at 31 December 2022 is as follows:								
Loans and advances to customers	10	317	-	1,230	-	59	1,616	0.11%
Financial investments measured at FVTPL	2,066	-	-	-	3,589	-	5,655	2.99%
Financial investments measured at AC	-	-	-	1,500	-	-	1,500	0.41%
Customer deposits	(4,365)	(3,528)	-	(96)	(191)	(210)	(8,390)	0.50%
The major off balance sheet items at 31 December 2022 are as follows:								
Credit commitments and financial guarantee	-	412	-	1,724	74	-	2,210	0.31%
Loan balance guaranteed by related parties	6,546	250	-	300	8	-	7,104	0.48%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

2 Related party transactions (continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2021 is as follows:								
Interest income	2	-	-	100	3	41	146	0.16%
Interest expense	(295)	(7)	-	(14)	(3)	(6)	(325)	0.64%
Fee and commission income	1	-	-	22	-	-	23	0.49%
Net trading gains	1	-	-	-	48	-	49	0.68%
Other operating income	-	-	-	-	-	1	1	0.18%
The balance of major current accounts at 31 December 2021 is as follows:								
Loans and advances to customers	140	-	-	1,038	-	305	1,483	0.11%
Financial investments measured at FVTPL	1,322	-	-	-	4,180	-	5,502	3.07%
Financial investments measured at AC	-	-	-	1,500	-	600	2,100	0.55%
Financial investments measured at FVOCI	121	-	-	60	-	71	252	0.26%
Customer deposits	(8,438)	(308)	-	(503)	(29)	(446)	(9,724)	0.70%
The major off balance sheet items at 31 December 2021 are as follows:								
Credit commitments and financial guarantee	19	-	-	2,620	132	15	2,786	0.39%
Loan balance guaranteed by related parties	2,270	-	-	340	-	90	2,700	0.20%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions*. For major related party transactions, please refer to the Bank's announcement on the Shanghai Stock Exchange for major transactions and the Investor Relations column on the Bank's website for general transactions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

3 Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the year were as follows:

	2022	2021
Fees	2	2
Salaries and allowances and benefits	7	10
Discretionary bonuses	4	7
Contribution to pension	2	2
Total	15	21

The total compensation packages for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

4 Transactions between the Bank and the subsidiary

The transactions between the Bank and its subsidiary are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The transactions between the Bank and its subsidiary are as follows:

	2022	2021
The amount of significant transactions for the year is as follows:		
Interest income	81	95
Interest expense	(6)	(3)
Fee and commission income	35	1
Fee and commission expense	(45)	-
Other operating income	8	9
Received dividends from subsidiary	92	78
Capital injection	-	(510)
At 31 December, the balance of major current accounts is as follows:		
Placements with banks and other financial institutions	3,002	3,003
Other debt investments	20	-
Deposits from banks and other financial institutions	(114)	(52)
Other liabilities	(4)	(4)
The major off balance sheet items at 31 December are as follows:		
Credit commitments and financial guarantee	-	191

5 Plan and transaction of annuity

Except for normal contributions, there were no other related party transactions in the enterprise annuity funds established by the Group and the Bank during the reporting period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management; the board of supervisors is responsible for supervising comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place. The senior management has established special committees including risk management and internal control committee, asset and liability management committee, credit extension committee, asset risk classification review committee and business continuity management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk and compliance risk management. The board of directors office at the head office is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk), and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), letters of credit, financial guarantees, and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(1) Credit risk measurement

Loans and advances to customers, loan commitments and financial guarantees

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

Bond investment

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for financial instruments with available credit ratings such as government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval process and credit rating requirements. At the same time, the Group continues to focus on the credit access, rating access, business development and changes in the industry, and performs continuous evaluation and management of credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans, and conducts follow-up review of risk management on a regular basis.

Interbank business

Credit risk of individual financial institutions is reviewed and managed on a regularly basis. Credit lines are set for individual banks or other financial institutions that engage in financial transactions with the Group.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collateral and pledge

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties;
- Business assets such as commercial properties, inventories and accounts receivables;
- Financial instruments such as debt securities and stocks

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

Collaterals and pledge assets	Maximum loan to value ratio
Time deposits (RMB)	100%
Time deposits (Foreign currency)	90%
PRC treasury bonds	90%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures (continued)

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Deposits of credit commitments and financial guarantee

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

(3) Measurement of ECLs

The ECL model is used for the measurement of the provision for financial assets at AC, financial assets at FVOCI and credit commitments and financial guarantee.

The ECL model is developed in accordance with the accounting standards. Based on credit risk characteristics such as product type, customer type, customer industry, the Group has conducted a risk subgroup on financial assets and established different models for corporate business, personal business, including the regression model of risk parameters and macroeconomic indicators such as GDP and etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic. The Group uses judgments, assumptions and estimates in measuring the expected credit losses in accordance with the accounting standards, including:

- Grouping of risks
- Classification of stages
- Models and parameters
- Forward-looking information, other adjustments and sensitivity analysis

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business exposure risk group covers "financing, public administration and social organization, manufacturing and wholesale and retail trade". The retail business exposure risk group covers "business loans, consumer loans, residential mortgage loans, credit cards, etc."

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Classification of stages

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether credit risk of a financial instrument has increased significantly since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the internal credit rating, probability of default, overdue days, credit risk rating, etc.

Definition of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgment criteria mainly include more than 30 days overdue, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The borrower is more than 90 days overdue after the contractual payment date;
- The five-category classification of the borrower is substandard, doubtful or loss;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is experiencing significant financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial instruments and credit commitments and financial guarantee of the Group; the definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Models and parameters

Except for the credit-impaired financial assets, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Allowance for ECLs is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil his obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the ECLs for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Models and parameters (continued)

The measurement of ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the ECLs is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining ECLs on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realizable value of collateral; and
- The timing of the expected cash flows.

Forward-looking information, other adjustments and sensitivity analysis

The Group has established a forward-looking model and developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP). The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of ECLs.

The Group has conducted forecasts regularly to establish three economic scenarios, optimistic, neutral and pessimistic along with adjustments from internal economy experts. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity analysis.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Forward-looking information, other adjustments and sensitivity analysis (continued)

At 31 December 2022, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the CPI growth rate on year-on-year basis, M2 money supply growth rate on year-on-year basis, etc. Among all, the forecasts of high weights macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 3.0% to 6.1%
CPI growth rate on year-on-year basis	From 1.0% to 3.4%
M2 money supply growth rate on year-on-year basis	From 7.2% to 12.4%

Through sensitivity analysis, when the weight of optimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will decrease by no more than 1.31%. When the weight of pessimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will increase by no more than 2.04%.

When managing ECL model, the Bank fully considers the impact of the pandemic of Covid-19 on credit risk exposure and makes allowance for ECLs prudently, thereby enhancing the Group's risk compensation capability.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(4) Maximum exposure to credit risk

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the expected credit loss measurement. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	31 December 2022	31 December 2021
Cash and balances with the central bank	185,625	141,510
Deposits with banks and other financial institutions	43,461	39,391
Placements with banks and other financial institutions	9,581	12,762
Financial assets purchased under resale agreements	15,886	22,352
Loans and advances to customers		
– measured at AC	1,163,019	1,062,484
– measured at FVOCI	323,272	249,405
Financial investments		
– measured at AC	368,792	374,558
– measured at FVOCI	192,724	96,805
Other financial assets	51,293	42,294
Total	2,353,653	2,041,561

At the balance sheet date, the Group's maximum exposure to credit risk in respect of off-balance-sheet credit commitments and financial guarantee contracts is disclosed in Note IX. 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

Geographical segments

The gross amount of loans and advances to customers (fair value changes and interest accrued excluded) granted by the Group are listed as follows by region:

	31 December 2022		31 December 2021	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	843,069	55.56%	731,277	54.43%
Midwestern China	281,109	18.53%	242,868	18.08%
Bohai Rim Region	222,300	14.65%	193,924	14.44%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	170,856	11.26%	175,270	13.05%
Total	1,517,334	100.00%	1,343,339	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration (continued)

Industry segments

The gross amount of loans and advances to customers (fair value changes and interest accrued excluded) granted by the Group are listed as follows by industry:

	31 December 2022		31 December 2021	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Manufacturing	216,921	14.29%	174,473	12.99%
Leasing and commercial services	209,367	13.80%	189,602	14.13%
Wholesale and retail trade	167,816	11.06%	127,356	9.48%
Real estate	166,827	10.99%	168,724	12.56%
Administration of water conservancy, environment and public facilities	63,103	4.16%	50,091	3.73%
Construction	50,662	3.34%	57,425	4.27%
Financing	18,259	1.20%	30,277	2.25%
Production and supply of electricity, heat, gas and water	14,294	0.94%	14,999	1.12%
Scientific research, technology services and geological exploration	13,783	0.91%	10,223	0.76%
Transportation, storage and postal service	13,232	0.87%	11,466	0.85%
Agriculture, forestry, animal husbandry and fishery	12,092	0.80%	7,741	0.58%
Accommodation and catering	12,074	0.80%	12,493	0.93%
Information transmission, computer services and software industry	10,075	0.66%	11,468	0.85%
Mining	8,483	0.56%	8,113	0.60%
Culture, sports and entertainment	4,911	0.32%	3,954	0.29%
Education	1,792	0.12%	1,286	0.10%
Health, social security and social welfare	1,771	0.12%	2,026	0.15%
Household services and other services	1,604	0.11%	1,254	0.09%
Public administration and social organization	13	0.00%	19	0.00%
Corporate loans and advances	987,079	65.05%	882,990	65.73%
Personal loans and advances	417,881	27.54%	381,494	28.40%
Discounted bills	112,374	7.41%	78,855	5.87%
Total	1,517,334	100.00%	1,343,339	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers (fair value changes and interest accrued excluded) of the Group are listed as follows:

	Note	31 December 2022	31 December 2021
Credit-impaired	(i)	26,280	25,955
Less: Allowance for ECLs		(15,217)	(16,688)
Subtotal		11,063	9,267
Overdue but not credit-impaired	(ii)	8,197	2,981
Less: Allowance for ECLs		(2,608)	(601)
Subtotal		5,589	2,380
Neither overdue nor credit-impaired	(iii)	1,482,857	1,314,403
Less: Allowance for ECLs		(20,914)	(18,061)
Subtotal		1,461,943	1,296,342
Total		1,478,595	1,307,989

(i) At 31 December 2022, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB225 million (31 December 2021: RMB57 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(ii) At 31 December 2022, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB33 million (31 December 2021: RMB1 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(iii) At 31 December 2022, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB1,728 million (31 December 2021: RMB679 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(7) Credit risk analysis of the amount due from banks and other financial institutions

Amount due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the book balance(interest accrued excluded) of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	31 December 2022	31 December 2021
Neither overdue nor credit-impaired		
– AAA1 to AAA6	15,644	14,436
– AA1 to AA6	17,243	12,432
– A1 to A3	6,597	19,979
– No rating	29,469	27,625
Less: Allowance for ECLs	(240)	(74)
Total	68,713	74,398

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(8) Credit risk analysis of debt investments

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount (fair value changes and interest accrued excluded) of the debt instruments which are subjected to the ECL model is listed as follows:

	Note	31 December 2022	31 December 2021
Credit-impaired	(i)	32,568	25,084
Less: Allowance for ECLs		(16,202)	(13,691)
Subtotal		16,366	11,393
Overdue but not credit-impaired		5,265	15,395
Less: Allowance for ECLs		(1,584)	(875)
Subtotal		3,681	14,520
Neither overdue nor credit-impaired	(ii)		
– Government		234,840	181,611
– Policy banks		84,567	84,131
– Commercial banks		47,765	13,150
– Other financial institutions		8,131	3,874
– Corporate entities		163,144	156,998
Less: Allowance for ECLs		(3,263)	(2,109)
Subtotal		535,184	437,655
Total		555,231	463,568

(i) At 31 December 2022, there is no allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired (31 December 2021: RMB28 million).

(ii) At 31 December 2022, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB391 million (31 December 2021: RMB146 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(9) Restructured loans and advances to customers

Restructured loans refer to loans where the borrower is in a deteriorating financial situation, unable to comply with the repayment schedule specified in the loan contract, overdue specified in the credit management policy, and the repayment has been abnormal. The Group has to revise the repayment conditions and make concession arrangements for the borrower. At 31 December 2022, the Group has restructured loans and advances (impairment provision excluded), which were classified as non-performing loans, amounted to RMB140 million (31 December 2021: RMB471 million).

(10) Collaterals and other credit enhancement

The Group closely monitors the collateral corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments (fair value changes and interest accrued excluded) and the value of collateral held to reduce its potential losses are listed as follows:

	31 December 2022			Fair value of collateral
	Gross amount	Allowance for ECLs	Carrying amount	
Loans and advances to customers				
– Corporate loans and advances	19,724	(10,867)	8,857	17,743
– Personal loans and advances	6,556	(4,350)	2,206	2,640
Financial investments				
– Financial assets measured at AC	32,568	(16,202)	16,366	15,208
Total	58,848	(31,419)	27,429	35,591
	31 December 2021			Fair value of collateral
	Gross amount	Allowance for ECLs	Carrying amount	
Loans and advances to customers				
– Corporate loans and advances	21,674	(13,987)	7,687	15,846
– Personal loans and advances	4,281	(2,701)	1,580	1,886
Financial investments				
– Financial assets measured at AC	24,884	(13,691)	11,193	12,461
– Financial assets measured at FVOCI	200	–	200	–
Total	51,039	(30,379)	20,660	30,193

The fair value of the above collateral is determined by the Group on the basis of the latest available external evaluation value according to the collateral disposal experience and market conditions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, capital operation center, FinTech department, audit department, other departments, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gains of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and optional risk.

The objective of the Group's interest rate risk management is to control the interest rate risk of banking book within an acceptable and reasonable range and reduce the fluctuation of net interest income of banking book as well as economic value thereby maximizing the comprehensive income bank-wide.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (asset and liability management department), capital operation center, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through repricing gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. and builds the interest rate risk of banking book management strategy by comprehensive consideration of its risk preference, risk status, macroeconomic and market changes. During the reporting period, the Group pays close attention to external environment and internal situation of interest rate risk of banking book and adjusts the structure of assets and liabilities flexibly. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the PBOC.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by maturity date, whichever is earlier.

	Non-interest bearing	Within 3 months	31 December 2022		After 5 years	Total
			After 3 months but within 1 year	After 1 year but within 5 years		
Financial assets						
Cash and balances with the central bank	630	184,995	-	-	-	185,625
Deposits with banks and other financial institutions	93	37,661	5,707	-	-	43,461
Placements with banks and other financial institutions	121	1,922	7,538	-	-	9,581
Derivative financial assets	14,179	-	-	-	-	14,179
Financial assets purchased under resale agreements	1	15,885	-	-	-	15,886
Loans and advances to customers	5,091	284,458	565,394	397,818	233,530	1,486,291
Financial investments						
– measured at FVTPL	133,364	6,651	25,183	20,186	3,636	189,020
– measured at AC	7,275	36,702	81,732	196,396	46,687	368,792
– measured at FVOCI	3,245	4,809	52,944	105,695	27,344	194,037
Other financial assets	4,875	5,742	25,730	14,408	538	51,293
Total financial assets	168,874	578,825	764,228	734,503	311,735	2,558,165
Financial liabilities						
Due to the central bank	(247)	(59,113)	(37,810)	-	-	(97,170)
Deposits from banks and other financial institutions	(1,276)	(128,104)	(104,734)	(7,700)	-	(241,814)
Placements from banks and other financial institutions	(409)	(25,733)	(36,706)	(1,307)	-	(64,155)
Financial liabilities at fair value through profit or loss	(55)	-	-	-	-	(55)
Derivative financial liabilities	(14,462)	-	-	-	-	(14,462)
Financial Assets Sold Under Repurchase Agreements	(19)	(4,886)	(1,161)	-	-	(6,066)
Customer deposits	(23,093)	(942,099)	(342,882)	(373,369)	-	(1,681,443)
Debt securities issued	(1,550)	(74,792)	(170,316)	(61,375)	(15,000)	(323,033)
Lease liabilities	-	(223)	(528)	(2,035)	(532)	(3,318)
Other financial liabilities	(9,018)	(450)	(853)	-	-	(10,321)
Total financial liabilities	(50,129)	(1,235,400)	(694,990)	(445,786)	(15,532)	(2,441,837)
Interest rate exposure	118,745	(656,575)	69,238	288,717	296,203	116,328

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

	Non-interest bearing	Within 3 months	31 December 2021		After 5 years	Total
			After 3 months but within 1 year	After 1 year but within 5 years		
Financial assets						
Cash and balances with the central bank	527	140,983	-	-	-	141,510
Deposits with banks and other financial institutions	94	34,600	4,697	-	-	39,391
Placements with banks and other financial institutions	10	9,449	3,303	-	-	12,762
Derivative financial assets	14,264	-	-	-	-	14,264
Financial assets purchased under resale agreements	3	22,349	-	-	-	22,352
Loans and advances to customers	3,662	236,103	569,759	323,914	178,451	1,311,889
Financial investments						
- measured at FVTPL	96,378	4,886	32,906	38,561	6,466	179,197
- measured at AC	6,775	45,739	63,535	204,003	54,506	374,558
- measured at FVOCI	2,300	6,419	10,361	60,882	18,105	98,067
Other financial assets	3,902	7,551	19,183	11,315	343	42,294
Total financial assets	127,915	508,079	703,744	638,675	257,871	2,236,284
Financial liabilities						
Due to the central bank	(206)	(10,448)	(40,336)	-	-	(50,990)
Deposits from banks and other financial institutions	(1,907)	(123,159)	(111,910)	-	-	(236,976)
Placements from banks and other financial institutions	(288)	(16,853)	(23,460)	(420)	-	(41,021)
Financial liabilities at fair value through profit or loss	(12,114)	-	-	(346)	(52)	(12,512)
Derivative financial liabilities	(13,162)	-	-	-	-	(13,162)
Customer deposits	(18,436)	(790,217)	(309,203)	(289,659)	(8,190)	(1,415,705)
Debt securities issued	(1,034)	(48,328)	(214,863)	(39,683)	(15,000)	(318,908)
Lease liabilities	-	(178)	(381)	(1,919)	(448)	(2,926)
Other financial liabilities	(7,338)	(202)	(1,017)	-	-	(8,557)
Total financial liabilities	(54,485)	(989,385)	(701,170)	(332,027)	(23,690)	(2,100,757)
Interest rate exposure	73,430	(481,306)	2,574	306,648	234,181	135,527

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year.

	2022		2021	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Change in interest rate				
Increase by 100 basis points	(4,145)	(9,038)	(3,151)	(2,634)
Decrease by 100 basis points	4,145	9,539	3,151	3,837

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on market price, customer behavior and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to changes in interest rates may differ from the analysis above.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk

The Group's business is mainly operated in China and settled in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	31 December 2022				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	181,118	4,475	26	6	185,625
Deposits with banks and other financial institutions	35,525	5,190	1,130	1,616	43,461
Placement with banks and other financial institutions	9,079	279	223	-	9,581
Derivative financial assets	12,934	1,162	68	15	14,179
Financial assets purchased under resale agreements	15,886	-	-	-	15,886
Loans and advances to customers	1,447,189	26,764	8,201	4,137	1,486,291
Financial investments					
- measured at FVTPL	177,418	11,602	-	-	189,020
- measured at AC	350,378	16,721	-	1,693	368,792
- measured at FVOCI	156,041	33,554	1,750	2,692	194,037
Other financial assets	46,932	3,277	1,061	23	51,293
Total financial assets	2,432,500	103,024	12,459	10,182	2,558,165
Financial liabilities					
Due to the central bank	(97,170)	-	-	-	(97,170)
Deposits from banks and other financial institutions	(233,762)	(5,596)	(2,436)	(20)	(241,814)
Placements from banks and other financial institutions	(49,128)	(14,565)	-	(462)	(64,155)
Financial liabilities at fair value through profit or loss	(55)	-	-	-	(55)
Derivative financial liabilities	(13,300)	(922)	(226)	(14)	(14,462)
Financial Assets Sold Under Repurchase Agreements	-	(6,066)	-	-	(6,066)
Customer deposits	(1,622,653)	(49,282)	(964)	(8,544)	(1,681,443)
Debt securities issued	(318,129)	(4,904)	-	-	(323,033)
Lease liabilities	(3,266)	-	(52)	-	(3,318)
Other financial liabilities	(10,288)	(26)	(1)	(6)	(10,321)
Total financial liabilities	(2,347,751)	(81,361)	(3,679)	(9,046)	(2,441,837)
Net amount	84,749	21,663	8,780	1,136	116,328
Credit commitments and financial guarantee	684,100	32,393	2,543	4,050	723,086

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

	RMB	31 December 2021			Total
		USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	137,519	3,967	19	5	141,510
Deposits with banks and other financial institutions	25,227	10,845	901	2,418	39,391
Placement with banks and other financial institutions	3,604	9,158	–	–	12,762
Derivative financial assets	13,743	504	13	4	14,264
Financial assets purchased under resale agreements	22,352	–	–	–	22,352
Loans and advances to customers	1,267,327	36,422	6,377	1,763	1,311,889
Financial investments					
– measured at FVTPL	159,868	19,329	–	–	179,197
– measured at AC	373,967	591	–	–	374,558
– measured at FVOCI	68,486	22,867	2,029	4,685	98,067
Other financial assets	41,799	491	–	4	42,294
Total financial assets	2,113,892	104,174	9,339	8,879	2,236,284
Financial liabilities					
Due to the central bank	(50,990)	–	–	–	(50,990)
Deposits from banks and other financial institutions	(219,664)	(16,541)	(771)	–	(236,976)
Placements from banks and other financial institutions	(28,393)	(10,493)	(2,035)	(100)	(41,021)
Financial liabilities at fair value through profit or loss	(12,512)	–	–	–	(12,512)
Derivative financial liabilities	(12,783)	(355)	(19)	(5)	(13,162)
Customer deposits	(1,366,665)	(43,940)	(775)	(4,325)	(1,415,705)
Debt securities issued	(309,366)	(9,542)	–	–	(318,908)
Lease liabilities	(2,864)	–	(62)	–	(2,926)
Other financial liabilities	(8,254)	(20)	(14)	(269)	(8,557)
Total financial liabilities	(2,011,491)	(80,891)	(3,676)	(4,699)	(2,100,757)
Net amount	102,401	23,283	5,663	4,180	135,527
Credit commitments and financial guarantee	699,348	32,209	218	3,871	735,646

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant.

	Sensitivity of net profit and equity	
	31 December 2022 Increase/ (Decrease)	31 December 2021 Increase/ (Decrease)
Change in USD exchange rate		
Appreciation against RMB by 100 bps	172	175
Depreciation against RMB by 100 bps	(172)	(175)
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	66	42
Depreciation against RMB by 100 bps	(66)	(42)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis above.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial situation, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objective of the Group's liquidity management is to ensure that the Group's liquidity needs can be met in a timely manner and at a reasonable cost thereby controlling the liquidity risk within an acceptable and reasonable range.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (asset and liability management department), capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and completed liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. The Group strengthens its liquidity risk management ability by continuously improving the perspectiveness and initiative of liquidity risk management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the management of high-quality liquid assets, ensuring the fitness of the retention scale of high-quality liquid assets and the potential financing needs to enhance the liquidity risk mitigation capability; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	31 December 2022						Total
	Overdue	On demand/ indefinite	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	-	185,625	-	-	-	-	185,625
Deposits with banks and other financial institutions	-	28,962	8,788	5,826	-	-	43,576
Placements with banks and other financial institutions	-	-	1,977	7,820	-	-	9,797
Financial assets purchased under resale agreements	-	-	15,889	-	-	-	15,889
Loans and advances to customers	12,296	-	298,920	595,992	450,918	269,325	1,627,451
Financial investments							
- measured at FVTPL	-	131,509	7,664	25,166	31,065	3,868	199,272
- measured at AC	12,528	-	29,349	100,870	244,919	50,090	437,756
- measured at FVOCI	-	1,313	6,747	57,812	121,098	28,823	215,793
Other financial assets	843	4,541	5,703	16,227	26,369	1,756	55,439
Total financial assets	25,667	351,950	375,037	809,713	874,369	353,862	2,790,598
Financial liabilities							
Due to the central bank	-	-	(59,192)	(38,670)	-	-	(97,862)
Deposits from banks and other financial institutions	-	(65,976)	(63,093)	(106,816)	(7,980)	-	(243,865)
Placements from banks and other financial institutions	-	-	(26,162)	(37,518)	(1,410)	-	(65,090)
Financial liabilities at fair value through profit or loss	-	(55)	-	-	-	-	(55)
Financial Assets Sold Under Repurchase Agreements							
Customer deposits	-	(797,698)	(178,583)	(359,813)	(382,412)	-	(1,718,506)
Debt securities issued	-	-	(75,955)	(174,214)	(67,593)	(15,720)	(333,482)
Lease liabilities	-	-	(225)	(547)	(2,298)	(686)	(3,756)
Other financial liabilities	-	(8,500)	(575)	(1,260)	-	-	(10,335)
Total financial liabilities	-	(872,229)	(408,761)	(720,055)	(461,693)	(16,406)	(2,479,144)
Net amount	25,667	(520,279)	(33,724)	89,658	412,676	337,456	311,454

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (continued)

	31 December 2021						Total
	Overdue	On demand/ indefinite	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	-	141,510	-	-	-	-	141,510
Deposits with banks and other financial institutions	-	25,902	8,754	4,873	-	-	39,529
Placements with banks and other financial institutions	-	-	9,459	3,423	-	-	12,882
Financial assets purchased under resale agreements	-	-	22,362	-	-	-	22,362
Loans and advances to customers	7,581	-	249,112	600,054	373,802	217,012	1,447,561
Financial investments							
- measured at FVTPL	-	93,014	5,412	35,021	43,903	6,962	184,312
- measured at AC	20,296	-	28,390	92,959	258,524	59,232	459,401
- measured at FVOCI	63	1,262	7,658	13,361	68,195	18,355	108,894
Other financial assets	623	3,492	4,749	13,007	22,303	1,796	45,970
Total financial assets	28,563	265,180	335,896	762,698	766,727	303,357	2,462,421
Financial liabilities							
Due to the central bank	-	-	(10,515)	(41,445)	-	-	(51,960)
Deposits from banks and other financial institutions	-	(537)	(123,704)	(114,530)	-	-	(238,771)
Placements from banks and other financial institutions	-	-	(16,967)	(24,214)	(456)	-	(41,637)
Financial liabilities at fair value through profit or loss	-	(60)	(6,165)	(5,935)	(394)	(58)	(12,612)
Customer deposits	-	(718,111)	(89,749)	(320,387)	(313,273)	(8,430)	(1,449,950)
Debt securities issued	-	-	(49,282)	(219,283)	(43,990)	(16,440)	(328,995)
Lease liabilities	-	-	(193)	(414)	(2,106)	(502)	(3,215)
Other financial liabilities	-	(6,705)	(229)	(1,646)	-	-	(8,580)
Total financial liabilities	-	(725,413)	(296,804)	(727,854)	(360,219)	(25,430)	(2,135,720)
Net amount	28,563	(460,233)	39,092	34,844	406,508	277,927	326,701

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(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

	31 December 2022					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Outflow	(801)	(174)	(39)	(19)	-	(1,033)

	31 December 2021					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Inflow	4	157	374	89	1	625

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments (continued)

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	31 December 2022					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Outflow	(49,749)	(55,154)	(124,828)	(20,416)	-	(250,147)
Inflow	50,097	55,112	123,798	20,240	-	249,247
Total	348	(42)	(1,030)	(176)	-	(900)

	31 December 2021					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Outflow	(39,906)	(46,278)	(84,765)	(16,915)	(1)	(187,865)
Inflow	41,262	46,374	84,801	16,966	3	189,406
Total	1,356	96	36	51	2	1,541

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, undrawn credit card limit, corporate loan commitments and finance lease commitments, receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	31 December 2022			Total
	Within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances	365,130	–	–	365,130
Letters of credit issued	185,615	206	–	185,821
Letters of guarantee issued	19,266	20,949	105	40,320
Undrawn credit card facility	13,674	–	–	13,674
Corporate loan commitments and finance lease commitments	3,637	–	–	3,637
Receivables confirmation and other financial guarantee contracts	105,101	9,403	–	114,504
Total	692,423	30,558	105	723,086

	31 December 2021			Total
	Within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances	364,967	–	–	364,967
Letters of credit issued	134,197	558	–	134,755
Letters of guarantee issued	26,674	5,353	14	32,041
Undrawn credit card facility	14,097	–	–	14,097
Corporate loan commitments and finance lease commitments	3,872	559	–	4,431
Receivables confirmation and other financial guarantee contracts	177,179	8,176	–	185,355
Total	720,986	14,646	14	735,646

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIV Capital Management

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

Since 1 January 2013, the Group has calculated and disclosed capital adequacy ratio in accordance with the *Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* issued by the former CBRC on 7 June 2012 and other relevant regulations.

Core tier 1 capital includes paid-in capital, capital reserve, surplus reserve, generic risk reserve, retained earnings, and the portion of non-controlling shareholders' capital that may be included in core tier 1 capital. Other tier 1 capital includes other tier 1 capital instruments and their premiums, and the portion of non-controlling shareholders' capital that may be included in other tier 1 capital. Tier 2 capital includes tier 2 capital instruments and their premium, and the portion of excessive allowance for loan losses that may be included, and the portion of non-controlling shareholders' capital that may be included in tier 2 capital.

The Group calculates the capital adequacy ratio in accordance with *Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* and relevant requirements is listed as below:

	31 December 2022	31 December 2021
Net core tier 1 capital	135,925	122,602
Net tier 1 capital	161,178	162,826
Net capital	195,871	194,356
Risk-weighted assets	1,689,148	1,507,438
Core tier 1 capital adequacy ratio	8.05%	8.13%
Tier 1 capital adequacy ratio	9.54%	10.80%
Capital adequacy ratio	11.60%	12.89%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments

1 Fair values of financial assets and liabilities

(1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at balance sheet date on a recurring basis. The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2022			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	14,179	-	14,179
Loans and advances to customers	-	283,192	40,080	323,272
Financial investments				
– measured at FVTPL	39,130	144,368	5,522	189,020
– measured at FVOCI	-	192,724	1,313	194,037
Total assets measured at fair value on a recurring basis	39,130	634,463	46,915	720,508
Placements from banks and other financial institutions	-	(12,300)	-	(12,300)
Financial liabilities at fair value through profit or loss	-	(55)	-	(55)
Derivative financial liabilities	-	(14,462)	-	(14,462)
Total liabilities measured at fair value on a recurring basis	-	(26,817)	-	(26,817)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(1) Fair value hierarchy (continued)

	31 December 2021			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	14,264	–	14,264
Loans and advances to customers	–	249,405	–	249,405
Financial investments				
– measured at FVTPL	17,944	155,616	5,637	179,197
– measured at FVOCI	–	96,805	1,262	98,067
Total assets measured at fair value on a recurring basis	17,944	516,090	6,899	540,933
Financial liabilities at fair value through profit or loss	–	(12,512)	–	(12,512)
Derivative financial liabilities	–	(13,162)	–	(13,162)
Total liabilities measured at fair value on a recurring basis	–	(25,674)	–	(25,674)

(2) Level 1 fair value measurement

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds, wealth management products and equity investments in listed companies.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond investment, term-ended funds, discounted bills, trade finance, precious metal leasing of placements from banks and other financial institutions, interest rate derivatives, foreign exchange derivatives, precious metal and other derivatives.

For the fair value of RMB bonds, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For discounted bills and trade finance, the Group adopts discounted cash flow model for valuation. Based on SHIBOR, yield curves issued by Shanghai Commercial Paper Exchange Co. and China Central Depository & Clearing Co., the Group constructs the interest rate curve by five-category loan classification, and credit and liquidity risk.

For non-derivative financial instruments and some derivative financial instruments including forwards and swaps of precious metal and foreign exchange and interest rate swaps, etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value. Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 31 December 2022	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	714	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	355	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	2,015	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	2,111	Net assets analysis	Net assets
– Equity investments	327	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,313	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	40,080	Discounted cash flow method	Risk-adjusted discount rate
	Fair value at 31 December 2021	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	717	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	256	Net assets analysis	Net assets, Liquidity discount
– Bonds and asset-backed securities	2,197	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	2,237	Net assets analysis	Net assets
– Equity investments	230	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,262	Net assets analysis	Net assets, Liquidity discount

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(4) Level 3 fair value measurement (continued)

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable.

Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2022	5,637	1,262	–	6,899
Total gains recognized in profit or loss	76	8	1,048	1,132
Total gains recognized in other comprehensive income	–	51	1,893	1,944
Increase	425	–	41,065	41,490
Disposals and settlements	(616)	(8)	(3,926)	(4,550)
At 31 December 2022	5,522	1,313	40,080	46,915
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	51	–	(344)	(293)

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
At 1 January 2021	3,764	994	4,758
Total (losses)/gains recognized in profit or loss	(154)	3	(151)
Total gains recognized in other comprehensive income	–	18	18
Increase	2,558	250	2,808
Disposals and settlements	(531)	(3)	(534)
At 31 December 2021	5,637	1,262	6,899
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(179)	–	(179)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

2 Transfers between items measured at different levels of fair value

During the reporting period, there were no transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

3 Change in valuation techniques and the rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

4 Financial assets and liabilities not measured at fair value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

	31 December 2022				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
Financial assets					
Financial investments measured at AC	-	261,790	106,425	368,215	368,792
Financial liabilities					
Debt securities issued	-	324,221	-	324,221	323,033
	31 December 2021				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC	-	227,261	148,436	375,697	374,558
Financial liabilities					
Debt securities issued	-	319,474	-	319,474	318,908

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVI Subsequent Events

1 A Share Rights Issue

On 13 February 2023, the Bank received from the CSRC a “Reply Regarding the Approval of China Zheshang Bank Co., Ltd.’s Rights Issue” (CSRC Approval [2023] No. 339), approving the Bank to issue new shares to A share holders.

2 Profit Distribution

On 27 March 2023, the Board of Directors of the Bank reviewed and approved the 2022 dividend distribution plan. This profit distribution was distributed to the A-share shareholders and H-share shareholders registered on the equity registration date, and a cash dividend of RMB2.10 per 10 shares (tax inclusive), cash dividends totaling RMB44.66 billion. This plan is yet to be considered and approved by the Bank’s general meeting.

XVII Comparative Figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

XVIII Statements of Financial Position of the Bank

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and balances with the central bank		185,625	141,510
Precious metals		13,860	5,899
Deposits with banks and other financial institutions		41,343	39,094
Placements with banks and other financial institutions		12,583	15,465
Derivative financial assets		14,179	14,264
Financial assets purchased under resale agreements		15,886	22,352
Loans and advances to customers		1,486,291	1,311,889
Financial investments			
– Financial assets measured at fair value through profit or loss		187,929	178,748
– Financial assets measured at amortised cost		368,792	374,558
– Financial assets measured at fair value through other comprehensive income		194,037	98,067
Investment in subsidiaries	VI.19	2,040	2,040
Fixed assets		15,997	13,193
Right-of-use assets		5,016	4,670
Intangible assets		578	464
Deferred tax assets		20,423	17,651
Other assets		7,968	8,237
TOTAL ASSETS		2,572,547	2,248,101

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2022	31 December 2021
LIABILITIES		
Due to the central bank	97,170	50,990
Deposits from banks and other financial institutions	241,928	237,028
Placements from banks and other financial institutions	28,105	13,281
Financial liabilities at fair value through profit or loss	55	12,512
Derivative financial liabilities	14,462	13,162
Financial assets sold under repurchase agreements	6,066	–
Customer deposits	1,681,443	1,415,705
Employee benefits payable	5,683	5,185
Taxes payable	3,919	5,367
Provisions	1,838	4,952
Debt securities issued	320,090	317,388
Lease liabilities	3,318	2,926
Other liabilities	6,616	6,221
TOTAL LIABILITIES	2,410,693	2,084,717
EQUITY		
Share capital	21,269	21,269
Other equity instruments	24,995	39,953
– Preference shares	–	14,958
– Perpetual bonds	24,995	24,995
Capital reserve	32,289	32,018
Other comprehensive income	2,191	557
Surplus reserve	11,075	9,743
Statutory general reserve	26,068	23,488
Retained earnings	43,967	36,356
TOTAL EQUITY	161,854	163,384
TOTAL LIABILITIES AND EQUITY	2,572,547	2,248,101

The financial statements were approved by the board of directors on 27 March 2023:

Zhang Rongsen
(Perform the duties of chairman and
legal representative on behalf)
Executive Director, President

Jing Feng
Principal in-charge of Finance,
Chief Finance Officer

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

1 Illustration of Differences between the Financial Statements Prepared Under IFRSs and Those Prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the Bank under IFRSs and PRC GAAP for the year ended 31 December 2022 (for the year ended 31 December 2021: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRSs and PRC GAAP at 31 December 2022 (31 December 2021: no differences).

2 Liquidity Coverage Ratio

	31 December 2022	31 December 2021
Liquidity Coverage Ratio	148.11%	163.50%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the CBIRC.

3 International Claims

The Group is principally engaged in business operations within Mainland China. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

3 International Claims (continued)

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

At 31 December 2022	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	2,724	6,429	44,243	53,396
Asia Pacific excluding Mainland China	4,387	1,342	44,193	49,922
– of which attributed to Hong Kong	3,722	1,342	43,315	48,379
Europe	2,398	–	2,271	4,669
North America	3,862	7,971	41	11,874
Oceania	149	–	–	149
Total	13,520	15,742	90,748	120,010
At 31 December 2021	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	6,407	6,356	48,633	61,396
Asia Pacific excluding Mainland China	13,485	1,085	29,852	44,422
– of which attributed to Hong Kong	6,226	1,085	29,532	36,843
Europe	2,644	–	857	3,501
North America	6,131	5,337	364	11,832
Oceania	221	–	–	221
Total	28,888	12,778	79,706	121,372

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	RMB Equivalent			Total
	USD	HKD	Others	
At 31 December 2022				
Spot assets	103,024	12,459	10,182	125,665
Spot liabilities	(81,361)	(3,679)	(9,046)	(94,086)
Forward purchases	342,556	1,866	36,402	380,824
Forward sales	(337,073)	(9,976)	(29,966)	(377,015)
Net options position	(3,986)	(8,039)	(1,164)	(13,189)
Net long/(short) position	23,160	(7,369)	6,408	22,199
	USD	RMB Equivalent HKD	Others	Total
At 31 December 2021				
Spot assets	104,174	9,339	8,879	122,392
Spot liabilities	(80,891)	(3,676)	(4,699)	(89,266)
Forward purchases	303,133	1,528	25,940	330,601
Forward sales	(339,516)	(269)	(27,217)	(367,002)
Net options position	(8,272)	–	(1,703)	(9,975)
Net (short)/long position	(21,372)	6,922	1,200	(13,250)

5 Non-bank Mainland China Exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. At 31 December 2022, the Group's non-bank exposures are substantially arising from businesses with Mainland China corporates and individuals.

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