



甘肅銀行股份有限公司*

BANK OF GANSU CO., LTD.*

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

Stock code: 2139

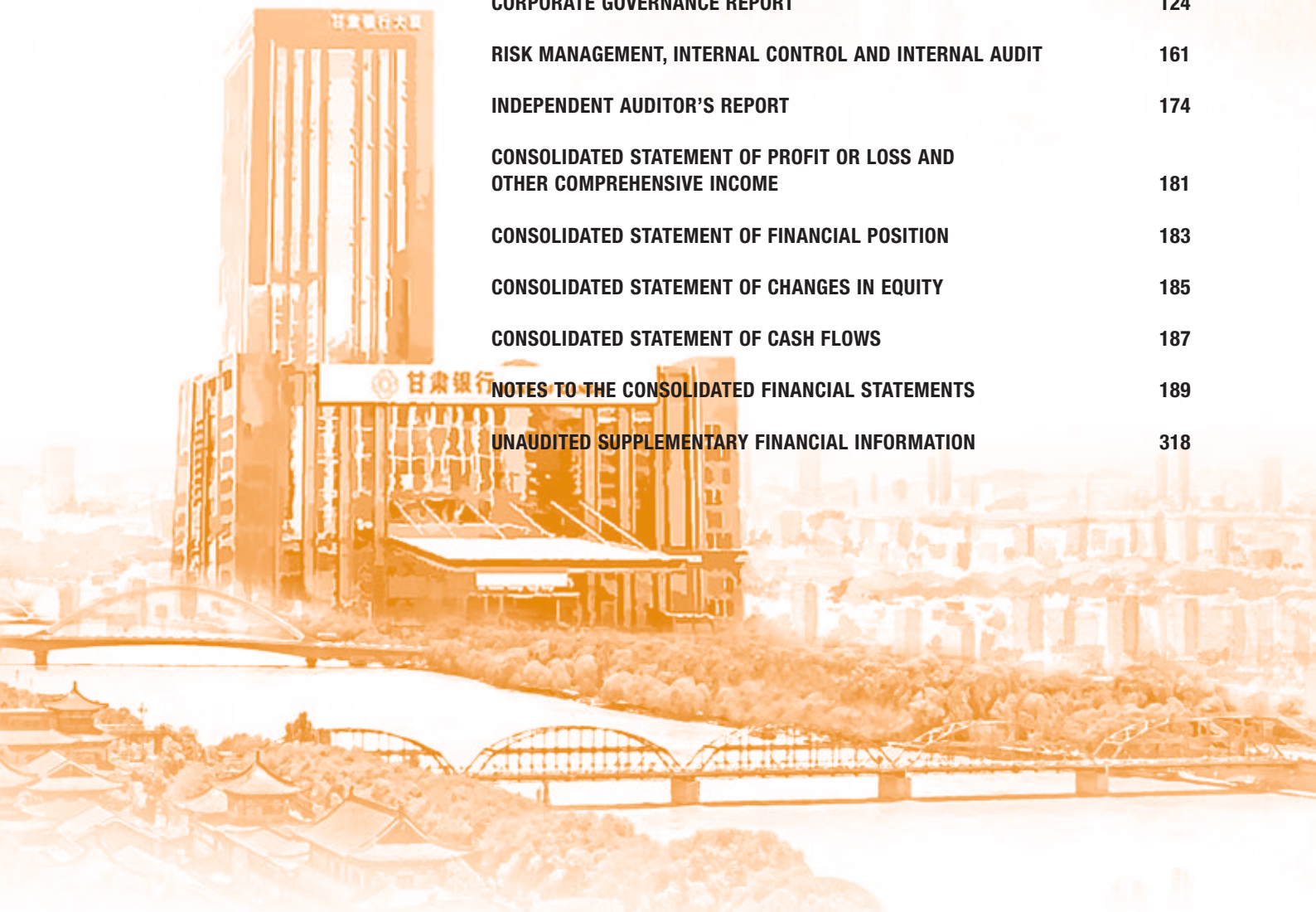


ANNUAL REPORT 2022

*Bank of Gansu Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

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Chairman's Statement



Liu Qing
Chairman of the Board of Directors

Chairman's Statement

How time flies! 2022 has proven to be an extraordinary year when the 20th National Congress of the Communist Party of China (CPC) was held successfully, taking us to a new journey to fully build a modern socialist China. Over the year, we thoroughly implemented the decisions and plans of the CPC Central Committee and the provincial party committee and government, and forged ahead with a high sense of responsibility and mission to make contributions in finance to Gansu's economy, striving to become a "listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region".

Whatever changes, we insisted on the CPC leadership for our development. In the past year with rampant pandemic, economic downturn and external complexities and volatilities, we, under the strong leadership of the provincial party committee and government, united and led our staff to fight against headwinds and send warmth at the front line. We helped relieve the difficulties of affected enterprises, provided warm services to customers and coordinated business development and pandemic prevention and control. Through these efforts, we made a great success in pandemic prevention and control, while ensuring a steady and healthy development of our business with a good momentum.

With the mission in this era, we persisted in working hard to serve the real economy. We deeply implemented the provincial party committee and government's strategic policies of "one core and three belts" and "four strengthening initiatives", and continued to optimize the credit investment structure to contribute to the real economy. We practiced our responsibility of "Bank of Gansu, for the People in Gansu" by extending inclusive finance to small and micro-enterprises to solve their financing difficulties, and further strengthening rural revitalization financial services by advancing the project of granting 100 billion loans related to agriculture, rural areas and farmers, in response to national macroeconomic policies, with an aim of energizing Gansu's real economy.

Facing opportunities in this era, we stuck to transformation and development. We firmly promoted digital transformation by planning smart retail, smart risk control and omni-channel development projects around key areas and continuously pushing forward the transformation of light capital. We optimized our business structure, improved our service quality, enhanced our operation quality and efficiency, and lifted our operation standard. Our individual business saw a big transformation, our corporate business gradually established its marketing strategy, and our inter-bank business made remarkable achievements.

In 2022, we worked diligently and reaped fruits. We ranked 301st among "Top 1000 World Banks 2022" by The Banker (a British magazine), were listed in the "Top 100 Banks in China's Banking Industry" list by the China Banking Association for the seventh consecutive year, ranking 51st in 2022, and received the "Provincial Governor Financial Award" for the ninth time. We are grateful for all the hard work and efforts we have made and for the support we have received from all walks of life!

The year 2023 kicks off the thorough implementation of the spirit of the 20th Party Congress and also is a crucial year for the implementation of the Bank's five-year development strategic plan, with new opportunities and challenges to be encountered and new responsibilities and missions to be carried forward. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will fully implement the spirit of the 20th Party Congress by closely following the arrangements of the 14th sessions of the Party congresses at the province level to implement the new development concept in a complete and accurate manner. We will, adhering to the general principle of making progresses while maintaining stability, uphold the two main lines of development and risk mitigation. By following the overall planning for the work of "strengthening Party building, reinforcing weak links, cementing foundation, adjusting structure, preventing risks, improving efficiency and promoting development", we will stick to the task-oriented "four highs", namely "promoting the development from high perspectives, leading the development with high goals, driving the development with high performance and supporting the development with high empowerment, and unwaveringly pursue proactive, structural and organic development. Preserving in propel innovative, efficient and steady growth, we always enhance our development level and development strength alongside the high-quality development, with a commitment to achieve the goal of becoming "a listed bank with high-quality development and a comprehensive financial service provider of the first choice in the region".

Liu Qing

Chairman of the Board of Directors

Definitions

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

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank” or “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu Province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Gansu Office”	the China Banking and Insurance Regulatory Commission Gansu Office (中國銀行保險監督管理委員會甘肅監管局)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi or credited as paid

Definitions

“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限責任公司), a company incorporated in the PRC on July 16, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of December 31, 2022 and up to the Latest Practicable Date, Gansu Electric Power Investment held approximately 4.21% equity interests in the Bank
“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, which is wholly-owned by Gansu SASAC. As of December 31, 2022 and up to the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 18.30% equity interests in the Bank. It is a substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 84% of its equity interest owned by Gansu SASAC and 16% of its equity interest owned by Jiuquan Iron & Steel. As of December 31, 2022 and up to the Latest Practicable Date, it directly held approximately 12.67% equity interests in the Bank, and indirectly held approximately 10.74% equity interests in the Bank through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“GRC system”	the internal control, compliance and operational risk management system
“green finance”	economic activities supporting environmental improvements, climate change, conservation and high efficiency utilization of resources, including financial services for project investment, financing, operation and risk management in environmental protection, energy conservation, clean energy, green transportation and green architecture
“H Share(s)”	ordinary shares issued by the Bank in Hong Kong, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
“HK\$”, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), as amended, supplemented or otherwise modified from time to time

Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or an associate of a connected person of the Bank under the Hong Kong Listing Rules
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investments is its largest shareholder, holding 47.97% of its equity interests. As of December 31, 2022 and up to the Latest Practicable Date, Jinchuan Group held approximately 6.53% equity interests in the Bank
“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.42% of its equity interest owned by Gansu SASAC and 31.58% of its equity interest owned by Gansu State-owned Assets Investment. As of December 31, 2022 and up to the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.53% equity interests in the Bank
“Latest Practicable Date”	March 30, 2023, the latest practicable date for ascertaining certain information in this annual report before its publication
“Listing”	the listing of H Shares of the Bank on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“non-standard credit assets”	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this annual report represents our investments in trust plans, asset management plans and wealth management products issued by other financial institutions
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

Definitions

“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this annual report only, referring to Mainland China, i.e., excluding Hong Kong, Macau and Taiwan, unless otherwise specified in the context
“PRC Commercial Banking Law”	the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), which was promulgated by the 13th meeting of the Standing Committee of the 8th National People’s Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the 10th National People’s Congress on October 27, 2005 and became effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Securities Law”	the Securities Laws of the PRC (《中華人民共和國證券法》), as promulgated by the 6th meeting of the Standing Committee of the 9th National People’s Congress on December 29, 1998 and previously modified upon approval by the Standing Committee of the 13th National People’s Congress on December 28, 2019, as amended, supplemented or otherwise modified from time to time
“provincial urban commercial bank(s)”	local urban commercial bank(s), whose establishment was promoted by the provincial government
“related party(ies)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) promulgated by the CBIRC, the PRC GAAP and/or IFRSs
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions promulgated by the CBIRC, the PRC GAAP and/or IFRSs
“Reporting Period”	the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

Definitions

“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under Rule 1.01 of the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“three rurals”	rural areas, agriculture and farmers
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis

In this annual report:

- *certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *for the ease of reference, in this annual report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

Company Profile

1. BASIC INFORMATION OF THE BANK

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Liu Qing
Authorized Representatives	:	Liu Qing, Wong Wai Chiu
Secretary to the Board of Directors	:	Hao Jumei
Company Secretary	:	Wong Wai Chiu
Registered Address	:	525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Principal Office Address	:	Bank of Gansu Building, 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Website of the Bank	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
Domestic Shares trustee agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins LLP
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Place of Inspection of the Annual Report	:	Office of the Board of the Bank

Company Profile

2. HISTORY OF THE BANK

In light of the lack of provincial urban commercial banks in Gansu Province and in order to promote the economic development of Gansu Province, the People's Government of Gansu Province decided to establish a provincial urban commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu Province and private enterprises in and outside Gansu Province) and representatives of all shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to jointly incorporate Dunhuang Bank Co., Ltd. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the Bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the CBIRC approved the establishment of the Bank. On November 18, 2011, the CBIRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and its sub-branches. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the PRC Company Law. The Bank is the only provincial urban commercial bank in Gansu Province.

The Bank's H Shares have been listed on the Main Board of the Hong Kong Stock Exchange since January 18, 2018.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and regulation of the CBIRC and the PBOC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

Company Profile

3. AWARDS OF THE BANK IN 2022

Awards and Honors	Awarding Party/Media
Ranked 301st among the 2022 Top 1,000 World Banks (58th among Chinese banks)	The Banker Magazine
Ranked 51st among the 2022 Top 100 Banks in China's Banking Industry (2022 年中國銀行業 100 強)	China Banking Association
2021 Provincial Governor Financial Award (2021 年度省長金融獎)	The People's Government of Gansu Province
The Case of Digital Transformation in Chinese Banking Industry for 2021 selected as the "Outstanding Case of Digital Service of the Year" (2021 年中國銀行業數字化轉型案例徵集入選“年度數字化服務優秀案例”)	China's Insurance Quote (中國銀行保險報)
The "Best Scenario Development for Credit Card of the Year" of 2022 Financial Digital Development Gold List Awards (2022 年金融數字化發展金榜獎榮獲“年度最佳信用卡場景建設獎”)	Financial Digital Development Alliance (金融數字化發展聯盟)
The Gold Award of "Best Digital Operation Award for Mobile Banking" of 2022 China Digital Finance (2022 年中國數字金融金榜獎“手機銀行最佳數字運營獎”)	China Financial Certification Authority (CFCA)
"Pioneer of Corporate Governance Award" of 2022 CLS ESG Profound Awards (2022 財聯社 ESG 致遠獎榮獲“公司治理先鋒企業獎”)	CLS (財聯社)
The "2022 Tianji Award for Banks with Harmonious Investor Relations" at the Annual Summit 2022 of China Financial Institutions (2022 年中國金融機構年度峰會榮獲“2022 年度和諧投資者關係銀行天璣獎”)	Times Securities (證券時報社)
The "Iron-horse Award for the Best Retail Small and Medium-sized Bank" of the 2022 (5th) Iron-horse Selection for Small and Medium-sized Bank (2022(第五屆)“鐵馬”中小銀行評選榮獲“鐵馬 – 最佳零售中小銀行獎”)	Modern Bankers Magazine (《當代金融家》雜誌社)
The "Gold Award of Digital Marketing" at the 5th (2022) Digital Finance Innovation Competition (第五屆(2022)數字金融創新大賽榮獲“數字營銷金獎”)	www.cebnet.com.cn, Joint Office of Digital Finance (數字金融聯合辦)
The "Technology Finance Award of the Year" of the 13th Jinding Prize (第 13 屆“金鼎獎”榮獲“年度科技金融獎”)	National Business Daily (每日經濟新聞)
The "Consumer Favorite Credit Card Brand of the Year" of 16th Golden Cicada Awards	China Times (華夏時報社)
The "Outstanding Green Carbon Pioneer Bank Award" of the 2022 Financial Street Leading China "Golden Intelligence Award"	JRJ.com (金融界)
The Leading Bank of the Year for Financial Innovation in Supply Chain of the 2022 Macroeconomic Forum & Navigate Conference	The Economic Observer, Jingguan Media (經觀傳媒)

Financial Highlights

FIVE-YEAR FINANCIAL DATA

(Expressed in millions of RMB, unless otherwise stated)	2022	2021	2020	2019	2018
Results of operations					
Interest income	13,788.6	13,676.2	14,752.9	14,380.0	15,327.1
Interest expense	(8,720.7)	(8,752.0)	(9,002.5)	(9,092.1)	(8,199.3)
Net interest income	5,067.9	4,924.2	5,750.4	5,287.9	7,127.8
Fee and commission income	464.0	392.4	379.3	357.6	362.7
Fee and commission expenses	(64.0)	(41.6)	(50.4)	(104.4)	(196.6)
Net fee and commission income	400.0	350.8	328.9	253.2	166.1
Net trading gains	762.1	953.1	716.3	1,489.8	1,089.2
Net gains/(losses) arising from investment securities	51.9	192.1	(1.4)	131.2	42.7
Net exchange gains/(losses)	209.6	(148.5)	(279.7)	68.9	388.2
Other operating income/(expenses), net	35.3	5.9	(21.2)	2.3	58.2
Operating income	6,526.8	6,277.6	6,493.3	7,233.3	8,872.2
Operating expenses	(2,337.9)	(2,289.0)	(2,319.5)	(2,356.5)	(2,271.0)
Impairment losses on assets, net of reversals	(3,618.4)	(3,438.3)	(3,754.5)	(4,312.0)	(1,962.4)
Operating profit	570.5	550.3	419.3	564.8	4,638.8
Share of result of an associate	(0.1)	0.1	1.3	(0.1)	(1.0)
Profit before tax	570.4	550.4	420.6	564.7	4,637.8
Income tax credit/(expense)	33.2	22.9	141.8	(53.4)	(1,198.2)
Profit for the year	603.6	573.3	562.4	511.3	3,439.6
Profit for the year attributable to:					
– Owners of the Bank	600.7	570.7	558.2	509.1	3,435.3
– Non-controlling interests	2.9	2.6	4.2	2.2	4.3

Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2022	2021	2020	2019	2018
Major indicators of assets/liabilities					
Total assets	377,202.5	358,504.6	342,363.8	335,044.5	328,622.4
Of which: total loans and advances to customers	214,272.4	201,353.8	181,825.7	170,449.2	160,885.3
Total liabilities	344,597.4	326,448.2	310,899.0	310,355.5	303,374.8
Of which: deposits from customers	279,039.2	263,233.4	249,677.7	236,868.7	210,723.3
Total equity	32,605.1	32,056.4	31,464.8	24,689.0	25,247.6
Per Share (RMB)					
Net assets per Share	2.16	2.13	2.09	2.45	2.51
Basic earnings per Share	0.04	0.04	0.06	0.05	0.35
Diluted earnings per Share	0.04	0.04	0.06	0.05	0.35
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.16	0.16	0.17	0.15	1.15
Return on equity ⁽²⁾	1.87	1.81	2.00	2.05	16.43
Net interest spread ⁽³⁾	1.21	1.48	1.72	1.74	2.07
Net interest margin ⁽⁴⁾	1.45	1.65	1.97	1.96	2.37
Net fee and commission income to operating income ratio ⁽⁵⁾	6.13	5.59	5.07	3.50	1.87
Cost-to-income ratio ⁽⁶⁾	34.26	34.52	34.30	31.53	24.72
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	11.76	11.95	12.85	9.92	11.01
Tier-one capital adequacy ratio ⁽⁸⁾	11.76	11.95	12.85	9.92	11.01
Capital adequacy ratio ⁽⁹⁾	12.29	12.44	13.39	11.83	13.55
Shareholders' equity to total assets ratio	8.64	8.94	9.19	7.37	7.68
Assets quality indicators (%)					
Non-performing loan	2.00	2.04	2.28	2.45	2.29
Provision coverage ratio ⁽¹⁰⁾	134.73	132.04	131.23	135.87	169.47
Provision to total loan ratio ⁽¹¹⁾⁽¹²⁾	2.64	2.70	2.99	3.33	3.89
Other indicator (%)					
Loan to deposit ratio ⁽¹³⁾	75.28	77.58	72.82	71.96	76.35

Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and the end of that year.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital — corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital — corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital — corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank's provision for total loan ratio shall follow the minimum standard of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

Management Discussion and Analysis

ENVIRONMENT AND PROSPECT

In 2022, under the strong leadership of the Central Committee of the CPC with Comrade Xi Jinping as the core, all regions across the country thoroughly implemented the decisions and plans of the Central Committee of the CPC and the State Council, coordinated international and domestic situations, coordinated the pandemic prevention and control and economic and social development, coordinated development and security, leading to effective response to the impact of factors beyond expectations, maintaining overall stability in the macroeconomic market, raising overall national strength to a new level, and continuing to improve people's livelihood. New progress was made in high-quality development, with the overall economic and social situation remaining stable.

According to preliminary calculations, China's GDP for the year amounted to RMB121.02 trillion, up 3.0% over the previous year at constant prices. By sectors, the added value of the primary, secondary and tertiary industries increased by 4.1%, 3.8% and 2.3%, respectively, year-on-year. The added value of industries above the designated size increased by 3.6% year-on-year; the added value of service industry increased by 2.3% year-on-year; the fixed asset investment (excluding rural households) increased by 5.1% year-on-year; the total value of imports and exports of goods increased by 7.7% year-on-year; the consumer price index (CPI) increased by 2.0% year-on-year; the per capita disposable income increased by 5.0% year-on-year in nominal terms and 2.9% in real terms (net of price factors), basically in line with economic growth.

Gansu Province, the main location of the Bank's operations, has actively responded to difficulties and challenges, and achieved growth against trend in economy, with overall stable economic operation outperforming that of the whole country. The GDP of Gansu Province reached RMB1,120.16 billion, up 4.5% over the previous year at constant prices with 1.5 percentage points higher than that of the country, ranking the 3rd in China. In particular, the primary, secondary and tertiary industries grew by 5.7%, 4.2% and 4.4%, respectively, representing 1.6, 0.4 and 2.1 percentage points higher than that of the country, ranking the 2nd, 15th and 1st in China, respectively. The added value of industrial enterprises above the designated size increased by 6%, representing 2.4 percentage points higher than that of the country, ranking the 13th in China. Fixed asset investment increased by 10.1%, representing 5 percentage points higher than that of the country, ranking the 4th in China.

According to the 2023 Gansu Provincial Government Work Report, in the next five years, it is necessary to speed up efforts to solve the imbalance between urban and rural development, and the imbalance in regional and industrial development, and strive to achieve a new level of comprehensive economic strength, scientific and technological innovation-driven, green and low-carbon development and infrastructure support. To strengthen the "four main engines", Gansu Province takes a solid step forward in its modernization by always regarding reform as a key move to promote high-quality development, always regarding opening up as the only way to promote high-quality development, always regarding innovation as the largest increment to promote high-quality development, and always regarding talents as the first resource to promote high-quality development. This will create a good external environment for high-quality development of the Bank.

The Bank will continue to take Xi Jinping's thought on socialism with Chinese characteristics for a new era as the guidance, fully implement the spirits of the 20th National Congress of the CPC, and the planning of the 14th Provincial Party Congress and the Economic Work Conference of the Provincial Committee. It will implement new development principles completely, accurately and comprehensively, adhere to the general principle of seeking progress while maintaining stability and comply with the general requirements of "strengthening Party building, reinforcing weak links, cementing foundation, adjusting structure, preventing risks, improving efficiency, and promoting development". Meanwhile, the Bank will stick to promote the development from high perspectives, lead the development with high goals, drive the development with high performance and support the development with high empowerment, unswervingly pursuing the proactive, structural and organic development, so as to promote innovative, efficient and steady growth in a persistent way and always enhance the development standards on the track of high-quality development.

Management Discussion and Analysis

EVALUATION ON THE IMPACT OF COVID-19 PANDEMIC

Under the impact of the COVID-19 pandemic, the uncertainties of global economy have further increased and global governance continued to face challenges in 2022. China continued to adhere to scientific pandemic prevention policies, improved the emergency command system, effectively coordinated normalized pandemic prevention and control and local emergency response, interrupted the spread of the pandemic with rapid control, successfully suppressed multiple rounds of large outbreaks, and significantly reduced the impact of the COVID-19 on the domestic economy. The Bank continued to implement a series of policies and measures including the Opinions of the General Office of the State Council on Further Releasing Consumption Potential and Promoting the Sustainable Recovery of Consumption (Guo Ban Fa [2022] No. 9) 《國務院辦公廳關於進一步釋放消費潛力促進消費持續恢復的意見》(國辦發[2022]9 號)), the Notice of the State Council on Printing and Distributing a Package of Policies and Measures to Stabilize the Economy (Guo Fa [2022] No. 12) 《國務院關於印發紮實穩住經濟一攬子政策措施的通知》(國發[2022]12 號)), and the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Further Strengthening Financial Support for the Development of Small and Micro Enterprises in 2022 (CBIRC Fa [2022] No. 37) 《中國銀保監會辦公廳關於 2022 年進一步強化金融支持小微企業發展工作的通知》(銀保監辦發[2022]37 號)), to reduce the burden on enterprises through effective measures such as increasing credit support, lowering interest rates on loans, implementing preferential policies, lowering service fees and charges, etc., so as to help small and medium-sized enterprises to tide over the difficult times, support the real enterprises to resume their work and production in an orderly manner and strengthen financial support for the prevention and control of the pandemic.

Generally speaking, the COVID-19 pandemic has affected the economic operation as a whole, which has affected the quality or return level of the Bank's credit and investment assets as well as the normal external business of the Bank to a certain extent. In the face of the impact of the pandemic, the Bank insisted on working from home, ensured non-stop services, and tried its best to ensure the normal development of various businesses. The Bank actively responded to the national call, strictly implemented relevant policies, and formulated a series of financial service work plans according to local conditions, but has not fully hedged the impact of the pandemic on the Bank's financial position and operating conditions.

DEVELOPMENT STRATEGY

The Bank is committed to building itself into a "listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region", with value creation as its core mission and high quality development as its core objective, to achieve balanced development in terms of scale, profitability, risk and capital.

To achieve the aforesaid goals, the Bank plans to: (i) build government financial business into a cornerstone business for high-quality development, realize transformation and development of traditional businesses such as retail and corporate, and turn emerging businesses such as special asset operation into profit growth points; (ii) continuously improve its risk and internal control and compliance capabilities, assets and liabilities management capabilities, omni-channel management capability, digitalization and other core capabilities; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) enrich the product system effectively and enhance market competitiveness; and (viii) optimize the structure of the talent team to empower high-quality development.

Management Discussion and Analysis

OVERALL BUSINESS REVIEW

The Bank recorded a total operating income of RMB6,526.8 million in 2022, representing an increase of 4.0% as compared to RMB6,277.6 million in 2021. The Bank's net profit increased by 5.3% from RMB573.3 million in 2021 to RMB603.6 million in 2022. The main reason for the increase in the Bank's operating income: In the face of the impact of the COVID-19 pandemic in 2022, the Bank adhered to the normal and orderly operation of various services, and at the same time actively optimized the structure of assets and liabilities, which promoted the increase of the Bank's operating income, with net profit increased slightly year on year.

As at December 31, 2022, the Bank's total assets amounted to RMB377,202.5 million, representing a year-on-year increase of 5.2%; total loans and advances to customers (including interest accrued) amounted to RMB214,272.4 million, representing a year-on-year increase of 6.4%; the non-performing loan ratio was 2.00%, representing a decrease of 0.04 percentage point as compared to the end of 2021, mainly because the Bank continued to comprehensively implement the financial risk prevention and resolution policy system of the central government, the State Council, the provincial party committee and the provincial government, strengthened its efforts in disposal of non-performing assets, and the optimized credit management policies, which has improved the quality of the Bank's assets; total deposits from customers (including interest accrued) amounted to RMB279,039.2 million, representing a year-on-year increase of 6.0%.

(a) Analysis of the Consolidated Statements of Profit or Loss

	Year ended December 31,			Percentage change (%)
	2022	2021	Increase or decrease	
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest income	13,788.6	13,676.2	112.4	0.8
Interest expense	(8,720.7)	(8,752.0)	31.3	(0.4)
Net interest income	5,067.9	4,924.2	143.7	2.9
Fee and commission income	464.0	392.4	71.6	18.2
Fee and commission expenses	(64.0)	(41.6)	(22.4)	53.8
Net fee and commission income	400.0	350.8	49.2	14.0
Net trading gains	762.1	953.1	(191.0)	(20.0)
Net gains arising from investment securities	51.9	192.1	(140.2)	(73.0)
Net exchange gains/(losses)	209.6	(148.5)	358.1	–
Other operating income, net	35.3	5.9	29.4	–
Operating income	6,526.8	6,277.6	249.2	4.0
Operating expenses	(2,337.9)	(2,289.0)	(48.9)	2.1
Impairment losses on assets, net of reversals	(3,618.4)	(3,438.3)	(180.1)	5.2
Operating profit	570.5	550.3	20.2	3.7
Share of result of an associate	(0.1)	0.1	(0.2)	–
Profit before tax	570.4	550.4	20.0	3.6
Income tax credit	33.2	22.9	10.3	45.0
Profit for the year	603.6	573.3	30.3	5.3
Profit for the year attributable to:				
– Owners of the Bank	600.7	570.7	30.0	5.3
– Non-controlling interests	2.9	2.6	0.3	11.5

Management Discussion and Analysis

Net interest income

The net interest income was the largest component of the Bank's operating income, accounting for 78.4% and 77.6% of the operating income in 2021 and 2022, respectively. Such decrease in the percentage for 2022 was mainly attributable to the increase in the proportion of net fee income as a result of the Bank's increase in the development of capital-light business. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

	Year ended December 31,			Percentage change (%)
	2022	2021	Increase or decrease	
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest income	13,788.6	13,676.2	112.4	0.8
Interest expense	(8,720.7)	(8,752.0)	31.3	(0.4)
Net interest income	5,067.9	4,924.2	143.7	2.9

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

	Year ended December 31, 2022			Year ended December 31, 2021		
	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>					
Interest-earning assets						
Loans and advances to customers	205,614.6	10,389.5	5.05	185,581.1	10,381.9	5.59
Investment securities and other financial assets ⁽³⁾	120,941.9	3,029.5	2.50	102,251.1	3,086.9	3.02
Deposits with banks	3,819.2	43.7	1.14	3,122.0	26.9	0.86
Financial assets held under resale agreements and placements with other financial institutions	14,744.4	264.7	1.80	16,674.6	377.0	2.26
Deposits with the central bank ⁽⁴⁾	18,042.4	257.9	1.43	22,155.1	328.6	1.48
Total interest-earning assets	363,162.5	13,985.3	3.85	329,783.9	14,201.3	4.31

Management Discussion and Analysis

	Year ended December 31, 2022			Year ended December 31, 2021		
	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Interest-bearing liabilities						
Deposits from customers	265,404.8	6,911.3	2.60	254,655.4	7,003.7	2.75
Financial assets sold under repurchase agreements and placements from banks	3,177.1	122.3	3.85	4,654.4	103.6	2.23
Debt securities issued ⁽⁵⁾	30,047.2	811.6	2.70	27,026.7	868.6	3.21
Deposits from banks and other financial institutions	24,454.8	735.6	3.01	16,660.0	642.2	3.85
Borrowings from the central bank	7,135.9	134.5	1.88	6,119.6	129.5	2.12
Lease liabilities	188.9	5.4	2.86	244.7	4.4	1.80
Total interest-bearing liabilities	330,408.7	8,720.7	2.64	309,360.8	8,752.0	2.83
Net interest income		5,264.6			5,449.3	
Net interest spread⁽⁶⁾			1.21			1.48
Net interest margin⁽⁷⁾			1.45			1.65

Notes:

- (1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from the unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes interest income from debt investments and others; the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates and tier-two capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

Management Discussion and Analysis

	Year ended December 31, 2022 vs 2021 increase/ (decrease) due to		
	Amount ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest-earning assets			
Loans and advances to customers	1,011.7	(1,002.1)	7.6
Investment securities and other financial assets	467.3	(531.7)	(57.4)
Deposits with banks	7.9	8.7	16.8
Financial assets held under resale agreements and placements with other financial institutions	(34.7)	(76.7)	(112.3)
Deposits with the central bank	(58.8)	(11.1)	(70.7)
Change in interest income	1,393.4	(1,612.9)	(216.0)
Interest-bearing liabilities			
Deposits from customers	279.5	(382.0)	(92.4)
Financial assets sold under repurchase agreements and placements from banks	(56.9)	75.4	18.7
Debt securities issued	81.6	(137.8)	(57.0)
Deposits from banks and other financial institutions	234.6	(139.9)	93.4
Borrowings from the central bank	19.1	(14.7)	5.0
Lease liabilities	(1.6)	2.6	1.0
Change in interest expense	556.3	(596.4)	(31.3)
Change in net interest income	837.1	(1,016.5)	(184.7)

Notes:

- (1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
- (2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
- (3) Represents interest income/expense for the year minus interest income/expense for the previous year.

Management Discussion and Analysis

(i) Interest income

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

	Year ended December 31, 2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Loans and advances to customers	10,389.5	74.3	10,381.9	73.1
Investment securities and other financial assets ⁽¹⁾	3,029.5	21.7	3,086.9	21.7
Deposits with banks	43.7	0.3	26.9	0.2
Financial assets held under resale agreements and placements with other financial institution	264.7	1.9	377.0	2.7
Deposits with the central bank	257.9	1.8	328.6	2.3
Total	13,985.3	100.0	14,201.3	100.0

Note:

- (1) The main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.

Interest income decreased by 1.5% from RMB14,201.3 million in 2021 to RMB13,985.3 million in 2022, primarily due to a decrease in the average yield of interest-earning assets from 4.31% in 2021 to 3.85% in 2022, which in turn was primarily due to the downward impact of LPR and the Bank's active response to national policies to increase support for the real economy through preferential interest rate loans to support small and medium-sized enterprises to resume work and production and fight the pandemic, which resulted in the year-on-year decrease of interest income.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 73.1% and 74.3% of total interest income in 2021 and 2022, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

	Year ended December 31,					
	Average balance ⁽¹⁾	2022 Interest income	Average yield (%)	Average balance ⁽¹⁾	2021 Interest income	Average yield (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Corporate loans	134,277.7	7,445.1	5.54	111,636.5	6,989.0	6.26
Retail loans	47,532.5	2,426.9	5.11	45,299.0	2,709.2	5.98
Discounted bills	23,804.4	517.5	2.17	28,645.6	683.7	2.39
Total loans and advances to customers	205,614.6	10,389.5	5.05	185,581.1	10,381.9	5.59

Note:

- (1) Represents the average of daily balances based on our unaudited management accounts of the Bank.

Management Discussion and Analysis

(B) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 1.9% from RMB3,086.9 million in 2021 to RMB3,029.5 million in 2022, primarily due to a decrease in the average yield of investment securities and other financial assets, from 3.02% in 2021 to 2.50% in 2022. The decrease in average yield was primarily due to the decline in interest rates on investment securities and other financial assets in the market; the average balance of investment securities and other financial assets increased by 18.3% from RMB102,251.1 million in 2021 to RMB120,941.9 million in 2022, mainly due to the addition of new standardized securities during the year.

(C) Interest income from deposits with banks

Interest income from deposits with banks increased by 62.5% from RMB26.9 million in 2021 to RMB43.7 million in 2022, primarily due to an increase in the average yield of deposits with banks, from 0.86% in 2021 to 1.14% in 2022, which in turn was mainly due to fluctuations in market interest rates; the average balance of deposits with banks increased by 22.3% from RMB3,122.0 million in 2021 to RMB3,819.2 million in 2022, which was mainly due to the increase in business volume.

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

Interest income from financial assets held under resale agreements and placements with other financial institutions decreased by 29.8% from RMB377.0 million in 2021 to RMB264.7 million in 2022, which was primarily due to a decrease in the average yield of financial assets held under resale agreements and placements with other financial institutions, from 2.26% in 2021 to 1.80% in 2022, which in turn was mainly due to fluctuations in market interest rates; the average balance of financial assets held under resale agreements and placements with other financial institutions decreased by 11.6% from RMB16,674.6 million in 2021 to RMB14,744.4 million in 2022, which was mainly due to the Bank's adjustment of asset allocation structure.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 21.5% from RMB328.6 million in 2021 to RMB257.9 million in 2022, primarily due to a 18.6% decrease in the average balance of deposits with the central bank, from RMB22,155.1 million in 2021 to RMB18,042.4 million in 2022, which in turn was mainly due to a decrease of statutory deposit reserve caused by the decrease in the statutory reserve ratio.

Management Discussion and Analysis

(ii) Interest expense

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

	Year ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Deposits from customers	6,911.3	79.3	7,003.7	80.0
Financial assets sold under repurchase agreements and placements from banks	122.3	1.4	103.6	1.2
Debt securities issued	811.6	9.3	868.6	9.9
Deposits from banks and other financial institutions	735.6	8.4	642.2	7.3
Borrowings from the central bank	134.5	1.5	129.5	1.5
Lease liabilities	5.4	0.1	4.4	0.1
Total	8,720.7	100.0	8,752.0	100.0

Interest expense decreased by 0.4% from RMB8,752.0 million in 2021 to RMB8,720.7 million in 2022, primarily due to a decrease in the average cost of interest-bearing liabilities, from 2.83% in 2021 to 2.64% in 2022. The decrease in the average cost ratio of interest-bearing liabilities was mainly due to the decrease in market interest rates and the Bank's strengthening of control of the cost of debt. The average balance of interest-bearing liabilities increased by 6.8% from RMB309,360.8 million in 2021 to RMB330,408.7 million in 2022, primarily due to the increase of customer deposits of the Bank in line with business growth.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers decreased by 1.3% from RMB7,003.7 million in 2021 to RMB6,911.3 million in 2022, primarily due to the decrease in the average cost ratio of customer deposits from 2.75% in 2021 to 2.60% in 2022. The lower average cost ratio was due to lower market interest rates and the reduction of deposit cost by the Bank; the average balance of customer deposits increased by 4.2% from RMB254,655.4 million in 2021 to RMB265,404.8 million in 2022. The increase in the average balance of customer deposits was mainly due to the fact that the Bank increased its marketing efforts to effectively increase the scale of customer deposits.

(B) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements and placements from banks increased by 18.1% from RMB103.6 million in 2021 to RMB122.3 million in 2022 primarily due to an increase in the average cost rate of financial assets sold under repurchase agreements and placements from banks, from 2.23% in 2021 to 3.85% in 2022, which in turn was mainly due to the increase in market interest rate. The average balance from financial assets sold under repurchase agreements and placements from banks decreased by 31.7% from RMB4,654.4 million in 2021 to RMB3,177.1 million in 2022, and the decrease in the average balance was mainly due to a decrease in reverse repurchase transactions.

Management Discussion and Analysis

(C) *Interest expense on debt securities issued*

Interest expense on debt securities issued decreased by 6.6% from RMB868.6 million in 2021 to RMB811.6 million in 2022, primarily due to a decrease in the average cost rate of debt securities issued, from 3.21% in 2021 to 2.70% in 2022, which in turn was mainly due to the lower interest rate on newly issued interbank certificates of deposit, resulting in lower average cost rates of issued debt securities in general, with the average balance increasing by 11.2% from RMB27,026.7 million in 2021 to RMB30,047.2 million in 2022, and the increase in the average balance was mainly due to the increase in the business scale of the Bank's issued debt securities.

(D) *Interest expense on deposits from banks and other financial institutions*

Interest expense on deposits from banks and other financial institutions increased by 14.5% from RMB642.2 million in 2021 to RMB735.6 million in 2022, primarily due to a 46.8% increase in the average balance of deposits from banks and other financial institutions, from RMB16,660.0 million in 2021 to RMB24,454.8 million in 2022. Such increase in the average balance was primarily due to the increase in the fund raised through deposits from banks and other financial institutions resulted from the adjustment of debt structure by the Bank. In 2021 and 2022, the average cost ratio of deposits from banks and other financial institutions decreased from 3.85% to 3.01%.

(E) *Interest expense on borrowings from the central bank*

Interest expense on borrowings from the central bank increased by 3.9% from RMB129.5 million in 2021 to RMB134.5 million in 2022, primarily due to a 16.6% increase in the average balance of borrowings from the central bank, from RMB6,119.6 million in 2021 to RMB7,135.9 million in 2022. Such increase in average balance was primarily due to an increase in rediscounting operations and lending to the central bank. From 2021 to 2022, the average cost ratio of borrowings from the central bank decreased from 2.12% to 1.88%.

(iii) **Net interest spread and net interest margin**

Net interest spread decreased from 1.48% in 2021 to 1.21% in 2022, primarily due to a decrease in average yield of total interest-earning assets, from 4.31% to 3.85%. Such decrease in average yield was primarily due to (i) the decline in LPR and the Bank's strong support for the resumption of work and production of small and medium-sized enterprises and the development of the real economy through the reduction of loan interest rates and fee reductions; (ii) a decrease in the average rate of return of the standardized securities business affected by market interest rate prices; (iii) the fact that the Bank took initiative to adjust the asset structure, enhanced the support for real economy and reduced the non-standard investment assets which resulted in the year-on-year decrease in yield.

Net interest margin decreased from 1.65% in 2021 to 1.45% in 2022, primarily due to (i) the decline in LPR and the Bank's strong support for the resumption of work and production of small and medium-sized enterprises and the development of the real economy through the reduction of loan interest rates and fee reductions; (ii) a decrease in the average rate of return of the standardized securities business, due to market interest rate prices; (iii) the fact that the Bank took initiative to adjust the asset structure, enhanced the support for real economy and reduced the non-standard investment assets which resulted in the year-on-year decrease in yield.

Management Discussion and Analysis

(iv) Non-interest income

(A) Net fee and commission income

	Year ended December 31,			
	2022	2021	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Fee and commission income				
Wealth management service fees	81.5	76.3	5.2	6.8
Agency service fees	68.0	70.5	(2.5)	(3.5)
Settlement and clearing fees	192.6	177.1	15.5	8.8
Bank acceptance bill service fees	11.6	25.5	(13.9)	(54.5)
Letters of guarantee fees	69.9	10.6	59.3	559.4
Others ⁽¹⁾	40.4	32.4	8.0	24.7
Subtotal	464.0	392.4	71.6	18.2
Fee and commission expenses	(64.0)	(41.6)	(22.4)	53.8
Net fee and commission income	400.0	350.8	49.2	14.0

Note:

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income increased by 14.0% from RMB350.8 million in 2021 to RMB400.0 million in 2022, primarily because the Bank continuously promoted the light capital transformation, the optimization of business structure and the enhancement of marketing effort for product expansion.

(B) Net trading gains

Net trading gains primarily included gains from disposal of financial assets and interest income from financial assets held for trading for the period. We had net trading gains of RMB953.1 million in 2021, and net trading gains of RMB762.1 million in 2022. The decrease was mainly due to the floating loss on fair value of investments assets during the year, resulting from the decrease in the market value of investments assets.

Management Discussion and Analysis

(C) *Net gains arising from investment securities*

The net gains arising from investment securities and other financial assets included net gains from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to gains or losses upon the disposal of assets. The net gains arising from investment securities and other financial assets of the Bank was RMB192.1 million in 2021. The net gains arising from investment securities and other financial assets of the Bank was RMB51.9 million in 2022.

(D) *Net exchange gains (losses)*

Net exchange gains mainly included net gains arising out of foreign exchange settlement and translation of foreign exchange investment assets. We had net exchange losses of RMB148.5 million in 2021 and net exchange gains of RMB209.6 million in 2022, primarily due to the fluctuation of foreign exchange rate.

(E) *Other operating income, net*

Other operating income mainly included government subsidies, net income from the short-term leasing of fixed assets and assets disposal and others. Other operating expenses of the Bank was RMB5.9 million in 2021. In 2022, the other operating gains of the Bank was RMB35.3 million, mainly representing the government subsidies received during the period.

(v) **Operating expenses**

Operating expenses increased by 2.1% from RMB2,289.0 million in 2021 to RMB2,337.9 million in 2022, primarily due to the increase in staff costs and general management and administrative expenses.

The table below sets forth the principal components of operating expenses of the Bank for the periods indicated.

	Year ended December 31,			
	2022	2021	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Staff costs	1,244.6	1,225.9	18.7	1.5
Premises and equipment expenses	452.5	426.6	25.9	6.1
General management and administrative expenses	539.0	514.4	24.6	4.8
Business tax and surcharge	101.8	122.1	(20.3)	(16.6)
Total	2,337.9	2,289.0	48.9	2.1
Cost-to-income ratio⁽¹⁾(%)	34.26	34.52	(0.3)	(0.9)

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

Management Discussion and Analysis

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

	Year ended December 31,			
	2022	2021	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Salaries and bonuses	844.7	847.5	(2.8)	(0.3)
Social insurance	239.2	212.4	26.8	12.6
Housing allowances	86.9	74.8	12.1	16.2
Staff welfares	54.9	68.3	(13.4)	(19.6)
Labour union and staff education expenses	12.5	16.9	(4.4)	(26.0)
Others	6.4	6.0	0.4	6.7
Total staff costs	1,244.6	1,225.9	18.7	1.5

Staff costs increased by 1.5% from RMB1,225.9 million in 2021 to RMB1,244.6 million in 2022, basically remaining the same as the previous year.

(B) Premises and equipment expenses

Premises and equipment expenses increased by 6.1% from RMB426.6 million in 2021 to RMB452.5 million in 2022, representing a slight increase.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses increased by 4.8% from RMB514.4 million in 2021 to RMB539.0 million in 2022, mainly due to the impact of COVID-19 pandemic, resulting in more expenses for pandemic prevention as well as the active business transformation, optimization of business structure and the enhancement of marketing effort for product expansion and support for rigid expenditures by the Bank.

(D) Business tax and surcharge

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges of the Bank decreased by 16.6% from RMB122.1 million in 2021 to RMB101.8 million in 2022.

Management Discussion and Analysis

(vi) Impairment losses on credit/assets

The table below sets forth the principal components of impairment losses on credit/assets for the periods indicated.

	Year ended December 31,			
	2022	2021	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Loans and advances to customers	2,427.7	1,472.5	955.2	64.9
Investment assets	941.7	1,967.6	(1,025.9)	(52.1)
Other assets	233.2	(4.3)	237.5	–
Acceptance bills, letters of guarantees and unused credit card commitments	15.8	2.5	13.3	–
Total impairment losses on credit/assets	3,618.4	3,438.4	180.0	5.2

Impairment losses on credit/assets increased by 5.2% from RMB3,438.4 million in 2021 to RMB3,618.4 million in 2022, mainly due to the increase in the scale of loans issued and advances. The Bank has comprehensively considered uncertainties such as changes in the external economic situation, increased the provision for asset impairment, and improved risk resilience.

Credit impairment losses on loans and advances to customers increased by 64.9% from RMB1,472.5 million in 2021 to RMB2,427.7 million in 2022, mainly due to the fact that the Bank has comprehensively considered uncertainties such as changes in the external economic situation, increased the provision for asset impairment, and improved risk resilience.

Credit impairment losses on investment assets decreased from RMB1,967.6 million of provision in 2021 to RMB941.7 million of provision in 2022.

(vii) Income tax credit

Income tax credit in 2021 was RMB22.9 million while the income tax credit in 2022 was RMB33.2 million. The Income tax credit was mainly due to the provision for asset impairment losses and the enhancement of effort to write off assets and additional deduction on research and development expenses, resulting in the temporary differences of deductible losses, as well as recognition of deferred income tax assets and deferred income tax expenses, resulting in the occurrence of income tax credit.

Management Discussion and Analysis

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2022 and 2021, the total assets of the Bank were RMB377,202.5 million and RMB358,504.6 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and placements with other financial institutions; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Assets				
Loans and advances to customers, gross	214,272.4	56.8	201,353.8	56.2
Provision for impairment losses	(5,649.2)	(1.5)	(5,354.2)	(1.5)
Net loans and advances to customers	208,623.2	55.3	195,999.6	54.7
Investment securities and other financial assets ⁽¹⁾	131,295.5	34.8	113,102.0	31.5
Deposits with banks and placements with other financial institutions	2,725.4	0.7	8,781.7	2.4
Cash and deposits with the central bank	20,034.6	5.3	20,669.3	5.8
Financial assets held under resale agreements	6,992.5	1.9	13,096.3	3.7
Other assets ⁽²⁾	7,531.3	2.0	6,855.7	1.9
Total assets	377,202.5	100.0	358,504.6	100.0

Notes:

- (1) Including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.
- (2) Primarily consist of property and equipment, deferred tax assets, interests receivable, interests in an associate and right-of-use assets.

(A) Loans and advances to customers

As of December 31, 2022, the total loans and advances to customers (including interest accrued) of the Bank were RMB214,272.4 million, representing an increase of 6.4% as compared to the end of 2021. Total loans and advances to customers accounted for 56.8% of the total assets of the Bank, representing an increase of 0.6 percentage point as compared to the end of 2021.

Management Discussion and Analysis

The table below sets forth loans and advances to customers by product as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Corporate loans	137,047.9	64.0	126,837.4	63.0
Retail loans	49,983.4	23.3	48,006.1	23.8
Discounted bills	23,032.0	10.7	23,751.8	11.8
Accrued interest	4,209.1	2.0	2,758.5	1.4
Total loans and advances to customers	214,272.4	100	201,353.8	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 55.3% and 54.7% of total assets as of December 31, 2022 and 2021, respectively.

The Bank's corporate loans increased by 8.1% from RMB126,837.4 million as of December 31, 2021 to RMB137,047.9 million as of December 31, 2022, the increase in corporate loans was primarily due to the Bank's positive response to national policies by adjusting the asset structure and enhancing the support for real economy.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 4.1% from RMB48,006.1 million as of December 31, 2021 to RMB49,983.4 million as of December 31, 2022, primarily due to (i) the increased efforts of the Bank to develop the credit card overdraft business; and (ii) the adjustment of the Bank's loan portfolio to increase consumption loans.

Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Collateralized loans	89,900.5	42.0	86,698.8	43.1
Pledged loans	13,678.6	6.4	12,738.4	6.3
Guaranteed loans	77,173.8	36.0	72,524.4	36.0
Unsecured loans	29,310.4	13.6	26,633.7	13.2
Accrued interest	4,209.1	2.0	2,758.5	1.4
Total loans and advances to customers	214,272.4	100.0	201,353.8	100.0

As of December 31, 2021 and 2022, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 85.4% and 84.4% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We usually accept guarantees provided by listed companies, guarantee companies, enterprises and individuals with good credit. We evaluate a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Management Discussion and Analysis

Unsecured loans increased by 10.1% from RMB26,633.7 million as of December 31, 2021 to RMB29,310.4 million as of December 31, 2022. The increase in unsecured loans was primarily due to the continuously increasing investment in, and development of, unsecured online loan products and the enhancement on the development of the credit card overdraft business in 2022.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provisions for impairment losses on loans and advances to customers as of the dates indicated.

	2022 <i>(Expressed in millions of RMB, unless otherwise stated)</i>	2021
As of January 1	5,354.2	5,438.9
Charge for the year	2,427.7	1,472.5
Write-offs for the year and others	(2,205.1)	(1,613.8)
Reversal of write-offs of loans and advances for the previous years	72.4	56.6
As of December 31	5,649.2	5,354.2

Provisions for impairment losses on loans and advances to customers increased by 5.5% from RMB5,354.2 million as of December 31, 2021 to RMB5,649.2 million as of December 31, 2022, primarily due to the facts that (i) based on the growth of the scale of loans and advances, the Bank increased the provision for asset impairment and improved risk resilience by taking into account uncertainties such as changes in the external economic situation; and (ii) the Bank stepped up loan write-offs; the provision for the year was greater than the write-off amount, resulting in an increase in the provision balance.

(B) Investment securities and other financial assets

As of December 31, 2022 and 2021, the Bank's investment securities and other financial assets (original value) were RMB133,356.94 million and RMB114,491.73 million, representing 35.4% and 31.9% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products and others.

Investment securities and other financial assets (original value) increased by 16.5% from RMB114,491.73 million as of December 31, 2021 to RMB133,356.94 million as of December 31, 2022. This increase was primarily due to the adjustment of the Bank's investment portfolio to increase standard investment assets after taking into account the investment factors, market conditions and other factors.

Management Discussion and Analysis

(ii) Liabilities

As of December 31, 2022 and 2021, the total liabilities were RMB344,597.4 million and RMB326,448.2 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements and placements from banks; (iv) debt securities issued; (v) borrowings from the central bank; (vi) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Deposits from customers	279,039.2	81.0	263,233.4	80.6
Deposits from banks and other financial institutions	24,039.7	7.0	17,995.7	5.5
Financial assets sold under repurchase agreements and placements from banks	6,151.6	1.8	6,055.2	1.9
Debt securities issued	26,039.1	7.6	28,918.9	8.9
Borrowings from the central bank	7,631.7	2.2	7,075.9	2.2
Other liabilities ⁽¹⁾	1,696.1	0.4	3,169.1	0.9
Total liabilities	344,597.4	100.0	326,448.2	100.0

Note:

(1) Primarily include taxes payable, accrued staff costs, lease liabilities and deferred tax liabilities.

Management Discussion and Analysis

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2021 and 2022, deposits from customers represented 80.6% and 81.0% of the total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Corporate deposits				
Demand deposits	55,875.1	20.0	57,145.2	21.7
Time deposits	20,480.0	7.3	20,101.6	7.6
Subtotal	76,355.1	27.3	77,246.8	29.3
Retail deposits				
Demand deposits	40,747.3	14.6	35,183.9	13.4
Time deposits	143,615.7	51.5	129,059.5	49.0
Subtotal	184,363.0	66.1	164,243.4	62.4
Pledged deposits	8,617.5	3.1	10,108.2	3.8
Others	2,171.1	0.8	4,389.5	1.7
Accrued interest	7,532.5	2.7	7,245.5	2.8
Total deposits from customers	279,039.2	100.0	263,233.4	100.0

Total deposits from customers (including accrued interest) increased by 6.0% from RMB263,233.4 million as of December 31, 2021 to RMB279,039.2 million as of December 31, 2022. The increase in deposits from customers were primarily attributable to our enhanced marketing efforts to grow retail deposits scale.

Management Discussion and Analysis

(B) *Debts securities issued*

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum. The bonds have matured on April 19, 2022 with no balance as at the end of 2022.

From January 1, 2022 to December 31, 2022, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate face value of RMB5,619.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 1.65% and 2.90% per annum.

(iii) **Shareholders' equity**

The table below sets forth the change in Shareholders' equity of the Bank for the periods indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Share capital	15,069.8	46.2	15,069.8	47.0
Capital reserve	5,956.6	18.3	5,956.4	18.6
Defined benefit scheme reserve	(4.0)	–	(3.9)	–
Investment revaluation reserve	102.1	0.3	157.1	0.5
Surplus reserve	1,844.3	5.7	1,727.9	5.4
General reserve	5,343.1	16.4	4,955.9	15.4
Retained earnings	4,252.8	13.0	4,155.7	13.0
Non-controlling interests	40.4	0.1	37.5	0.1
Total equity	32,605.1	100.0	32,056.4	100.0

Management Discussion and Analysis

(c) Asset quality analysis

(i) Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into substandard, doubtful and loss-making loans and advances to customers. As of December 31, 2022, the Bank's non-performing loans amounted to RMB4,193.0 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Normal	197,560.4	94.0	187,139.0	94.3
Special mention	8,310.0	4.0	7,401.4	3.7
Substandard	1,150.2	0.6	1,041.6	0.5
Doubtful	1,570.2	0.7	1,820.8	0.9
Loss	1,472.6	0.7	1,192.5	0.6
Total loans and advances to customers	210,063.4	100.0	198,595.3	100.0
Non-performing loans and non-performing loan ratio⁽¹⁾	4,193.0	2.00	4,054.9	2.04

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of December 31, 2022 and 2021, the non-performing loan ratios of the Bank were 2.00% and 2.04%, respectively, representing a decrease of 0.04 percentage point.

Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and structure of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

	As of December 31, 2022				As of December 31, 2021			
	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>								
Corporate loans								
Wholesale and retail	12,408.3	5.9	866.3	6.98	12,316.7	6.2	1,024.8	8.32
Manufacturing	29,459.1	14.0	240.8	0.82	28,447.7	14.3	342.2	1.20
Agriculture, forestry, animal husbandry and fishing	7,546.6	3.6	184.1	2.44	8,513.5	4.3	384.4	4.51
Construction	12,161.7	5.8	229.4	1.89	11,681.2	5.9	291.9	2.50
Real estate	12,149.7	5.8	177.5	1.46	11,533.1	5.8	45.0	0.39
Mining	5,435.1	2.6	95.3	1.75	5,382.0	2.7	15.4	0.29
Water, environment and public facility management	3,992.4	1.9	0.0	0.00	3,495.8	1.8	0.0	0.00
Culture, sports and entertainment	3,593.9	1.7	258.8	7.20	4,618.8	2.3	1.0	0.02
Leasing and business services	23,918.7	11.4	30.5	0.13	18,483.9	9.3	94.8	0.51
Electricity, heating power, gas and water production and supply	1,992.9	0.9	4.8	0.24	2,111.3	1.1	20.5	0.97
Transportation, storage and postal services	11,207.9	5.3	37.6	0.34	7,990.2	4.0	34.2	0.43
Education	1,613.9	0.8	0.0	0.00	1,602.6	0.8	0.2	0.01
Accommodation and catering	2,700.5	1.3	168.7	6.25	2,686.8	1.3	63.5	2.36
Financial	5,653.0	2.7	0.0	0.00	4,575.0	2.3	0.0	0.00
Health and social services	2,140.1	1.0	0.0	0.00	2,161.2	1.1	0.0	0.00
Residents and other services	479.4	0.2	7.9	1.65	505.3	0.2	22.2	4.39
Scientific research, technical service and geological prospecting	462.3	0.2	0.2	0.05	613.8	0.3	19.9	3.25
Information transmission, computer service and software	132.5	0.1	10.9	8.25	116.7	0.1	9.4	8.04
Public administration, social security and social organizations	0.0	0.0	0.0	0.00	1.8	0.0	0.0	0.00
Retail loans	49,983.4	23.8	1,880.2	3.76	48,006.1	24.2	1,685.5	3.51
Discounted bills	23,032.0	11.0	0.0	0.00	23,751.8	12.0	0.0	0.00
Total	210,063.4	100.0	4,193.0	2.00	198,595.3	100.0	4,054.9	2.04

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Management Discussion and Analysis

Loans to borrowers in the manufacturing, leasing and business services, wholesale and retail, construction, and real estate industries represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.0% and 65.7% of total corporate loans as of December 31, 2021 and 2022, respectively.

(B) Borrower concentration

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of December 31, 2022 and the balances of loans to these borrowers. All of these loans were classified as normal.

Customers	Industries involved	As of December 31, 2022	
		Amount <i>(Expressed in millions of RMB, unless otherwise stated)</i>	% of total loans (%)
Borrower A	Manufacturing	8,000.0	3.8
Borrower B	Leasing and business services	3,153.0	1.5
Borrower C	Leasing and business services	2,416.0	1.2
Borrower D	Construction	2,393.0	1.1
Borrower E	Leasing and business services	2,017.0	1.0
Borrower F	Financial	1,988.0	0.9
Borrower G	Leasing and business services	1,978.0	0.9
Borrower H	Transportation, storage and postal services	1,800.0	0.9
Borrower I	Leasing and business services	1,792.0	0.9
Borrower J	Leasing and business services	1,650.0	0.8
Total		27,187.0	12.9

Management Discussion and Analysis

(C) Non-performing loans by product

The table below sets forth the Bank's loans and non-performing loans by product type as of the dates indicated.

	As of December 31, 2022			As of December 31, 2021		
	Loan amount	Non-performing Loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing Loan amount	Non-performing loan ratio (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Corporate loans						
Working capital loans	88,979.4	1,577.3	1.77	81,466.1	2,309.9	2.84
Fixed asset loans	48,068.3	735.2	1.53	45,356.8	45.0	0.10
Others ⁽²⁾	0.3	0.3	100.00	14.5	14.5	100.00
Sub-total	137,048.0	2,312.8	1.69	126,837.4	2,369.4	1.87
Retail loans						
Personal business loans	5,688.0	1,013.1	17.81	5,479.1	1,038.7	18.96
Personal consumption loans	18,124.8	467.3	2.58	18,104.6	328.1	1.81
Residential and commercial mortgage loans	26,170.6	399.8	1.53	24,422.4	318.7	1.30
Sub-total	49,983.4	1,880.2	3.76	48,006.1	1,685.5	3.51
Discounted bills	23,032.0	0.0	0.00	23,751.8	0.0	0.00
Total loans	210,063.4	4,193.0	2.00	198,595.3	4,054.9	2.04

Notes:

- (1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.
- (2) Primarily consist of advances for bank acceptance bill.

The non-performing loan ratio of corporate loans decreased by 0.18 percentage point from 1.87% as of December 31, 2021 to 1.69% as of December 31, 2022.

The non-performing loan ratio of retail loans increased by 0.25 percentage point from 3.51% as of December 31, 2021 to 3.76% as of December 31, 2022.

Management Discussion and Analysis

(D) Loan aging schedule

The table below sets forth the loan aging of loans and advances to customers as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Loans not overdue	204,254.6	97.2	189,841.2	95.6
Loans past due for:				
1 to 90 days	2,480.1	1.2	5,356.9	2.7
91 days to 1 year	959.8	0.5	1,134.4	0.6
1 to 3 years	1,459.7	0.7	1,825.7	0.9
more than 3 years	909.2	0.4	437.1	0.2
Subtotal	5,808.8	2.8	8,754.1	4.4
Total loans and advances to customers	210,063.4	100.0	198,595.3	100.0

(d) Segments information

(i) Summary of business segment

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

	Year ended December 31, 2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Corporate banking	2,657.5	40.7	2,551.4	40.6
Retail banking	2,256.4	34.6	2,348.5	37.4
Financial market operations	1,327.7	20.3	1,453.8	23.2
Others ⁽¹⁾	285.2	4.4	(76.1)	(1.2)
Total operating income	6,526.8	100.0	6,277.6	100.0

Note:

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Management Discussion and Analysis

(ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted and all non-current assets are located in Gansu Province of the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

(e) Off-balance sheet commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

	As of December 31, 2022	As of December 31, 2021
<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Credit commitments:		
Bank acceptances ⁽¹⁾	13,074.2	16,141.0
Letters of guarantee ⁽²⁾	2,650.5	1,926.1
Letters of credit	2,487.1	1,457.9
Unused credit card commitments	9,306.4	7,979.0
Subtotal	27,518.2	27,504.0
Capital commitments	39.8	61.1
Total	27,558.0	27,565.1

Notes:

- (1) Bank acceptances refer to undertakings of the Bank to pay bank bills drawn on its customers.
- (2) The Bank issues letters of credit and letters of guarantee to third parties to guarantee its customers' contractual obligations.

As of December 31, 2022 and 2021, off-balance sheet commitments amounted to RMB27,558.0 million and RMB27,565.1 million, respectively, basically remaining the same as the previous year.

Management Discussion and Analysis

(f) Miscellaneous

During the Reporting Period, the Bank actively promoted the development of inclusive business. The Bank promoted the establishment of the “Rural Revitalization Finance Department” and established the Inclusive Finance Department and the Rural Revitalization Finance Department in 19 first-level branches, systematically forming a bank-wide financial service system and an organizational guarantee system to support inclusive finance and rural revitalization. As at the end of 2022, the Banks’ balance of the loans for inclusive small and micro enterprises amounted to RMB11.978 billion, with the total investment of RMB9.383 billion in the current year. The number of inclusive small and micro customers was 13,888, with an accumulated support of 11,461 inclusive small and micro customers in the current year; the average interest rate of loans for inclusive small and micro enterprises was 5.97%. Firstly, the Bank implemented the extension policy, handled a total of RMB2,326 million of the deferred principal repayment. Secondly, the Bank assisted in the resumption of work and production. RMB5.989 billion loans were granted to 1,350 inclusive small and micro enterprises throughout the year. Thirdly, we innovated in financial products and promoted “entrepreneurial loans” for the unemployed and entrepreneurs, allocated 4,298 loans with a total loan amount of RMB568 million throughout the year. We developed the “government procurement loans” product, which invested RMB264 million. We launched the “quick housing loans” product and realized online application, real-time approval and recycling, with the total investment of RMB944 million. We launched the “small and micro e-loan” product, which provides online business credit loans products to small and micro enterprises and individual entrepreneurs at an interest rate as low as 4.7% to make it easier and less costly for small and micro enterprises to obtain financing. The balance of RMB1,635 million of “small and micro e-loan” during the year was allocated to 7,972 enterprises, effectively solving the problem of growth in the number of loan customers for inclusive small and micro enterprises.

Management Discussion and Analysis

BUSINESS REVIEW

(g) Corporate banking

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and by offering tailored financial solutions. As of December 31, 2022, the Bank had over 3,257 corporate borrowers with total loans of RMB137,047.9 million, and more than 94,138 corporate deposit customers with total deposits of RMB76,355.1 million. In 2021 and 2022, operating income from the Bank's corporate banking business accounted for 40.6% and 40.7% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking business for the periods indicated.

	Year ended December 31,		
	2022	2021	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Net external interest income ⁽¹⁾	5,877.9	4,959.0	18.5
Net inter-segment interest expenses ⁽²⁾	(3,486.8)	(2,544.5)	37.0
Net interest income	2,391.1	2,414.5	(1.0)
Net fees and commission income	266.4	137.0	94.5
Operating income	2,657.5	2,551.5	4.2
Operating expenses	(951.9)	(930.3)	2.3
Impairment losses on assets	(1,791.7)	(810.7)	121.0
Operating (loss)/profit	(86.1)	810.5	(110.6)
(Loss)/profit before tax	(86.1)	810.5	(110.6)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of December 31, 2022 and 2021, corporate loans amounted to RMB137,047.9 million and RMB126,837.4 million, accounting for 64.0% and 63.0% of the Bank's total loans and advances to customers, respectively.

Management Discussion and Analysis

(ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices from banks and corporate customers to satisfy their short-term funding needs. As of December 31, 2022 and 2021, discounted bills totaled RMB23,032.0 million and RMB23,751.8 million, accounting for 10.7% and 11.8% of the Bank's total loans and advances to customers, respectively.

(iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HKD and EUR) from corporate customers. As of December 31, 2022 and 2021, corporate deposits totaled RMB76,355.1 million and RMB77,246.8 million, accounting for 27.3% and 29.3% of the Bank's total customer deposits, respectively.

(iv) Fee and commission-based products and services

The Bank offers corporate customers a broad range of fee and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and other fee and commission-based products and services.

(A) *Wealth management services*

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

In 2022 and 2021, wealth management products sold to corporate customers totaled RMB388.95 million and RMB276.0 million, respectively.

(B) *Entrusted loans*

The Bank provides loans on behalf of corporate customers to borrowers designated by them based on the use of funds, principal amount and interest rates for the loans determined by such corporate customers. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. In 2022 and 2021, service fees charged to corporate customers for entrusted loans totaled RMB9.61 million and RMB16.0 million, respectively.

(C) *Settlement services*

The Bank offers corporate customers domestic and international settlement services.

Domestic Settlement Services. The Bank provides domestic settlement services in the form of Bank acceptance bills, collections and telegraphic transfers. In 2021 and 2022, the Bank's total domestic settlement transaction volumes were approximately RMB925.19 billion and RMB968.62 billion, respectively.

International Settlement Services. The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee.

In 2021 and 2022, the Bank's international settlement transaction volumes were US\$244 million and US\$403 million, respectively.

Management Discussion and Analysis

(D) Other fee and commission-based products and services

The Bank offers other fee and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

(h) Retail banking

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fee and commission-based products and services. The Bank has a large retail customer base.

As of December 31, 2022, we had 108,184 retail borrowers with total loans of RMB49,983.4 million and over 8,296,700 retail deposit customers with total deposits of RMB184,363.0 million. In 2022 and 2021, operating income from the Bank's retail banking business accounted for 34.6% and 37.4% of our total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

As of December 31, 2022, the Bank had over 291,800 wealthy customers and over 2,217 private banking customers. The Bank continues to grow our wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of its retail banking for the periods indicated.

	Year ended December 31,		
	2022	2021	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Net external interest expenses ⁽¹⁾	(2,917.2)	(2,264.4)	28.8
Net inter-segment interest income ⁽²⁾	5,092.1	4,581.9	11.1
Net interest income	2,174.9	2,317.5	(6.2)
Net fee and commission income	81.5	31.0	162.9
Operating income	2,256.4	2,348.5	(3.9)
Operating expenses	(808.2)	(856.3)	(5.6)
Impairment losses on assets	(732.7)	(661.2)	10.8
Operating profit	715.5	831.0	(13.9)
Profit before tax	715.5	831.0	(13.9)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

Management Discussion and Analysis

(i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of December 31, 2022 and 2021, total retail loans were RMB49,983.4 million and RMB48,006.1 million, accounting for 23.3% and 23.8% of the Bank's total loans and advances to customers, respectively.

(ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of December 31, 2022 and 2021, retail deposits totaled RMB184,363.0 million and RMB164,243.4 million, accounting for 66.1% and 62.4% of the Bank's total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a Bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue social security cards, which can be used for making social security contributions and social security information inquiries.
- Housing Provident Fund Co-branded Cards (公積金聯名卡): The Bank works with the local housing provident fund management center to issue housing provident fund co-branded cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- Longyuan Transportation Cards (隴原交通卡): The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.
- Veteran Card (退役軍人保障卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, exclusive guarantees, and exclusive VIP services for cardholders.
- Longjing Card (隴警卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Public Security Department, which targets public security officers and their dependents in the province, providing exclusive financial management, savings products, and exclusive VIP services for cardholders.
- Gardener's Card (園丁卡): The IC financial cards issued by the Bank in partnership with Lanzhou Municipal Education Bureau, which targets teaching staff, providing exclusive financial management, savings products, and exclusive VIP services for cardholders.

Management Discussion and Analysis

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of December 31, 2022, the Bank had issued approximately 8.96 million debit cards. As of December 31, 2022 and 2021, holders of these debit cards conducted transactions of approximately RMB60,871.3 million and RMB76,933.6 million, respectively.

(B) Credit cards

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can spend up to the credit limit first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into general cards, gold cards and platinum cards according to different credit ratings.

As of December 31, 2022, the Bank had issued 689,150 credit cards, including 661,787 credit cards and 27,363 business cards. The revolving credit card line was RMB11,997 million, of which RMB11,409 million and RMB588 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB2,715.9848 million, of which RMB2,681.2781 million and RMB34.7067 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 253,065, including 250,129 credit card accounts and 2,936 business card accounts. The total credit card income amounted to RMB200.6356 million, of which RMB154.7268 million was recorded by intermediary business, and RMB45.9088 million was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of December 31, 2022, the Bank had 75,000 selected merchant customers for POS settlement services and the total settlement amount was approximately RMB49,294 million and RMB32,282 million as at 31 December 2022 and 2021, respectively.

(iv) Fee and commission-based products and services

The Bank offers retail customers a wide range of fee and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

Management Discussion and Analysis

(A) *Wealth management services*

The Bank offers retail customers wealth management products under its Huifu (匯福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products. In 2022 and 2021, wealth management products sold to retail customers totaled RMB40,364.22 million and RMB58,127.12 million, respectively. As of December 31, 2022, the Bank had over 163,201 retail wealth management clients and the return rate of its retail wealth management products was between 2.90% and 4.38% in 2022.

(B) *Agency services*

The Bank sells insurance, wealth management and precious metal products to retail customers as an agent.

Insurance Products: as of December 31, 2022, the Bank had entered into agency agreements with 2 nationwide insurance companies to promote and distribute their insurance products.

Wealth Management Products: as of December 31, 2022, the Bank had entered into agency agreements with 3 wealth management companies to promote and distribute their wealth management products, with sales amounts of RMB2,678.61 million.

Precious Metal Products: the Bank received approval to sell precious metals on an agency basis in China in August 2015. In 2022 and 2021, the Bank sold an aggregate of RMB98.29 million and RMB81.72 million of precious metal products, respectively.

(C) *Payroll and payment agency services*

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of December 31, 2022, the Bank had over 4,792,142 payroll customers. In 2022 and 2021, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB4,357.86 million and RMB3,824.33 million, respectively.

Payment Agency Services: the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

(D) *Other fee and commission-based products and services*

The Bank offers other fee and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

Management Discussion and Analysis

(i) Financial market operations

The Bank's financial market operations, primarily including money market transactions, investment business and investment in interbank wealth management products, are one of its most important revenue sources. In 2022 and 2021, operating income from financial market operations accounted for 20.3% and 23.2% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

	Year ended December 31,		
	2022	2021	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Net external interest income ⁽¹⁾	2,107.3	2,229.7	(5.5)
Net inter-segment interest expenses ⁽²⁾	(1,605.3)	(2,037.5)	(21.2)
Net interest income	502.0	192.2	161.2
Net fee and commission income	11.7	116.3	(89.9)
Net trading gains	762.1	953.1	(20.0)
Net income arising from investment securities	51.9	192.1	(73.0)
Operating income	1,327.7	1,453.7	(8.7)
Operating expenses	(475.6)	(530.1)	(10.3)
Impairment losses on assets	(925.8)	(1,968.2)	(53.0)
Operating loss	(73.7)	(1,044.6)	(92.9)
Loss before tax	(73.7)	(1,044.6)	(92.9)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Money market transactions

The Bank adjusts its liquidity using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) placements with other financial institutions; and (iii) repurchase and reverse repurchase transactions.

(A) Interbank deposits

The Bank deposits funds with and withdraws funds from banks and other financial institutions to manage our assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of December 31, 2022 and 2021, deposits from banks and other financial institutions totaled RMB24,039.7 million and RMB17,995.7 million, respectively, and deposits of the Bank at banks and other financial institutions totaled RMB1,224.9 million and RMB4,891.0 million, respectively.

Management Discussion and Analysis

(B) *Interbank placements*

The balance of our placements with other financial institutions as of December 31, 2022 totaled RMB1,500.5 million; the balance of our placements with other financial institutions as of December 31, 2021 totaled RMB3,890.7 million. As of the same dates, placements from banks totaled RMB2,822.8 million and RMB0 million, respectively.

(C) *Repurchase and reverse repurchase transactions*

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of December 31, 2022 and 2021, financial assets held under resale agreements totaled RMB6,992.5 million and RMB13,096.3 million, and financial assets sold under repurchase agreements totaled RMB3,328.8 million and RMB6,055.2 million, respectively.

(ii) **Investment securities and other financial assets**

Investment securities and other financial assets primarily include debt securities and asset management plans, trust plans, wealth management products and fund products issued by other financial institutions.

(A) *Security investment by holding purpose*

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Financial assets at fair value through profit or loss	35,706.1	27.3	30,175.8	26.6
Financial assets at fair value through other comprehensive income	9,895.2	7.5	9,568.6	8.5
Financial assets at amortized costs	85,368.6	65.0	73,028.8	64.6
Other equity instrument investments	325.6	0.2	328.8	0.3
Total amount of investment securities and other financial assets	131,295.5	100.0	113,102.0	100.0

Total amount of investment securities and other financial assets increased by 16.1% from RMB113,102.0 million as of December 31, 2021 to RMB131,295.5 million as of December 31, 2022.

Management Discussion and Analysis

(B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Repayable on demand	12,023.8	9.2	16,452.7	14.5
Due in three months or less	4,404.0	3.4	8,342.5	7.4
Due between three months and one year	14,509.0	11.1	13,829.3	12.2
Due between one year and five years	43,560.3	33.2	31,032.1	27.4
Due over five years	39,548.5	30.0	31,661.9	28.0
Indefinite ⁽¹⁾	17,249.9	13.1	11,783.5	10.5
Total	131,295.5	100.0	113,102.0	100.0

Note:

(1) Refers to impaired investments, and investments and equity investments overdue for more than one month.

(C) Holding of government bonds

As of December 31, 2022, the balance of face value of government bonds held by the Bank amounted to RMB38,686.30 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of December 31, 2022.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
22 Gansu Bonds 18	4,320	3.29	2042/6/28
22 Gansu Bonds 24	2,840	2.86	2032/8/23
22 Gansu Bonds 22	2,314	3.29	2042/6/28
21 Gansu 13	1,780	3.10	2031/9/3
20 Gansu Bonds 16	1,420	3.57	2040/5/29
22 Gansu Bonds 01	1,180	2.93	2029/2/23
18 Gansu Bonds 01	1,040	3.39	2023/4/24
20 Gansu Bonds 06	780	2.96	2027/3/10
20 Gansu Bonds 14	770	3.57	2040/5/29
19 Coupon-bearing treasury bond 04	750	3.19	2024/4/11

Management Discussion and Analysis

(D) Holding of financial bonds

As of December 31, 2022, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB29,760 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of December 31, 2022.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
16 EIBC 03	2,240	3.33	2026/2/22
21 EIBC 05	1,350	3.22	2026/5/14
18 ADBC 01	1,110	4.98	2025/1/12
16 ADBC 08	1,090	3.37	2026/2/26
20 ADBC 08	1,090	3.45	2025/9/23
18 ADBC 08	1,080	4.37	2023/5/25
19 EIBC 05	1,000	3.28	2024/2/11
16 ADBC 05	980	3.33	2026/1/6
16 ADBC 18	910	3.58	2026/4/22
15 EIBC 14	800	3.87	2025/9/14

(j) Distribution network

(i) Physical outlets

As of December 31, 2022, the Bank had 1 head office operational department, 12 branches, 181 sub-branches, 5 micro-to-small sub-branches and 1 community sub-branches. The Bank's branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business Address (PRC)	Postcode	Number of organisation
Head office operational department	525-1 Donggang West Road, Chengguan District, Lanzhou City	730000	8
Baiyin Branch	No. 35 Lanzhou Road, Baiyin District, Baiyin City	730900	17
Pingliang Branch	Bank of Gansu Building, Xingbei Road Central, Kongtong District, Pingliang City	744000	21
Qingyang Branch	Bank of Gansu Building, Honghua West Road, Xifeng District, Qingyang City	735000	15
Dingxi branch	No. 13 Zhonghua Road, Anding District, Dingxi City	743000	12
Tianshui branch	Floor 1-2, Tianlin Longcheng Mingzhu Building, Jihebei Road, Qinzhou District, Tianshui City	741000	15
Longnan Branch	No.1 Building, Jiang'an Mingdu, South End of Jianshe Road, Chengguan Town, Wudu District, Longnan City	746000	12
Jiuquan Branch	No. 2 Suzhou Road, Suzhou District, Jiuquan City	735000	16
Jiayuguan Branch	No.1289 Yingbin East Road, Jiayuguan City	735100	5
Zhangye Branch	No.37 West Street, Ganzhou District, Zhangye City	734000	9
Wuwei Branch	No.7 Xihuan Road, Liangzhou District, Wuwei City	733000	10

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Name of organisation	Business Address (PRC)	Postcode	Number of organisation
Linxia Branch	No.49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	No.125 Dangzhou Street, Hezuo City, Gannan Prefecture	747000	5
Jinchang Sub-branch	No.4 Tianjin Road, Jinchang City	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Quality Supervision Bureau, Nanchang Road, Chengguan District, Lanzhou City	730000	10
Lanzhou Jincheng Sub-branch	No.613 Huochezhan West Road, Chengguan District, Lanzhou City	730000	19
Lanzhou Anning Sub-branch	No.1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	No.2 East Fourth Block, Fuli West Road, Xigu District, Lanzhou City	730060	2
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4
Total			200

(ii) Electronic banking business

(A) Internet banking

Through the Internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of December 31, 2022, the Bank had over 4,190,700 Internet banking customers, consisting of 65,700 corporate customers and over 4,125,000 retail customers. As of December 31, 2022, the Bank's corporate customers conducted over 3.59 million online transactions with a total transaction amount of approximately RMB592,912 million, while retail customers conducted approximately 13.57 million online transactions with a total transaction amount of approximately RMB189,790 million.

(B) Direct banking platform

The Bank launched its direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of December 31, 2022, the Bank's direct banking platform had over 1,114,100 registered users with total transaction amounts of RMB15,521 million. The sales of direct banking platform products exceeded RMB7,778 million.

(C) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of December 31, 2022, the Bank had approximately 3,512,500 mobile phone banking customers that had conducted approximately 12.76 million transactions through mobile banking, with total transaction amounts of approximately RMB168,300 million.

Management Discussion and Analysis

(D) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of December 31, 2022, the Bank had 606,278 registered telephone banking customers, which were all individual customers.

(E) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of December 31, 2022, the Bank had 200 outlets, 95 off-bank self-service zones, 626 self-service facilities and 369 intelligent counters.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of December 31, 2022, the Bank had over 981,400 WeChat banking customers.

(G) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of December 31, 2022, the platform had 1,052 merchants and 1,856,000 users, with total transaction amounts of approximately RMB26.20 million.

(k) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of December 31, 2022, the Bank held an approximately 62.73% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of December 31, 2022, Jingning Chengji Rural Bank had 31 corporate loan customers, 951 corporate deposit customers, 6,614 retail loan customers and 105,737 retail deposit customers. As of December 31, 2022, Jingning Chengji Rural Bank had 12 outlets and 114 employees.

As of December 31, 2022, Jingning Chengji Rural Bank had total assets of RMB1,782.2 million, total deposits of RMB1,604.4 million and total loans of RMB1,033.1 million. In 2021 and 2022, operating income attributable to Jingning Chengji Rural Bank totaled RMB48.9 million and RMB43.9 million, accounting for 0.78% and 0.67% of the Bank's total operating income, respectively.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.

Management Discussion and Analysis

(I) Operation and safety of IT systems

The Bank regularly optimizes and upgrades its IT system to support the operation and management of its businesses. For 2021 and 2022, the Bank's investments in its IT system totaled approximately RMB211.3 million and RMB260.3 million, respectively.

In 2022, strictly adhering to the theme of high-quality development, IT department of Bank of Gansu focused on three basic points of “placing top priority on experience, traffic + ecosystem, technologies + infrastructure”, taking “digitalization of business, risk control and management” as the guidance, the Bank enhanced a set of basic capabilities such as “digital customer operating capability, digital channels and scenarios construction capability, digital risk control capability, digital operation capability and digital basic capability”. By “focusing on four aspects including key projects, demand for optimization, safe operation and maintenance, and internal risk control”, the Bank orderly advanced the key projects of product innovation and digital transformation.

In 2022, Bank of Gansu innovated 28 products, among which, 23 innovative products such as interbank forfaiting buy-in, medical insurance electronic certificate, gold deposit and interbank deposit pledge were put into production and promoted. Gold deposit products contracted more than 10,000 customers, and two new products, namely reverse factoring and cooperative forward foreign exchange settlement, were successfully implemented. “Small and Micro e-Loan” and other inclusive credit products continued to be iterated and upgraded. The Bank promoted 20 digital transformation projects, among which, 17 projects such as enterprise mobile banking, digital RMB, Longyintong (隴銀通), Xiaogan Micro Hall (小甘微廳), unified monitoring and reporting platform, risk control decision-making platform, retail CRM and bills phase III, came into operation as scheduled. Intelligent customer service projects such as manual outbound call platform, intelligent outbound call, intelligent voice navigation, etc. received an average of 390 person-times per day and achieved 30% of manual customer service diversion. The Bank continued to improve the data quality management responsibility system and carried out in-depth management of customer information on bank-wide unit loans, traditional consumer loans, online loans and interbank loans, as well as risk-compliant thematic data, in order to comprehensively improve the statistical quality of basic financial data. The Bank continued to promote data source control, develop data standard alignment and implementation plans, and strengthen the control of the entire data life cycle. The case of “new generation mobile development platform to enhance the digital service capability of mobile banking” of Bank of Gansu was selected as an outstanding case of digital transformation of China's banking industry in 2021 and was awarded the “Collective Second Prize” in the 2022 Provincial Financial Statistics Assessment. The enterprise mobile banking and integrated service management platform received “Certificate of Registration of Computer Software Copyright”.

In 2022, Bank of Gansu actively studied new technologies, designed network Internet transformation plan, steadily promoted the Bank's business network and office building Internet “two networks in one” upgrade and transformation project. After the transformation, the Internet network speed increased to nearly 10 times the original, while the cost reduced by nearly 80%, realizing the goal of improving quality and efficiency, reducing the burden and lowering costs.

The Bank has also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desk site security, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Reporting Period, the Bank did not suffer any material IT system failures.

Management Discussion and Analysis

RISK MANAGEMENT

(m) Risk management of the Bank

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk. The Bank summarises and evaluates the comprehensive risk management on a semi-annually basis to prepare a Comprehensive Risk Management Report, and reports the same to the Board. The Bank considers that the existing risk management and internal control systems are operating effectively.

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

(i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

According to the "2022 Risk Management Strategy and Risk Appetite of Bank of Gansu", and based on the external environment, regulatory guidance and its actual situation, the Bank classified industries for investment into four categories: aggressive growth industries, selective growth industries, presence sustaining industries and shrinking or exit industries.

Management Discussion and Analysis

Industries	Credit Strategies
Advanced manufacturing industry, railways, highways, airports, pipeline transportation industry, hydropower generation, power supply, wind power generation, solar power generation, higher education, hospitals, software and information technology service industry, tap water production and supply, wastewater treatment and recycling industry, cattle and sheep raising, seed breeding, water conservancy management industry, telecommunication industry, internet and related service industry (“ aggressive growth ” industries)	• priority will be given to customers in the industry who have technical advantages, established markets and great development potential.
Petrochemical, metal smelting and rolling processing, general equipment manufacturing industry, thermal power generation, tourist attraction management, scenic spot management, forest park management and other tourist attractions management, non-higher education, thermal production and supply, ecological protection and environmental governance, coal mining and washing, petroleum mining, precious metal mining and processing, rare and rare earth metal mining and processing (“ selective growth ” industries)	• selectively support key areas of the industry and high-quality enterprises in the industry.
Traditional equipment manufacturing industry, traditional energy and mineral industry, wholesale industry, construction industry (“ presence sustaining ” industries)	• prudently support with flexibility, maintain the overall total amount unchanged with a reasonable credit level under the premise of effective control of credit risk.
Coking, flat glass, iron alloy smelting, calcium carbide, electrolytic aluminum (“ shrinking or exit ” industries)	• strictly control the growth of new businesses and effectively cut down on existing ones to achieve effective reduction of the balance of such businesses.

In principle, the guidelines are reviewed annually. If there are significant industry changes during the year that require significant adjustments, they will be adjusted in a timely manner as appropriate.

Management Discussion and Analysis

(ii) Market risk management

Market risk is the risk of loss on and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

(A) Interest rate risk management

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on – and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust its terms on repricing to control interest rate risk.

The table below sets forth the results of the Bank's gap analysis based on the earlier of (i) the expected next repricing dates; and (ii) the final maturity dates for its assets and liabilities as of December 31, 2022.

	As of December 31, 2022					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Assets						
Cash and deposits with the central bank	20,034.6	412.9	19,621.7	-	-	-
Deposits with banks and placements with other financial institutions	2,725.4	11.9	2,640.4	73.1	-	-
Financial assets held under resale agreement	6,992.5	3.3	6,989.2	-	-	-
Loans and advances to customers	208,623.2	7,877.1	54,040.2	52,349.9	69,118.8	25,237.2
Investments	131,295.5	18,007.8	16,159.2	14,276.2	42,691.9	40,160.4
Others ⁽¹⁾	7,531.3	7,531.3	-	-	-	-
Total assets	377,202.5	33,844.3	99,450.7	66,699.2	111,810.7	65,397.6

Management Discussion and Analysis

	As of December 31, 2022					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Liabilities						
Borrowings from the central bank	7,631.7	11.2	2,117.2	5,503.3	-	-
Deposits from banks and other financial institutions	24,039.7	137.5	8,402.2	15,500.0	-	-
Financial assets sold under repurchase agreements and placements from banks	6,151.6	4.0	4,125.0	2,022.6	-	-
Deposits from customers	279,039.2	7,532.6	139,232.3	52,100.1	80,174.2	-
Debt securities issued	26,039.1	-	10,382.1	15,657.0	-	-
Others ⁽²⁾	1,696.1	1,515.3	-	86.0	82.6	12.2
Total liabilities	344,597.4	9,200.6	164,258.8	90,869.0	80,256.8	12.2
Asset-liability gap	32,605.1	24,643.7	(64,808.1)	(24,169.8)	31,553.9	65,385.4

	As of December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Assets						
Cash and deposits with the central bank	20,669.3	431.5	20,237.8	-	-	-
Deposits with banks and placements with other financial institutions	8,781.7	2.4	8,779.3	-	-	-
Financial assets held under resale agreement	13,096.3	4.2	13,092.1	-	-	-
Loans and advances to customers	195,999.6	6,209.9	55,410.5	61,208.1	50,471.0	22,700.1
Investments	113,102.0	11,971.4	25,231.5	12,716.3	30,754.0	32,428.8
Others ⁽¹⁾	6,855.7	6,855.7	-	-	-	-
Total assets	358,504.6	25,475.1	122,751.2	73,924.4	81,225.0	55,128.9

Management Discussion and Analysis

	As of December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Liabilities						
Borrowings from the central bank	7,075.9	20.8	2,433.3	4,621.8	-	-
Deposits from banks and other financial institutions	17,995.7	201.9	11,503.8	6,290.0	-	-
Financial assets sold under repurchase agreements	6,055.2	3.7	6,051.5	-	-	-
Deposits from customers	263,233.4	7,245.5	124,609.2	38,468.6	92,910.1	-
Debt securities issued	28,918.9	35.6	13,145.9	14,523.9	1,213.5	-
Others ⁽²⁾	3,169.1	2,971.4	-	85.4	111.1	1.2
Total liabilities	326,448.2	10,478.9	157,743.7	63,989.7	94,234.7	1.2
Asset-liability gap	32,056.4	14,996.2	(34,992.5)	9,934.7	(13,009.7)	55,127.7

Notes:

- (1) Primarily include property and equipment, goodwill and deferred tax assets.
- (2) Primarily include accrued staff costs and taxes payable.

The Bank uses sensitivity analysis to measure the impact of changes in interest rates on our net profit or loss and equity. The table below sets forth the results of the Bank's interest rates sensitivity analysis based on its assets and liabilities as of the dates indicated.

	As of December 31,			
	2022	2021	2022	2021
	Change in net profit	Changes in equity	Change in net profit	Changes in equity
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Increase by 100 basis points	(127.7)	(1,942.9)	(80.2)	(2,170.6)
Decrease by 100 basis points	127.7	1,942.9	80.2	2,170.6

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the repricing of assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each track record period apply to the Bank's non-derivative financial instruments;

Management Discussion and Analysis

- At the end of each track record period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risks primarily due to mismatches in the currency denominations of on – and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds on a case-by-case basis.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk or implementation, settlement and procedure management failure relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The risk management department of the Bank formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.

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(iv) **Liquidity risk**

(A) *Liquidity risk management*

Liquidity risk refers to the risk of failing to acquire sufficient funds at a reasonable cost and in a timely manner to pay the debts when due, fulfill other payment obligations and meet other funding requirements for normal business operations. Factors affecting the liquidity of the Bank include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to its statutory deposit reserve ratio. The Bank is exposed to liquidity risks primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The organizational framework of our liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making body for the liquidity risk management, the Board of Directors assumes ultimate responsibility for the liquidity risk management of the Bank.

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance sheet businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the CBIRC, the Bank continually improves liquidity risk management, strictly implement regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans, and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position reporting and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(B) *Liquidity risk analysis*

The Bank funds its loan and investment portfolios principally through customer deposits. Deposits from customers have been, and the Bank believes will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 70.4% and 64.1% of the total deposits from customers as of December 31, 2022 and 2021, respectively.

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The table below sets forth the remaining maturity of the Bank's assets and liabilities as of December 31, 2022 and 2021.

	As of December 31, 2022						Total
	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
<i>(Expressed in millions of RMB, unless otherwise stated)</i>							
Assets							
Cash and deposits with the central bank	14,244.6	5,790.0	-	-	-	-	20,034.6
Deposits with banks and placements with other financial institutions	-	1,150.9	1,500.5	74.0	-	-	2,725.4
Financial assets held under resale agreements	-	-	6,992.5	-	-	-	6,992.5
Financial assets at fair value through profit or loss	15,276.4	1,348.6	1,491.6	6,412.1	6,519.9	4,657.5	35,706.1
Loans and advances to customers	3,116.8	1,068.0	26,180.4	55,233.4	72,563.8	50,460.8	208,623.2
Financial assets at fair value through other comprehensive income	-	-	929.2	2,739.4	3,800.5	2,751.7	10,220.8
Financial assets at amortised costs	1,973.5	10,675.2	1,983.2	5,357.5	33,239.9	32,139.3	85,368.6
Others ⁽¹⁾	5,961.3	-	2.2	-	1,025.3	542.5	7,531.3
Total assets	40,572.6	20,032.7	39,079.6	69,816.4	117,149.4	90,551.8	377,202.5
Liabilities							
Borrowings from the central bank	-	-	2,126.3	5,505.4	-	-	7,631.7
Deposits from banks and other financial institutions	-	811.1	7,706.0	15,522.6	-	-	24,039.7
Financial assets sold under repurchase agreements and placements from banks	-	-	4,129.0	2,022.6	-	-	6,151.6
Deposits from customers	-	102,786.6	40,393.4	53,219.5	82,639.7	-	279,039.2
Debt securities issued	-	-	10,382.2	15,656.9	-	-	26,039.1
Others ⁽²⁾	0.8	685.2	433.4	86.1	479.2	11.4	1,696.1
Total liabilities	0.8	104,282.9	65,170.3	92,013.1	83,118.9	11.4	344,597.4
New working capital	40,571.8	(84,250.2)	(26,090.7)	(22,196.7)	34,030.5	90,540.4	32,605.1

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	As of December 31, 2021						Total
	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
<i>(Expressed in millions of RMB, unless otherwise stated)</i>							
Assets							
Cash and deposits with the central bank	15,832.3	4,837.0	-	-	-	-	20,669.3
Deposits with banks and placements with other financial institutions	-	8,592.9	188.8	-	-	-	8,781.7
Financial assets held under resale agreements	-	-	13,096.3	-	-	-	13,096.3
Financial assets at fair value through profit or loss	9,134.0	1,128.2	2,709.3	2,516.8	1,835.3	12,852.2	30,175.8
Loans and advances to customers	3,344.7	408.0	29,397.4	62,772.0	54,207.8	45,869.7	195,999.6
Financial assets at fair value through other comprehensive income	-	-	205.8	916.6	6,284.3	2,490.7	9,897.4
Financial assets at amortised costs	2,649.5	15,324.5	5,427.5	10,395.9	22,912.4	16,319.0	73,028.8
Others ⁽¹⁾	5,655.0	785.1	-	-	415.6	-	6,855.7
Total assets	36,615.5	31,075.7	51,025.1	76,601.3	85,655.4	77,531.6	358,504.6
Liabilities							
Borrowings from the central bank	-	-	2,450.2	4,625.7	-	-	7,075.9
Deposits from banks and other financial institutions	-	1,667.3	9,995.2	6,333.2	-	-	17,995.7
Financial assets sold under repurchase agreements	-	-	6,055.2	-	-	-	6,055.2
Deposits from customers	-	99,050.1	30,446.9	39,263.5	94,472.9	-	263,233.4
Debt securities issued	-	-	13,181.5	14,523.9	1,213.5	-	28,918.9
Others ⁽²⁾	-	2,362.6	608.8	85.4	111.1	1.2	3,169.1
Total liabilities	-	103,080.0	62,737.8	64,831.7	95,797.5	1.2	326,448.2
New working capital	36,615.5	(72,004.3)	(11,712.7)	11,769.6	(10,142.1)	77,530.4	32,056.4

Notes:

- (1) Primarily include property and equipment, interest in an associate, right-of-use assets and deferred tax assets.
- (2) Primarily include accrued staff costs, lease liabilities and taxes payable.

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The Bank's liquidity coverage ratio

	December 31, 2022	December 31, 2021
Liquidity coverage ratio (%)	148.83	215.95

The Bank's net stable funding ratio

	December 31, 2022	September 30, 2022
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>	
Closing amount of available stable funds	263,240.1	265,601.2
Closing amount of required stable funds	198,708.1	204,274.4
Net stable funding ratio (%)	132.48	130.02

(v) Reputational risk management

Reputational risk refers to the risk of negative comments damaging the brand value, affecting normal operation and even market stability from relevant interested parties, the public and the media resulting from our management and operations, the conduct of its employees or external events such as complaints, penalties and cases. The general office of the Bank's head office is primarily responsible for reputational risk management, and the Board, the Board of Supervisors and the senior management bears the ultimate responsibility, supervision and management for reputational risk management.

(vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;

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- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(vii) IT risk management

IT risk refers to operational, reputational, legal and other risks arising from information technology application due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBOC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;

Management Discussion and Analysis

- formulating solutions and responsive measures; and
- reporting to the Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

(ix) Internal audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of the head office.

Management Discussion and Analysis

ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the CBIRC's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures for Commercial Banks (Trial).

The table below sets forth certain information relating to its capital adequacy ratio as of December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>	
Core capital		
Paid-up capital	15,069.8	15,069.8
Qualifying portion of capital reserve	5,956.6	5,956.4
Defined benefit plan reserve	(4.0)	(3.9)
Investment revaluation reserve	102.1	157.1
Surplus reserve	1,844.3	1,727.9
General risk reserve	5,343.1	4,955.9
Retained earnings	4,252.8	4,155.7
Qualifying portion of non-controlling interest	23.9	23.4
Core tier-one capital deductions ⁽¹⁾	(254.4)	(254.3)
Net core tier-one capital	32,334.2	31,788.0
Other tier-one capital ⁽²⁾	3.2	3.1
Net tier-one capital	32,337.4	31,791.1
Tier-two capital		
Surplus reserve for loan impairment	1,444.9	1,299.4
Eligible portion of non-controlling interest	6.4	6.2
Net capital base	33,788.7	33,096.7
Total risk-weighted assets	275,010.6	266,085.1
Core tier-one capital adequacy ratio (%)	11.76	11.95
Tier-one capital adequacy ratio (%)	11.76	11.95
Capital adequacy ratio (%)	12.29	12.44

Notes:

(1) Primarily include computer software and intangible assets.

(2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2022. All relevant sections of this annual report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRSs.

1. BUSINESS REVIEW

The Bank is the only provincial urban commercial bank in Gansu Province of China, and has established a comprehensive business network across Gansu Province. The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2022 is set out in the section headed “Management Discussion and Analysis — Business Review” of this annual report.

2. RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The Bank has a young and highly educated team of employees. The Bank’s employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation. The Bank determines performance-based compensation based on the employee’s work performance and its financial results.

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. During the Reporting Period and as of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

3. RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

(1) Retail Customers

In respect of retail banking, the Bank offers its retail customers a wide range of financial products and services, including loans, deposits, debit card services and fee and commission-based products and services. The Bank categorizes retail customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above). As of December 31, 2022, the Bank had 291,800 wealthy customers and 2,217 private banking customers. This sizable retail customer base provides a stable source of deposits and opportunities to cross-sell and develop our retail business.

(2) Corporate Customers

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank’s corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises. In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and offering tailored financial solutions.

Report of the Board of Directors

4. PROFITS AND DIVIDEND

(3) Dividend Policy

The Board of Directors is responsible for submitting proposals for dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on the results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors deems relevant.

Under the PRC Company Law and our Articles of Association, all of the shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, the Bank may only pay dividends out of profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRSs or the accounting standards of the overseas jurisdiction where the shares are listed, whichever is lower, less:

- any of its accumulated losses in prior years;
- appropriations the Bank is required to make to the statutory surplus reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such statutory surplus reserve in aggregate reaches an amount equal to 50% of our registered capital;
- a general reserve the Bank is required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a Shareholders' general meeting.

According to the relevant MOF regulations, before a financial institution makes any profit distribution, the balance of the Bank's statutory general reserve shall in principle not be lower than 1.5% of the balance of risk assets at the end of the period. As of December 31, 2022, the Bank set aside RMB387.2 million as general reserves, in line with relevant regulations.

Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The Bank generally does not distribute dividends in a year in which the Bank does not have any distributable profit. The payment of any dividend by the Bank must also be approved at a Shareholders' general meeting.

The Bank is not allowed to distribute profits to the Shareholders until the Bank has made up our losses and made appropriations to the Bank's statutory surplus reserve and general reserves. The Shareholders are required to return any profit distributed in violation of the relevant rules and regulations.

The CBIRC has discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated any other PRC banking regulations, from paying dividends or making other forms of distributions. As of December 31, 2022, the Bank had a capital adequacy ratio of 12.29%, a tier-one capital adequacy ratio of 11.76% and a core tier-one capital adequacy ratio of 11.76%, all of which comply with the relevant CBIRC requirements.

Report of the Board of Directors

(4) Final dividend for 2021

At the meeting of the Board of Directors of the Bank convened on March 30, 2022, to lay a solid foundation for the Bank's development, and after taking into account the need for future growth in a long run as well as other factors, the Board of Directors recommended no distribution of any 2021 final dividend or any capitalisation of capital reserve.

The proposals were considered and approved at the 2021 annual general meeting convened on June 24, 2022.

(5) Profit and profit distribution plan for 2022

The Group's revenue for the year ended December 31, 2022 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

To lay a solid foundation of the Bank's development, and taking into account the need for future growth in a long run as well as other factors, at the Board meeting of the Bank held on March 30, 2023, the Board recommended no distribution of any 2022 final dividend.

5. CHANGES IN THE RESERVES

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2022 are set out in "Consolidated Statement of Changes in Equity" of this annual report. The distributable profit reserves as of December 31, 2022 were RMB4,252.8 million.

6. SUMMARY OF FINANCIAL INFORMATION

The summary of the operating results for the year ended December 31, 2022 and assets and liabilities as of December 31, 2022 of the Group is set out in the section headed "Financial Highlights" of this annual report.

7. DONATIONS

For the year ended December 31, 2022, the Group made charity and other donation of RMB1,962,788.14 in aggregate.

8. PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Group for the year ended December 31, 2022 are set out in note 27 to the consolidated financial statements of this annual report.

Report of the Board of Directors

9. RETIREMENT BENEFITS

The Group offers two non-contributory defined benefit retirement benefit plans, including:

(i) Supplemental retirement benefits

The Group pays supplemental retirement benefits for employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2022, the present value of the obligations under the supplemental retirement benefits was RMB18.9 million. The Group's obligations in respect of the supplemental retirement benefits were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with December 31, 2022 as the assessment date. The adopted actuarial assumption of the actuarial assessment result is set out in the Table 1 below:

Point of time	December 31, 2022
Discount rate – benefits after resignation	3.00%
Discount rate – benefits after layoff	2.25%
Annual resignation rate	2.00%
Death rate	China Life Tables (2010 to 2013) Pension business for male/female
Annual growth rate of large supplemented amount for medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%
Annual growth rate of basic medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%

(ii) Other long-term staff welfare payable:

The Group pays compensation for termination benefits of employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2022, the present value of other long-term staff welfare payable was RMB2.4 million. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with December 31, 2022 as the assessment date. The main assumption is stated as the above Table 1.

Further details regarding the retirement benefits provided by the Group to employees are set out in note 37 to the consolidated financial statements of this annual report.

Report of the Board of Directors

10. SUBSTANTIAL SHAREHOLDERS

Details of the substantial Shareholders as of December 31, 2022 are set out in the section headed “Changes in Share Capital and Particulars of Shareholders — II.Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons” of this annual report.

11. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank’s listed securities.

12. PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

13. MAJOR CUSTOMERS

As of December 31, 2022, the Group’s five largest depositors and five largest borrowers accounted for less than 10% of the respective total deposits from customers and total loans and advances to customers.

None of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Bank’s issued share capital) has any interests in the Group’s five largest borrowers or depositors.

14. SHARE CAPITAL

Please refer to the section headed “Changes in Share Capital and Particulars of Shareholders” of this annual report for details of the share capital of the Bank.

15. DIRECTORS AND SUPERVISORS OF THE BANK

As of the date of this annual report, the Board of Directors includes:

Executive Director:	Mr. Liu Qing, Mr. Wang Xizhen
Non-executive Directors:	Ms. Wu Changhong, Mr. Shi Guanglei, Mr. Zhao Xingjun, Mr. Zhang Youda, Mr. Guo Jirong, Ms. Yang Chunmei, Mr. Chen Jinhui
Independent non-executive Directors:	Ms. Luo Mei, Mr. Wong Sincere, Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua

Details of the Directors, Supervisors and senior management members of the Bank are set out in the section headed “Directors, Supervisors, Senior Management, Employees and Organizations” of this annual report.

Report of the Board of Directors

16. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
Mr. Liu Qing	Chairman, Executive Director	Domestic Shares	Beneficial owner	301,714(L) ⁽¹⁾	0.003	0.002
Mr. Wang Xiaopei	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001
Mr. Liu Peixun	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001

Note:

(1) L represents long position.

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations as at December 31, 2022.

17. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors (including their spouses and children under the age of eighteen) of the Bank to acquire benefits by means of the acquisition of Shares in, or debentures of, the Bank or any other body corporate.

18. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND SERVICE CONTRACTS

Saved as disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

19. MANAGEMENT CONTRACT

Save for the service contracts entered into with the Directors, Supervisors and senior management members of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

Report of the Board of Directors

20. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

21. CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report. During the Reporting Period, the Bank has complied with the compulsory code provisions contained in the Corporate Governance Code.

22. CONNECTED TRANSACTIONS

The continuing connected transactions of the Bank during the Reporting Period are set forth below:

Exempt Continuing Connected Transactions

(I) **Commercial banking services and products provided in the ordinary and usual course of business**

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBIRC and the PBOC. It provides commercial banking services and products in the ordinary and usual course of business to the public in China, including the Bank's connected persons (such as the Directors, the Supervisors and/or their respective associates). Details of the connected transactions between the Bank and its connected persons are set out below. These transactions are entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

(1) *Extending loans and other credit facilities to connected persons*

The Bank provides loans and other credit facilities to certain connected persons of the Bank in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market rates (including providing loans indirectly to connected persons of the Bank through trust schemes or asset management schemes established by third parties).

The above loans and other credit facilities provided by the Bank to the connected persons are entered into in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market interest rates. Accordingly, pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance provided by the Bank to connected persons in the ordinary and usual course of business on normal commercial terms), and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Report of the Board of Directors

(2) *Taking deposits from connected persons*

The Bank takes deposits from certain connected persons in the ordinary and usual course of business with normal deposit interest rates and on normal commercial terms.

The deposits are placed by the Bank's connected persons with the Bank on normal commercial terms, with reference to prevailing market rates. Accordingly, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance received by the Bank from connected persons which are made by connected persons on normal commercial terms, and are not secured by the Bank's assets) and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Other banking services and products*

The Bank provides various commercial banking services and products (such as bank acceptance bills and debit card services) to certain connected persons in the ordinary and usual course of business on normal commercial terms and conditions at normal fee standards.

These continuing connected transactions are the provision of various commercial banking services and products to the Bank's connected persons in the ordinary and usual course of business on normal commercial terms similar to or no more favorable than those offered to independent third parties and are expected to constitute de minimis transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(II) **Property leasing agreements with connected persons**

The Bank entered into a property leasing agreement (the "Zhongtian Leasing Agreement") with JISCO Zhongtian Property Co., Ltd. (酒鋼集團中天置業有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, "Zhongtian Property"). Pursuant to the Zhongtian Leasing Agreement, Zhongtian Property leased a property located in Jiayuguan, Gansu Province to the Bank as the Bank's business office, with a leasing term from January 1, 2022 to December 31, 2022 and the Bank has paid an annual rental of RMB526,600. The transaction is conducted on normal commercial terms.

The Bank entered into a property leasing agreement (the "HAT Leasing Agreement") with Gansu HAT Asset Management Co., Ltd. (甘肅公航旅資產管理有限公司) (an associate of Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, "HAT Asset Management"). Pursuant to the HAT Leasing Agreement, HAT Asset Management leased a shop located in Xifeng District, Qingyang City, Gansu Province to the Bank as the Bank's business office, with a leasing term from August 1, 2022 to July 31, 2023 and at an annual rental of RMB627,000. During the Reporting Period, the Bank has paid the actual rental of RMB627,000. The transaction is conducted on normal commercial terms.

Report of the Board of Directors

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, while Zhongtian Property is a subsidiary of Jiuquan Iron & Steel. Zhongtian Property is therefore a connected person of the Bank. Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, holds 18.3% equity interest in the Bank, while HAT Asset Management is a subsidiary of Gansu Highway Aviation Tourism. HAT Asset Management is therefore a connected person of the Bank. As the highest applicable percentage ratios of the transactions under the Zhongtian Leasing Agreement and the HAT Leasing Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are both, on an annual basis, less than 5% and the annual rents are less than HK\$3 million, the continuing connected transactions under the Zhongtian Leasing Agreement and the HAT Leasing Agreement constitute de minimis transactions, and are therefore exempt from all the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

(III) Property management agreement with a connected person

The Bank entered into a property management agreement with Lanzhou Changhong Property Management Co., Ltd. (蘭州長虹物業管理有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, "Changhong Property Management"). Pursuant to this agreement, Changhong Property Management agreed to provide property management services to the Bank for the Bank of Gansu Tower situated at Chengguan District of Lanzhou, Gansu Province, with a term from January 1, 2022 to December 31, 2022 and at a total annual fee of RMB4,548,000. The transaction is conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, which holds 100% equity interest in JISCO Lanzhou Judong Real Estate Development Co., Ltd. JISCO Lanzhou Judong Real Estate Development Co., Ltd. holds 100% equity interest in Changhong Property Management. Therefore, Changhong Property Management is a connected person of the Bank. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction under the above property management services agreement constitutes de minimis transaction, and is therefore exempt from all the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

Non-exempt Connected Transactions

(IV) Transfer of Creditor's Rights Assets

In order to relieve the existing pressure on the non-performing assets undertaken by the Bank, the Bank disposed of two tranches of creditor's rights assets through public bidding in June 2022, with the principal amount and interest amounting to approximately RMB1,746.37 million (the "First Transfer of Creditor's Rights Assets"). The Bank issued an invitation to six asset management companies qualified for the batch purchase of financial non-performing assets to participate in the transfer of the creditor's rights assets. Finally, Gansu Assets Management Co., Ltd. (甘肅資產管理有限公司) ("Gansu Assets Management") was the winner of the bidding. On June 30, 2022, the Bank and Gansu Assets Management entered into two assets transfer agreements, pursuant to which, the Bank agreed to transfer its legally-owned creditor's rights assets set out therein to Gansu Assets Management for a total consideration of RMB528.4 million (the consideration for the transfer of creditor's rights assets under the two assets transfer agreements is RMB470 million and RMB58.4 million, respectively). For further details of the transactions, please refer to the announcement issued by the Bank on July 3, 2022.

Report of the Board of Directors

In order to further relieve the pressure on the non-performing assets undertaken by the Bank, the Bank disposed of its creditor's rights assets through public bidding in December 2022, with the principal amount and interest amounting to approximately RMB1,000.37 million (the "Second Transfer of Creditor's Rights Assets"). The Bank issued an invitation to six asset management companies qualified for the batch purchase of financial non-performing assets to participate in the transfer of the creditor's rights assets, and eventually the creditor's rights assets were transferred in three asset packages to the winning bidder, Gansu Branch of China Cinda Asset Management Co., Ltd. ("Cinda Asset Management"), Gansu Changda Financial Asset Management Co., Ltd. ("Changda Asset Management") and Gansu Assets Management Co., Ltd. ("Gansu Assets Management"). On December 16, 2022, the Bank and Cinda Asset Management entered into the Assets Transfer Agreement, pursuant to which the Bank agreed to transfer its legally-owned creditor's rights assets (the balance of the principal and the interest of which amounted to approximately RMB131.68 million in total) set out therein to Cinda Asset Management for a total consideration of RMB23.3 million; on December 26, 2022, the Bank and Changda Asset Management entered into the Assets Transfer Agreement, pursuant to which the Bank agreed to transfer its legally-owned creditor's rights assets (the balance of the principal and the interest of which amounted to approximately RMB280.75 million in total) set out therein to Changda Asset Management for a total consideration of RMB66.34 million; on December 21, 2022, the Bank and Gansu Assets Management entered into the Assets Transfer Agreement, pursuant to which the Bank agreed to transfer its legally-owned creditor's rights assets (the balance of the principal and the interest of which amounted to approximately RMB587.95 million in total) set out therein to Gansu Assets Management for a total consideration of RMB142.11 million. Further details regarding the connected transaction between the Bank and Gansu Assets Management, please refer to the announcement issued by the Bank on December 21, 2022.

The creditor's rights assets under the assets transfer agreements of the First Transfer of Creditor's Rights Assets and the Second Transfer of Creditor's Rights Assets were non-performing assets of the Bank, which involved relatively large amounts and multiple stakeholders and creditors. The entering into of the assets transfer agreements and the proceeds from the transfer of the creditor's rights assets would be used to relieve the existing pressure on the non-performing assets undertaken by the Bank and to activate the Bank's credit stock, which was also an effective solution to revitalise the credit resources and make full use of market-based means to dispose of the non-performing assets, thereby further strengthening the foundation of the Bank's quality development. Upon comprehensive consideration, the Bank considered that the two transfers of creditor's rights assets were beneficial to the Bank and its shareholders. Based on the difference between the consideration for the non-performing assets and the carrying value of the principal amount of the Bank's non-performing assets as at the transaction benchmark date, the Bank recorded a loss on the First Transfer of Creditor's Rights Assets of approximately RMB897.61 million, and a loss on the Second Transfer of Creditor's Rights Assets of approximately RMB590.64 million.

Gansu State-owned Assets Investment is a substantial Shareholder of the Bank (as defined under the Listing Rules), and Gansu Assets Management is a subsidiary of Gansu State-owned Assets Investment and is thus a connected person of the Bank. As such, the transfer of creditor's rights assets constitutes a connected transaction of the Bank under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the First Transfer of Creditor's Rights Assets and the Second Transfer of Creditor's Rights Assets (on a standalone basis and aggregated with the First Transfer of Creditor's Rights Assets in 2022) exceed(s) 0.1% but all percentage ratios are less than 5%, these transfers of creditor's rights assets are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements.

Report of the Board of Directors

Related Party Transactions Referred to in the Consolidated Financial Statements and Connected Transactions under the Hong Kong Listing Rules

Save as disclosed above, there is no related party transaction or continuing related party transaction referred to in note 46 to the consolidated financial statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Bank has complied with the requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions of the Bank.

23. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

The Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members. The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with relevant reforms and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management.

The remuneration provided by the Bank for its executive Directors, employee Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities. The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management members and offers remuneration to them based on the results of the assessment.

Please refer to note 12 to the consolidated financial statements in this annual report for the details of the remuneration of the Directors, Supervisors and senior management members.

24. PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.17% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

Report of the Board of Directors

25. TAX RELIEF

(1) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China《中華人民共和國企業所得稅法》 and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H Share register in the distribution of dividend. As any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as an actual beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(2) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders

According to the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法》 and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60)《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告 2015 年第 60 號)(the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H Share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2022. However, Individual H Shareholders are entitled to the relevant favorable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;

Report of the Board of Directors

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

26. AUDITORS

The Bank engaged Shinewing Certified Public Accountants LLP as its domestic auditor and SHINEWING (HK) CPA Limited as its international auditor, and there was no change in the Company's auditors over the past three years.

Shinewing Certified Public Accountants LLP was engaged by the Bank as the auditor for the financial statements of the Bank prepared under the PRC GAAP for 2022. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditor for financial statements of the Bank prepared under the IFRSs for 2022. Please also refer to the section headed "Corporate Governance Report — II. Corporate Governance — (IX) External Auditors and Remuneration of Auditors" of this annual report for the information on the auditors' remuneration.

27. PERMITTED INDEMNITY PROVISION

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

28. MAJOR RISKS AND UNCERTAINTIES

Major risks and uncertainties faced by the Group include credit risk, market risk, operational risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the sections headed "Management Discussion and Analysis — Risk Management" and "Risk Management, Internal Control and Internal Audit" in this annual report.

29. FUTURE DEVELOPMENT OF BUSINESS

Please refer to the sections headed "Management Discussion and Analysis — Environment and Prospect" and "Management Discussion and Analysis — Development Strategy" of this annual report for further details.

Report of the Board of Directors

30. KEY FINANCIAL PERFORMANCE INDICATORS

As of December 31, 2022, according to the financial data prepared under the IFRSs, the total assets of the Group amounted to RMB377,202.5 million, representing a year-on-year increase of 5.2%; total loans and advances to customers (including interest accrued) amounted to RMB214,272.4 million, representing a year-on-year increase of 6.4%; the non-performing loan ratio was 2.00%; total deposits from customers (including interest accrued) amounted to RMB279,039.2 million, representing a year-on-year increase of 6.0%; the operating income of the Group amounted to RMB6,526.8 million, representing a year-on-year increase of 4.0%; and the net profit of the Group amounted to RMB603.6 million, representing a year-on-year increase of 5.3%. As of December 31, 2022, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio was 12.29%, 11.76% and 11.76%, respectively.

31. ENVIRONMENTAL PROTECTION POLICY AND IMPLEMENTATION

The Group places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities, actively supporting green industries and environmental protection. In May 2017, we issued the first “green” financial bonds in Gansu, which totaled RMB1,000 million in the national interbank bond market. The proceeds of these bonds will be used to promote the development of the green industry projects. In addition, we established our Green Finance Department in June 2017, which focuses on “green finance”.

In line with national policies to save energy costs, the Bank has implemented a series of measures, including: (i) regulating office room temperature; (ii) strengthening management of usage of the Bank's business vehicles and encouraging the use of public transport for long-distance business trips; and (iii) encouraging the turning off of lights and electronic appliances after work.

32. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Bank has complied with the “comply or explain” provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the 2022 Environmental, Social and Governance Report of the Bank to be published in accordance with the Hong Kong Listing Rules.

For details of the governance of the Bank, please refer to the section headed “Corporate Governance Report” of this annual report. The Bank continuously refined its internal control and management system to make the internal control system more comprehensive, practicable and efficient. The rules and systems of the Bank were further improved to ensure that the departments of the Bank could duly discharge their respective duties and responsibilities.

33. COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2022, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

Report of the Board of Directors

(1) Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management

Our risk management and internal control committee supervises and leads our legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and related party transactions to control related party transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

Report of the Board of Directors

(2) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees our bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and our overall money-laundering risk profile, and adjusts our anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches. The anti-money laundering leadership group at its head office leads and coordinates our bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures for anti-money laundering; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through our anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

34. BUSINESS QUALIFICATIONS

During the Reporting Period and as of the date of this annual report, the Bank and its sole subsidiary Jingning Chengji Rural Bank have obtained necessary business qualifications required for their business operations.

Report of the Board of Directors

35. LEGAL PROCEEDINGS

The Bank and its sole subsidiary Jingning Chengji Rural Bank are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, neither the Bank nor its subsidiary was involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any material litigation or arbitration, nor had any of them been subject to any administrative penalty.

36. ISSUANCE OF BONDS

For the year ended December 31, 2022, the Bank has issued debt securities during the Reporting Period to supplement its capital, the details of which are set out as follows:

Interbank certificates

For the year ended December 31, 2022, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB26,280 million. The interbank certificates have terms of three months to one year and bear effective interest rates between 1.92% and 2.97% per annum.

Financial bonds

At the meeting of the Board of Directors convened on August 27, 2021, the Board of Directors advised the Bank to issue financial bonds to the public in an aggregate amount of no more than RMB10 billion (inclusive). The proposals were considered and approved at the 2021 annual general meeting convened on June 24, 2022 and the authorizing resolution shall be valid for 24 months from the date of approval of the issuance of the non-capital financial bonds by the People's Bank of China and other relevant regulatory authorities (if any).

As of the Latest Practicable Date, the Bank has not yet issued bonds pursuant to the above authorization. The Bank will promptly disclose the progress of the issuance of financial bonds to the Bank's shareholders and potential investors in accordance with applicable laws and regulations and the Hong Kong listing rules.

37. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into any equity-linked agreement.

Report of the Board of Directors

38. REVIEW OF ANNUAL RESULTS

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRSs, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee of the Bank have reviewed the results, the financial data, the annual report and the annual result announcement of the Bank for the year ended December 31, 2022 and recommended the Board of Directors to approve these documents.

39. BUSINESS ACTIVITIES INVOLVING SANCTIONED COUNTRIES

The United States has imposed sanctions against Sudan, Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic (the "Sanctioned Countries") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the U.N. also maintain certain sanctions.

The Bank does not engage, and have not in the past five years engaged, in a transaction or dealing, directly or indirectly, involving a Sanctioned Country other than Iran. The Bank's Iran-related transactions and dealings have been limited to the provision of RMB and Euro ("EUR") settlement services to PRC merchants that the Bank believes sell daily necessities and commercial electronic devices to Iranian companies (the "Iran-related Business"). The Bank has called a complete halt to our Iran-related Business since October 23, 2018 and frozen the money in all Irani banks' settlement accounts with the Bank and would cut off all communications with them until such sanctions are lifted.

When the Bank applied to the Hong Kong Stock Exchange for the listing of the H Shares issued by the Bank on the Hong Kong Stock Exchange, the Bank made the following undertakings to the Hong Kong Stock Exchange:

- The Bank will not knowingly use the proceeds from the global offering or any other funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, sanction projects or businesses in the Sanctioned Countries;
- The Bank will disclose on the Hong Kong Stock Exchange's website and on the Bank's own website if our transactions or dealings in Sanctioned Countries put the Bank or the Bank's Shareholders or potential investors at risk of being sanctioned; and
- The Bank will disclose in our annual reports/interim reports our efforts on monitoring sanctions risk exposure, the status of any future business in the Sanctioned Countries, and our business intentions relating to the Sanctioned Countries.

Report of the Board of Directors

The Bank has adopted the following internal control measures to identify, monitor, and manage our exposure to sanctions risk and to comply with our undertakings to the Hong Kong Stock Exchange:

- The Bank conducts sanctions-related screening in connection with our international transactions, including screening against the SDN List and the Sectoral Sanctions Identifications List and the E.U. Consolidated List of Financial Sanctions Targets;
- The Bank provides training on sanctions laws to all business personnel of the Bank;
- The Bank will seek appropriate advice from external legal advisers upon identifying any material sanctions risk in our operations; and
- The Bank will closely monitor the use of the proceeds from the global offering and other funds raised through the Hong Kong Stock Exchange to help ensure the proceeds and other funds will not be used for or applied to any sanctioned business. The Bank has deposited these proceeds and funds in a separate bank account.

The Bank expects that it will not engage in the future in a transaction or dealing, directly or indirectly, involving a sanctioned country or region other than Iran. As disclosed above, the Bank's Iran-related Business has come to a complete halt since October 23, 2018 and would not be resumed until the new round of sanctions against Iran by the U.S. government are lifted. The Bank expects that the Bank's Iran-related transactions and dealings will also be limited to the provision of RMB and EUR settlement services to PRC merchants that the Bank believes has business dealings with Iranian companies even if such sanctions are removed. The Bank will not take the initiative to enlarge the scale of the Bank's Iran-related transactions unless required by national macro policies or strategies, to ensure these transactions account for one percent or less of our total operating income.

The Bank considers various factors when determining whether to engage in transactions involving Sanctioned Countries, including:

- The scale of the transactions as a percentage of our total operating income;
- Involvement of any persons or entities on lists of designated parties maintained by the sanctions enforcement agencies;
- Involvement of any industries or sectors that are subject to sanctions; and
- Legal and reputational risks.

Report of the Board of Directors

40. MISCELLANEOUS

1. As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
2. As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.
3. During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.
4. The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.
5. The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.
6. Save for those disclosed in this annual report, there were no other material investments held by the Group, nor were there other material investments or additions of capital asset plan approved by the Board of the Directors during the Reporting Period and up to the Latest Practicable Date.
7. There were no material acquisitions or disposals of subsidiaries during the Reporting Period and up to the Latest Practicable Date.

By Order of the Board
Liu Qing
Chairman

Work Report of the Board of Supervisors

In 2022, with the assistance of the Board of Directors and the senior management, the Board of Supervisors diligently fulfilled its supervisory duties conferred by the Company Law and the Articles of Association to supervise and inspect the Bank's risk management, internal control, financial activities, performance of duties by the Board of Directors and senior management as well as other aspects in accordance of the Corporate Governance Guidelines for Banking and Insurance Institutions and Work Guidelines for the Board of Supervisors of Commercial Banks, and successfully completed the work for the year.

I. IMPLEMENTATION OF MAIN WORK

During the Reporting Period, the Board of Supervisors, the supervisory committee and the nomination committee held 22 meetings in total, at which 62 supervision matters and informative reports were considered, covering inspection and supervision plans and reports, evaluation on duty performance of Directors and Supervisors, and financial budgets and final accounts and other aspects. Some Supervisors participated in 1 general meeting, and attended 1 Board meeting, 16 Bank meetings, 4 meetings of the president's office, 5 meetings of Assets Preservation Committee and 2 meetings of Consumer Rights Protection Leading Group and 1 rectification joint meeting to supervise the legality and compliance of resolutions and meeting procedures. To supervise risk management, internal control, financial activities, performance of duties and other aspects, the Board of Supervisors mainly carried out the supervision as follows:

(I) Strengthen daily supervision and effectively perform supervisory duties

During the Reporting Period, the Board of Supervisors focused on ensuring the standardized and effective operation of the corporate governance structure, and regularly organized meetings of the Board of Supervisors. Supervisors got information of the operation and management of the Bank comprehensively by participating in and attending various meetings, and the Board of Supervisors gave full play to their supervisory role in the implementation of development strategies, business decisions, appointment and dismissal of important personnel, standardized business practice, risk prevention and control, and strengthening internal audit supervision. The Board of Supervisors provided timely feedback of their opinions and suggestions on proposals to the Board of Directors and the senior management, implemented supervision opinions effectively and enhanced the decision-making process for major issues, so as to improve the quality and efficiency of supervision. The Board of Supervisors prepared ordinary supervision special reports on issues mentioned in the "2021 Work Report of the Board of Directors", "2021 Work Report of Senior Management" and "2021 Profit Distribution Plan" successively, and issued business contact letters, supervision reminders and supervision opinions to urge the above issues to be addressed, thus improving the business practices of the Bank.

(II) Highlight key points of supervision and enhance awareness of risk prevention

During the Reporting Period, the Board of Supervisors organized 3 ad-hoc supervision activities in total. Firstly, it arranged external Supervisors and employee Supervisors to participate in the 2022 ad-hoc supervision meeting of the Board of Supervisors chaired by the Chairman of the Board of Supervisors to look into the construction and implementation of the Bank's comprehensive risk management system and internal control compliance system, the progress of risk asset settlement, rectification of issues found in internal and external inspections, key matters of auditing for 2021 and report on auditing plan for 2022. 14 opinions and suggestions were put forward focused on the above 4 aspects, including the construction and implementation of the above two systems, risk asset settlement, internal and external inspection and rectification and the key matters of auditing. 4 opinions and suggestions were put forward on another 4 aspects, including the Bank's competitive strategy and market positioning, business expansion, macro policies and economic situations as well as compliance team building. Secondly, it conducted ad-hoc supervision and inspection on the Bank's protection of consumer rights and interests and the performance of corresponding duties by the Board of Directors and Senior management in the first half of 2022. It implemented its supervision through reviewing report on protection of consumer rights and interests, establishment of rules and mechanics, risk

Work Report of the Board of Supervisors

identification, complaint handling, problem rectification, learning and training, publicity and education and other means. Thirdly, it carried out supervision on key matters leveraging on internal audit inspection. To build up synergies between supervision of the Board of Supervisors and internal audit, it cooperated more closely with the internal audit department to fulfill its supervisory duties relying on auditing, and entrusted the audit department to carry out ad-hoc auditing on the Bank's wealth management business and special asset business. For issues found in the auditing, the Supervisors handled them in follow-up actions and supervised their rectification.

(III) Conduct in-depth research at the primary level and exert the effectiveness of supervision

During the Reporting Period, the Board of Supervisors researched on the Bank's inclusive financial loan as well as issues and difficulties in respect of development of the inclusive financial loan business. It assigned external Supervisors to the Chengguan Sub-branch, An'ning Sub-branch, Xigu Sub-branch and other branches to carry out on-site researches. They listened to the work reports given by the 3 sub-branches and had discussions with customer managers to get information about small and micro enterprise loans granted by those institutions in 2022, organized and analyzed the problems in loan management and the difficulties in terms of employee training and learning found in the research in an in-depth manner, and put forward 10 opinions in this regard.

(IV) Focus on duty performance supervision and continuously improve duty performance evaluation

Pursuant to the requirements and regulations in the Work Guidelines for the Board of Supervisors of Commercial Banks, the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial), the Articles of Association and the Measures for Duty Performance Evaluation of Directors, Supervisors, Senior Management and Their Members by the Bank's Board of Supervisors, the Board of Supervisors carried out duty performance evaluation during the Reporting Period for the Board of Directors, the Board of Supervisors, senior management and their members for 2021, by attending Board meetings and senior management meetings, reviewing relevant meeting minutes and materials, making records about duty performance of Directors and senior managements and inspecting logs of Directors and Supervisors. It implemented the duty performance evaluation of Directors, Supervisors and senior management thoroughly and submitted the evaluation results to the general meeting and regulatory authorities in a timely matter. It also provided feedback to Directors, Supervisors and senior management on such results.

(V) Promote internal development and consolidate the foundation of supervision

During the Reporting Period, members of the Board of Supervisors studied rules and measures including the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Directors (provisional), the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Supervisors (provisional), the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Senior Management and its Members (provisional), Rules of Procedures of the Board of Supervisors of Bank of Gansu Co., Ltd., Work Guidelines for the Board of Supervisors of Commercial Banks and the Corporate Governance Guidelines for Banking and Insurance Institutions. They obtained comprehensive knowledge about the business and business processes, corporate governance of commercial banks and supervisory characteristics, requirements, scope, key points and methods regarding duty performance of supervisors, so as to exert the supervisory function of the Board of Supervisors, improve their expertise and enhance the efficiency and quality of supervision continuously.

Work Report of the Board of Supervisors

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

(I) Operation in compliance with laws

During the Reporting Period, the operation activities of the Bank conform to the provisions of the Company Law, the Commercial Bank Law and the Articles of Association, and the decision-making procedure was legal and effective; and no violation of the laws and regulations, the Articles of Association or no damage to the interests of the Bank and shareholders have been found when the Directors and senior management of the Bank performed their duties.

(II) Truthfulness of financial reports

During the Reporting Period, the financial reports have been audited by Shinewing Certified Public Accountants with standard unqualified audit report issued. The financial reports fairly reflected the financial conditions and operating results of the Bank.

(III) Related party transactions

During the Reporting Period, the Bank further standardized the management of related party transactions, and the Board of Supervisors found no acts violating the principle of fairness or damaging the interests of the Bank and the Shareholders.

(IV) Internal control

During the Reporting Period, the Bank continued to strengthen and improve the internal control system, and no major defects in the internal control system and implementation of the Bank were founded by the Board of Supervisors.

(V) Implementing resolutions of the Shareholders' general meeting by the Board

During the Reporting Period, the Board of Supervisors had no disagreement upon any reports and proposals submitted by the Board to the Shareholders' general meeting for consideration, and was of the view that the Board diligently implemented relevant resolutions passed at the Shareholders' general meetings.

(VI) Fulfillment of Social Responsibilities

During the Reporting Period, the Bank earnestly performed its social responsibilities. The Board of Supervisors had no disagreement upon the 2022 Corporate Social Responsibility Report.

III. PROBLEMS AND DEFICIENCIES

In 2022, the Board of Supervisors, based on the work plan formulated at the beginning of the year, actively explored innovative supervision methods, continued to strengthen its own construction in terms of structure and personnel, and continued to improve the ability of Supervisors to perform their duties. Although some achievements have been made in the work, there are still some shortcomings, which are mainly reflected in the following aspects: First, the initiative, enthusiasm and creativity of Supervisors' work need to be further strengthened, and Supervisors' ability to perform their duties needs to be improved. Second, the daily communication between the Board of Supervisors and the Board and senior management needs to be further strengthened. Third, the supervisory focus of the Board of Supervisors has not been fully covered, and the supervisory role is limited. The means and methods of the Board of Supervisors' supervision need to be strengthened. Fourth, due to the increasingly strict requirements of the regulatory authorities on the corporate governance of commercial banks, the daily work of the Board of Supervisors is becoming more and more important, and the professional knowledge and ability of the Supervisors and the staff of the Office of the Board of Supervisors need to be further improved and strengthened.

Work Report of the Board of Supervisors

IV. WORK PRIORITIES FOR 2023

In 2023, in order to better play its supervisory role, the Board of Supervisors of the Bank will continue to strengthen the supervision of the implementation of the “one plan, two systems” scheme at a new starting point of development, closely focusing on the “21-character” general work requirements of the Party Committee of the Head Office. Within the scope of the Company Law, relevant laws and regulations, the Articles of Association and its functions and powers, the Board of Supervisors will continuously innovate its working mechanism and mode, actively explore ways to perform its duties, fully play the role of supervisors, and correctly perform the duties of the Board of Supervisors. Furthermore, the Board of Supervisors will actively collect, collate and transmit various opinions and suggestions, provide valuable reference for the management’s decision-making, promote the Bank’s sustainable, stable and healthy development, and create a new chapter in its work.

(I) Strengthen organization construction and standardize supervision and operation mechanism

First, the Board of Supervisors will adhere to the leadership of the Party. The Board of Supervisors will strictly implement the requirements of the Party Committee’s pre-research and discussion of relevant issues, and provide an important guarantee for the standardized operation of the supervisory work of the Board of Supervisors. The second is to standardize the supervision process. The Board of Supervisors will refine the working methods, inspection methods and supervision objectives of supervision, obtain a deeper understanding and knowledge of the bank-wide operation, risk and internal control, and improve the quality and efficiency of supervision. Third, the Board of Supervisors will continue to strengthen institutional construction and ensure the performance of its duties. The Board of Supervisors will further revise such documents as the system and measures of the Board of Supervisors to further clarify the operating procedures and paths for the supervision of the performance of the Board of Supervisors, and provide institutional guarantee for the effective performance of the supervision function. The fourth is to promote self-improvement and improve the level of performance. The Board of Supervisors will continue to strengthen the training of Supervisors and members of the Office of the Board of Supervisors, strengthen learning and exchange, and continuously improve the professional quality and ability of the members of the Board of Supervisors through learning the macroeconomic situation, regulatory regulations, industrial policies, the Bank’s business dynamics, strategic planning and new business risk points.

Work Report of the Board of Supervisors

(II) Improve the quality and efficiency of supervision and continuously improve the ability to perform duties

First, the Board of Supervisors will strengthen supervision and inspection. In accordance with the relevant requirements of the regulatory authorities and in combination with the Bank's key work, the Board of Supervisors will continue to organize and carry out special supervision and inspection activities, analyze relevant problems and deficiencies, and promote the rectification of problems. Second, the Board of Supervisors will increase the frequency of thematic research. Focusing on the difficulties, focus and hot issues in the development process of the Bank, the Board of Supervisors will flexibly adopt various forms such as forum, interview, questionnaire survey and data access to conduct in-depth research on the problems in operation management and risk control, find out the root cause and crux of the problem, and form a feasibility study report. Third, the Board of Supervisors will strengthen the application of supervision results. The Board of Supervisors will establish a follow-up and rectification account for supervision problems, strive to implement the rectification of problems found in supervision, regularly sort out the special inspection and investigation results in combination with the requirements of the regulatory department, form a supervision report and provide timely feedback to the Board and management, so that the supervision opinions can be effectively implemented, forming a closed-loop mechanism, and further improving the supervision effect. Fourth, the Board of Supervisors will make flexible use of supervision tools such as "supervision opinion letter" and "business contact letter". The Board of Supervisors will continue to focus on strengthening operational risk, credit risk, internal control management and supervision in key areas through reviewing records, relevant filing systems and meeting minutes. Fifth, the Board of Supervisors will give play to the advantages of nearby supervision, and carry out dynamic and whole-process supervision over the decision-making process, decision-making implementation process and asset operation of the Board and management. The Board of Supervisors will strengthen the normal contact of all departments, widely collect the improvement opinions of employees at different levels on the problems in the bank-wide operation and management through the establishment of contact meetings, and continuously improve the timeliness and sensitivity of supervision. Sixth, the Board of Supervisors will comprehensively strengthen follow-up rectification tracking, strictly supervise and urge the implementation of rectification in combination with the outstanding problems found in the supervision and inspection of the Board of Supervisors and the special audit investigation, strengthen the accountability for the acts of rectification not in place, improve the awareness of rectification responsibility, resolutely put an end to the repeated violations, and promote the Bank's operation and management to be more standardized. The seventh is to refine the Supervisors' performance records. The Board of Supervisors will specify the content, requirements and frequency of the performance record, which shall be taken charge of by a specially-assigned person in the Office of the Board of Supervisors to ensure that the performance process of each supervisor is recorded comprehensively, truthfully and in detail, and combine the contents of the performance record with the requirements of the Measures for the Evaluation of the Performance of Supervisors by the Board of Supervisors of the Bank of Gansu (Provisional) to objectively and comprehensively evaluate the performance of Supervisors and urge Supervisors to improve their performance level.

(III) Continuously and effectively promote the implementation of strategic planning

In accordance with the provisions of the Company Law, the Code of Corporate Governance of Bancassurance Institutions and the Articles of Association, the Board of Supervisors will continue to strengthen the supervision of the implementation of the bank-wide strategic plan. The Board of Supervisors will regularly collect and analyze relevant information, supervise and inspect the implementation and completion of the development strategic plan, organize Supervisors to carry out strategic research, regularly evaluate the effect of the implementation of the strategy, form a special supervision and evaluation report, timely prompt the Board and senior management to correct deviations, and effectively promote the implementation of the strategic plan.

Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL OF THE BANK

(I) Share Capital

As of December 31, 2022, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Domestic Shares	11,275,991,330	74.83
H Shares	3,793,800,000	25.17
Total	15,069,791,330	100.00

(II) Changes in Share Capital

During the Reporting Period and up to the Latest Practicable Date, there have been no changes in the share capital of the Bank.

II. PARTICULARS OF SHAREHOLDERS

(I) Particulars of Shareholdings of the Top Ten Shareholders of the Domestic Shares of the Bank

As of December 31, 2022, the top ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	The Number of Shares of the Bank Held as at December 31, 2022 ⁽¹⁾	Shareholding Percentage as at December 31, 2022 (%)	The Number of Shares of the Bank Held as at the Latest Practicable Date ⁽¹⁾	Shareholding Percentage as at the Latest Practicable Date (%)	Number of Shares Pledged
1	Gansu Highway Aviation Tourism	2,657,154,433	17.63	2,657,154,433	17.63	0
2	Gansu State-owned Assets Investment	1,909,250,972	12.67	1,909,250,972	12.67	0
3	Jiuquan Iron & Steel	983,972,303	6.53	983,972,303	6.53	0
4	Jinchuan Group	983,972,303	6.53	983,972,303	6.53	0
5	Mengshang Bank Co., Ltd.	845,296,403	5.61	845,296,403	5.61	0
6	Gansu Electric Power Investment	633,972,303	4.21	633,972,303	4.21	0
7	Jingyuan Coal Industry Group Limited	239,326,800	1.59	239,326,800	1.59	0
8	Yong Xin Hua Holdings Group Co., Ltd.	239,326,800	1.59	239,326,800	1.59	239,326,800
9	Duzhe Publishing Group Limited	211,324,101	1.40	211,324,101	1.40	0
10	Ningxia Tianyuan Manganese Limited Company	201,083,333	1.33	201,083,333	1.33	0
	Jingye Group Co., Ltd.	201,083,333	1.33	201,083,333	1.33	0

Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.
- (2) As at the end of the Reporting Period, so far as the Bank was aware, the Bank's 912,786,035 Shares, representing 6.06% of the Shares issued, were pledged.

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as of December 31, 2022, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Bank pursuant to section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁾	Approximate	Approximate
				Percentage of the Bank's Total Issued Share Capital (%)	Percentage of the Bank's Relevant Class of Shares (%)
Gansu State-owned Assets Investment	Beneficial owner	Domestic Shares	1,909,250,972(L) ⁽¹⁾	12.67	16.93
	Interest in controlled corporation ⁽³⁾	Domestic Shares	1,617,944,606(L) ⁽¹⁾	10.74	14.35
Gansu Highway Aviation Tourism	Beneficial owner ⁽⁴⁾	Domestic Shares	2,657,154,433(L) ⁽¹⁾	17.63	23.56
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	100,541,667(L) ⁽¹⁾	0.67	0.89
Mengshang Bank Co., Ltd.	Beneficial owner	Domestic Shares	845,296,403(L) ⁽¹⁾	5.61	7.50
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Jinchuan Group	Beneficial owner ⁽³⁾	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司)	Beneficial owner	H Shares	1,250,000,000(L) ⁽¹⁾	8.29	32.95
Gansu Province Xinye Asset Operation Co. Ltd.* (甘肅省新業資產經營有限責任公司)	Beneficial owner	H Shares	533,307,000(L) ⁽¹⁾	3.54	14.06

Notes:

- (1) L represents long position.
- (2) Pursuant to Part XV of the SFO, shareholders of a company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the company change, it is not necessary for the shareholders to notify the Bank and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Changes in Share Capital and Particulars of Shareholders

- (3) Gansu State-owned Assets Investment directly held 1,909,250,972 Domestic Shares of the Bank, representing approximately 12.67% of the total issued share capital of the Bank. Gansu SASAC and Jiuquan Iron & Steel hold 84% and 16% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.58% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (4) Gansu Highway Aviation Tourism held 2,657,154,433 Domestic Shares of the Bank, representing approximately 17.63% of the total issued share capital of the Bank. Gansu Highway Aviation Tourism holds 100% equity interest in Gansu Financial Capital Management Co., Ltd. (甘肅省金融資本管理有限公司), which in turn held 100,541,667 Domestic Shares of the Bank, representing approximately 0.67% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Management Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Management Co., Ltd.

Save as disclosed above, up to the Latest Practicable Date, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Shareholders Holding 5% or More of the Share Capital

Please refer to “II. Particulars of Shareholders” above for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and De Facto Controller

The Bank does not have a controlling Shareholder or de facto controller.

Directors, Supervisors, Senior Management, Employees and Organizations

1. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period and up to the Latest Practicable Date, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Liu Qing (劉青)	57	May 2011	December 3, 2018	Chairman, executive Director	Presiding over the overall operation of the Bank, and primarily responsible for matters concerning Party building, implementation of major responsibilities for fostering a clean and honest Party, the ideological and political work, as well as work concerning the Board of Directors, strategic development and responsible for promoting the operation and management of the Bank; in charge of the Office of the Board of Directors, the Strategy and Development Department, and the Organization Department under the Party Committee (the Human Resources Department)
Mr. Wang Xizhen (王錫真)	49	May 2022	September 16, 2022	Executive Director, president	Responsible for the overall operation and management of the Bank, mainly responsible for coordinating and supervising other members of the management team to discharge their respective duties, coordinating and supervising the full implementation of the Bank's business plan, and promoting the mitigation, collection and disposal of risk assets; in charge of the Planning and Financial Department, Corporate Business Department, Accounting and Operation Department, Information Technology Department and Investment Banking Business Department
Ms. Wu Changhong (吳長虹)	60	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. SHI Guanglei (史光磊)	42	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. ZHAO Xingjun (趙星軍)	54	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. ZHANG Youda (張有達)	50	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. GUO Jirong (郭繼榮)	52	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. YANG Chunmei (楊春梅)	45	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. CHEN Jinhui (陳金輝)	54	July 2012	January 18, 2023	Non-executive Director (employee Director)	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. LUO Mei (羅玫)	47	August 2017	November 2, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. WONG Sincere (黃誠思)	58	August 2017	November 2, 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, audit committee, and related party transaction and risk management committee
Mr. DONG Ximiao (董希淼)	46	December 2018	March 5, 2019	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee, related party transaction and risk management committee
Mr. WANG Tingting (王汀汀)	46	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in economic and financial studies, and performing his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transaction and risk management committee
Mr. LIU Guanghua (劉光華)	53	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal works, and performing his duties as a Director through the Board of Directors, related party transaction and risk management committee and the Consumer Rights Protection Committee

Note:

- (1) The date of appointment as a Director represents the date on which the relevant person's qualification as a director was approved by the CBIRC Gansu Office.

Directors, Supervisors, Senior Management, Employees and Organizations

Supervisors

Name	Age	Date of joining the Bank	Date of appointment as Supervisor	Position held as of the Latest Practicable Date	Responsibilities
Ms. TANG Lan (湯瀾)	60	November 2018	November 12, 2018	Chairman of the Board of Supervisors and employee representative Supervisor	Responsible for overall work of the Board of Supervisors, primarily responsible for supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and logistical support. In charge of the Office of the Board of Supervisors, Audit Department, Security Department, Administrative Affairs Department
Mr. ZHANG Yanlong (張延龍)	38	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. HAN Zhenjiang (韓振江)	55	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. ZENG Lehu (曾樂虎)	52	June 2019	June 3, 2019	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. LUO Yi (羅藝)	43	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management
Mr. MA Runping (馬潤平)	60	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. LI Zongyi (李宗義)	53	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. WANG Xiaopei (王效沛)	51	July 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. LIU Peixun (劉培訓)	55	March 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank

Note:

- (1) The date of appointment as a Supervisor represents the date on which the relevant person was first elected as a Supervisor at the Shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Date of joining the Bank	Date of appointment as senior management	Position held as of the Latest Practicable Date	Responsibilities
Mr. WANG Xizhen (王錫真)	49	May 2022	October 17, 2022	Executive Director and president	Responsible for the overall operation and management of the Bank, with primary responsibility for coordinating and supervising other members of the management team to discharge their respective duties, coordinating and supervising the overall implementation of the Bank's business plan, and promoting the mitigation, collection and disposal of risk assets; in charge of Planning and Financial Department, Corporate Business Department, Accounting and Operation Department, Information Technology Department and Investment Banking Business Department.
Mr. CAI Tong (蔡彤)	55	August 2022	January 18, 2023	Vice president	Responsible for retail business segment, three rurals, rural revitalization, financial interbank, and asset management, in charge of Individual Business Department, Credit Card Center, Inclusive Finance Department (Rural Revitalization Department), Financial Interbank Department, Asset Management Department, Retail Credit Department and Channel Management Department.
Ms. HAO Jumei (郝菊梅)	54	February 2012	March 5, 2019	Vice president, secretary to the Board of Directors	Responsible for the daily work of the Board of Directors, work of risk management and internal control compliance segment, as well as the coordination and liaison with the companies held or invested by the Bank (such as rural banks). Mainly responsible for the promotion of risk assets mitigation, collection and disposal works of the Bank. In charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department, and Legal and Compliance Department, and assisting Mr. Liu Qing in taking charge of the Office of the Board of Directors.
Mr. DU Jing (杜晶)	47	December 2011	May 26, 2020	Vice president	Temporary position
Mr. FENG Yuhui (馮煜輝)	59	September 2012	July 27, 2020	Chief business officer	Responsible for the operation and management of relevant business lines and being also the secretary to the Party committee and president of Lanzhou Jincheng Subbranch
Ms. NIE Lei (聶蕾)	48	September 2012	January 18, 2023	Chief risk officer	Assisting Ms. HAO Jumei in taking charge of Risk Management Department and Legal and Compliance Department
Mr. DUAN Jianxing (段劍星)	53	November 2011	18 January, 2023	Chief information officer	Assisting Mr. Wang Xizhen in taking charge of Information Technology Department, and responsible for overall technical supporting, digital transformation and product innovation related work.
Ms. GUO Li (郭力)	53	February 2012	18 January, 2023	Chief compliance officer	Assisting Mr. Wang Xizhen in taking charge of Planning and Financial Department, and responsible for overall assets and liabilities management, integrated business budget, performance evaluation and financial management related work.

Note:

- (1) The date of appointment as a senior management member represents the date on which relevant person's qualification for the position was approved by the CBIRC Gansu Office.

Directors, Supervisors, Senior Management, Employees and Organizations

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Changes in Directors

The Bank approved the resolution at the 2022 first extraordinary general meeting on June 24, 2022 to appoint Mr. Wang Xizhen as an executive Director of the Bank, with the term from September 16, 2022 (taking effect upon approval by the CBIRC Gansu Office) until the expiry of the third session of the Board.

Mr. Chen Jinhui was elected as an employee representative director (no-executive Director) of the Bank at the employee representatives' meeting convened by the Bank on September 9, 2022, with the term from January 18, 2023 (taking effect upon approval by the CBIRC Gansu Office) until the expiry of the third session of the Board.

(II) Changes in Supervisors

Mr. Liu Peixun, an employee supervisor of the Board of Supervisors of the Bank, has served as the general manager of the Party-masses Work Department and ceased to serve as the general manager of the Corporate Business Department of the Bank due to work change, effective from January 17, 2023.

(III) Changes in Senior Management Members

At the meeting on June 1, 2022, the Board considered and approved the appointment of Mr. Wang Xizhen as the president of the Bank from October 17, 2022 (taking effect upon approval by the CBIRC Gansu Office) until the expiry of the third session of the Board.

Mr. Cai Tong has served as the vice president of the Bank since January 18, 2023.

Ms. Nie Lei has served as the Chief Risk Officer of the Bank since January 18, 2023.

Mr. Duan Jianxing has served as the Chief Information Officer of the Bank since January 18, 2023.

Ms. Guo Li has served as the Chief Compliance Officer of the Bank since January 18, 2023.

Mr. Du Jing is assigned to participate in professional trainee exchange programmes held by the Ministry of Commerce of the People's Republic of China from February 2023 to January 2024.

Directors, Supervisors, Senior Management, Employees and Organizations

3. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Biographies of Directors

Executive Director

Mr. Liu Qing (劉青), aged 57, has been an executive Director and the chairman of the Bank since December 3, 2018. Mr. Liu served as a cadre at Agricultural Bank of China Limited Pingliang Branch from December 1984 to December 1987, office secretary of the Administration Office of Pingliang from December 1987 to October 1992, senior staff member at the education department of the Gansu Branch of PBOC and senior staff member and deputy general manager of Gansu Securities Company from October 1992 to March 1997, member of the Party leadership group, vice president, member of the Party committee, secretary of the discipline inspection commission of the Baiyin Branch of PBOC, deputy director-general of the Baiyin Bureau of the State Administration of Foreign Exchange of the PRC, director of the discipline inspection group and director of the inspection office of CPC Baiyin Commission for Discipline Inspection Designated to Financial Institutions, deputy chief of Lanzhou Regulatory Office of PBOC, secretary to the Party committee and president of the Baiyin Branch of PBOC from March 1997 to December 2003. Mr. Liu served as the secretary to the Party committee and director-general of the CBRC Baiyin Office and a member of the Party committee and deputy director-general of the CBRC Gansu Office from December 2003 to May 2011. Mr. Liu was appointed as deputy secretary to the Party committee and vice president of Dunhuang Bank Co., Ltd. (the former name of the Bank used during the Bank's incorporation process) in May 2011, and has been an executive director of the Bank from October 2011 to November 2017. Mr. Liu also served as a deputy secretary to the Party committee and vice president of the Bank from October 2011 to October 2016, and served as a deputy secretary to the Party committee and president of the Bank from October 2016 to November 2017. Mr. Liu worked at Gansu Province Rural Credit Union from November 2017 to September 2018, serving as secretary to the Party committee and director-general. Mr. Liu served as secretary to the Party committee of the Bank from September 2018 to December 2018. Mr. Liu has served as secretary to the Party committee and Chairman of the Bank since December 2018.

Mr. Liu obtained a master's degree in business administration from Lanzhou University in June 2014.

Mr. Wang Xizhen (王錫真), aged 49, served as an executive Director from September 16, 2022 and president of the Bank from October 17, 2022, joined Gansu Branch of China Construction Bank in July 1995, and successively served as a member of the Party general branch and deputy general manager of the business department, the secretary of the Party Committee and president of Lanzhou Xigu Sub-branch, the secretary of the Party Committee and general manager of the business department, general manager of the cooperate business department, and a member of the Party Committee of Gansu Branch from July 1995 to March 2019. Mr. Wang served as a member of the Party Committee and vice president of Gansu Branch of China Construction Bank from March 2019 to May 2022. He has served as an executive Director since September 2022 and president of the Bank since October 2022.

Mr. Wang obtained a master's degree in business administration from Lanzhou University in the PRC in December 2012. He was certified as a senior economist by the Assessment Committee for Senior Professional Qualification in Economics of China Construction Bank in December 2019.

Directors, Supervisors, Senior Management, Employees and Organizations

Non-executive Directors

Ms. Wu Changhong (吳長虹), aged 60, has been a non-executive Director since November 20, 2016. Ms. Wu is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which she is a member.

Ms. Wu has been a member of the Party committee and the deputy general manager of Gansu Highway Aviation Tourism since May 2011, and the chief financial officer of Gansu Highway Aviation Tourism from February 2016 to August 2019. She held a number of positions at Jinchuan Group from July 1984 to May 2011, including accountant of the cost division of the finance department, deputy head and head of the capital division of the finance and audit department, head of the assets management division of the finance and audit department, deputy director of the finance department and general manager of the audit department.

Ms. Wu obtained a bachelor's degree from the Party School of Gansu Province Committee of CPC, in December 1998, majoring in enterprise management. She was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in November 1998.

Mr. Shi Guanglei (史光磊), aged 42, has been a non-executive Director since December 24, 2021. Mr. Shi is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which he is a member.

Mr. Shi successively worked at the capital division of the finance department and the fund settlement center of Jiuquan Iron & Steel from July 2004 to December 2009. From December 2009 to March 2019, Mr. Shi successively served as the business manager and the deputy director of the financial management department, and the deputy director and the director of the capital finance department of Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司). From March 2019 to January 2021, he served as the chief financial officer and director of the capital finance department of Gansu Province State-owned Assets Investment Group Co., Ltd. Since January 2021, he has been the chief financial officer of Gansu Province State-owned Assets Investment Group Co., Ltd.

Mr. Shi graduated and obtained a bachelor's degree in management from University of International Business and Economics in July 2004, majoring in business administration. He was certified as an intermediate economist by the Gansu Province Professional Title Reform Office in November 2005. He obtained the professional qualification certificate in accountancy in September 2021.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Zhao Xingjun (趙星軍), aged 54, has been a non-executive Director since December 24, 2021. Mr. Zhao is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which he is a member.

Mr. Zhao served as a staff member of Tuanjie Xincun Tax Office of Chengguan District Local Taxation Bureau in Lanzhou City from September 1995 to September 1996. He successively served as a senior staff member of the office of Gansu Local Taxation Bureau, assistant researcher and deputy director of the office of the Fund Collection Bureau, and director of the Provincial Collection Management Bureau from September 1996 to March 2011. He served as the secretary to the Party group and director of Linxia Prefecture Local Taxation Bureau from March 2011 to May 2016. He served as the secretary to the Party group and director of Pingliang Local Taxation Bureau from May 2016 to July 2018. He served as the deputy director of the taxation and economic analysis division of the Gansu Provincial Taxation Bureau of the State Administration of Taxation from July 2018 to April 2019. Mr. Zhao has been a member of the Party committee and the deputy general manager of Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司) since April 2019.

Mr. Zhao obtained a master's degree in economics from Lanzhou University in June 1995, majoring in political economy.

Mr. Zhang Youda (張有達), aged 50, has been a non-executive Director since November 20, 2016. Mr. Zhang is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which he is a member.

Mr. Zhang has been a member of the standing committee of the Party committee and the deputy general manager of Jinchuan Group since July 2018. He served as deputy head and head of the finance division of the testing center, head of the finance division of the smelting plant of Jinchuan Group, head of the cost division of the finance department, deputy director of the finance department and deputy general manager of the finance department (presiding over the work) of Jinchuan Group from April 2002 to December 2011. Mr. Zhang has been the general manager of the finance department of Jinchuan Group since December 2011. Mr. Zhang has been a non-executive director of Jinchuan Group International Resources Co. Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2362) since August 2017 and has been appointed as the chairman of the board of directors and the non-executive director of Jinchuan Group International Resources Co. Ltd. from March 2019 to April 2022.

Mr. Zhang obtained a bachelor's degree from Lanzhou University of Technology in July 2004, majoring in accounting, and a master's degree from Lanzhou University in June 2010, majoring in business administration. Mr. Zhang was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in December 2009, a senior economist by China Nonferrous Metals Industry Association in November 2008, and a senior accountant by the Gansu Province Professional Title Reform Office in July 2017.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Guo Jirong (郭繼榮), aged 52, has been a non-executive Director since November 20, 2016. Mr. Guo is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which he is a member.

Mr. Guo has been the manager of the capital resources international department of Jiuquan Iron & Steel since January 2022 and director of Gansu Jiuquan Steel Group Hongxing Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600307) since August 2017. He served as the deputy head of the capital division of the finance section and head of the accounting and information division of Baiyin Nonferrous Metals Company (now known as “Baiyin Nonferrous Group Co., Ltd.”) from July 1995 to November 2002, audit project manager of Wulian United Accounting Firm (now known as “Ruihua Certified Public Accountants”) from November 2002 to May 2004, assistant senior staff and deputy senior staff of the finance department, deputy director of the property management commission, deputy director of property management department, director of the directors and supervisors office and deputy director of the asset operation and management department of Jiuquan Iron & Steel from May 2004 to June 2016, and the head of the asset operation and management department and head of the capital resources management department of Jiuquan Iron & Steel from June 2016 to January 2022. Mr. Guo also served as the chief accountant, chief financial officer and chief of the finance section of Gansu Jiuquan Steel Group Hongxing Iron & Steel Co., Ltd. from December 2009 and March 2013.

Mr. Guo graduated from Shanxi Institute of Finance and Economics (now known as Shanxi University of Finance and Economics) in July 1995 with a bachelor’s degree in economics, majoring in accounting. Mr. Guo was certified as an accountant by the Ministry of Finance of the PRC (the “MOF”) in May 1998 and a public accountant by the Certified Public Accountant Examination Board of the MOF in March 2004.

Ms. Yang Chunmei (楊春梅), aged 45, has been a non-executive Director since December 24, 2021. Ms. Yang is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which she is a member.

Ms. Yang worked at the Xinjiang Branch of China Construction Bank from July 2001 to September 2020, and in particular, worked at the Railway Subbranch of the operation division from July 2001 to March 2002. She successively served as an assistant to the manager and the deputy manager of the office of the operation division from March 2002 to January 2012; the deputy general manager of the corporate business department of the operation division from January 2012 to June 2017; the deputy general manager of the general management department of the operation division from June 2017 to January 2018; and the level 5 account manager of the corporate business department and the head of general division of the branch from January 2018 to April 2020 (during which she worked in the preparatory group of Mengshang Bank Co., Ltd. from March 2020 to April 2020). Ms. Yang has been the deputy head (presiding over the work) of the board office of Mengshang Bank Co., Ltd. since April 2020.

Ms. Yang obtained a bachelor’s degree in management from Yunnan University in July 2001 and was certified with the intermediate financial professional title by the Ministry of Personnel of the People’s Republic of China in November 2005.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Chen Jinhui (陳金輝), aged 54, has been a non-executive Director (employee representative Director) since January 2023. Mr. Chen is primarily responsible for participating in the major decision-making related to the Bank including its strategic development and operation management, and the matters of the Board of Directors and the Board committees in which he is a member.

Mr. Chen successively served as the deputy director of business department of Tianshui Branch, the head of second audit division of Tianshui Audit Office, the head of planning and finance department of Tianshui Branch, and the manager of planning and finance department of Tianshui Branch, the president of Tianshui Branch Maiji Sub-branch, the assistant to president of Tianshui Branch, the member of Party committee, the secretary of the discipline inspection committee and the vice president of Tianshui Branch, of China Construction Bank from July 1990 to July 2008. He served as the head and general manager of the business department of Shanghai Pudong Development Bank Lanzhou Branch from July 2008 to April 2010, and worked in the market development department of Gansu Province Rural Credit Cooperative from April 2010 to June 2010. He served as the president of Tianshui Maiji Rural Cooperative Bank and the director-general of Wushan County Rural Credit Cooperative from June 2010 to July 2012. He served as the director of the Tianshui Office of the Bank, the president of Qin Zhou Sub-branch of the Bank, and the secretary to the Party committee and the president of Tianshui Branch of the Bank from July 2012 to December 2019. He served as a vice president of the Bank from May 2020 to December 2021, and a member of the Party Committee and a vice president of the Bank from December 2021 to July 2022. Mr. Chen has been the deputy secretary of the Party Committee of the Bank from July 2022 to September 2022, the deputy secretary of the Party Committee and the chairman of the labor union of the Bank since September 2022, and an external director of Gansu Construction Investment (Holdings) Group Co., Ltd. since September 5, 2022.

Mr. Chen obtained a bachelor's degree from Lanzhou University in July 2001, majoring in law.

Directors, Supervisors, Senior Management, Employees and Organizations

Independent Non-executive Directors

Ms. Luo Mei (羅玫), aged 47, has been an independent non-executive Director since August 12, 2017. Ms. Luo is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performs her duties as a Director through the Board of Directors, audit committee, and nomination and remuneration committee.

Ms. Luo joined Tsinghua University in June 2007 and is currently a professor and a PHD tutor of the Department of Accounting at the School of Economics and Management of Tsinghua University, and the director of the Research Center for Digital Financial Assets, School of Economics and Management, Tsinghua University. She worked at Mellon Capital Management, an assets management company in San Francisco, the United States, and was responsible for the strategy of quantitative investment in the stock market. She also taught at the Department of Accounting in University of Illinois at Urbana Champaign, the United States. Ms. Luo was an independent non-executive director of Beijing Gehua CATV Network Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600037) from March 2013 to March 2019, and an independent non-executive director of Canaan Inc. (a company listed on the NASDAQ, stock code: CAN) from December 2019 to July 2020. Ms. Luo was an independent non-executive director of Beijing Baofeng Technology Co., Ltd. (now known as Baofeng Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 300431) from June 2013 to December 2014. Ms. Luo Mei was an independent non-executive director of Jiangsu Tongxingbao Smart Transport Technology Co., Ltd. (stock code: 301339) from September 2020 to December 2022.

Ms. Luo obtained a bachelor's degree from Tsinghua University in June 1998, majoring in accounting (international accounting), and a doctorate's degree in business management from the University of California, Berkeley, the United States in December 2004, majoring in accounting and finance. In 2011, Ms. Luo was included in the Marquis Who's Who in America 2011.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Wong Sincere (黃誠思), aged 58, has been an independent non-executive Director since August 12, 2017. Mr. Wong is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance works, and performs his duties as a Director through the Board of Directors, audit committee and related party transaction and risk management committee.

Mr. Wong has been a founding partner and the principal of Sincere Wong & Co. (currently renamed as Wong Heung Sum & Lawyers) since May 2016. He was an in-house counsel for Hutchison Whampoa Group from September 1996 to January 2005 and China Resources Enterprise, Limited (now known as China Resources Beer (Holdings) Company Limited, a company listed on the Hong Kong Stock Exchange, stock code: 291) from February 2005 to November 2006, chief legal officer of Shui On Construction and Materials Limited (a company listed on the Hong Kong Stock Exchange, stock code: 983) from November 2006 to June 2010, as well as the vice president of the legal department and company secretary of Sateri Holdings Limited (a company previously listed on the Hong Kong Stock Exchange, the name of which was later changed to Bracell Limited, with 1768 as its stock code until it was privatized and delisted in October 2016) from July 2010 to May 2011. He worked at the Listing Division of Hong Kong Stock Exchange from August 2011 to April 2016, and was a vice president at the time of his departure from the Hong Kong Stock Exchange, primarily responsible for reviewing the initial public offering applications and providing recommendations to the Listing Committee of the Hong Kong Stock Exchange. Mr. Wong was appointed as an independent non-executive director of Net-a-Go Technology Company Limited (formerly known as U Banquet Group Holding Limited, a company listed on the Hong Kong Stock Exchange, stock code: 1483) in September 2018. Mr. Wong was appointed as a non-executive director of MOS House Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1653) from January 2019 to March 2020. Mr. Wong was appointed as an independent non-executive director of Fulu Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2101) in August 2020. Mr. Wong was appointed as an independent non-executive director of Jinmao Property Services Co., Limited (formerly known as Hanmao Limited and Jinmao Property Development Co., Limited) (a company listed on the Hong Kong Stock Exchange, stock code: 00816) in March 2022.

Mr. Wong obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1986. He passed the Common Professional Examination in Wolverhampton Polytechnic (now known as University of Wolverhampton) in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honors in October 1991. Mr. Wong was admitted as a solicitor in the Supreme Court of Hong Kong and a solicitor of the Supreme Court of England & Wales in October 1993 and February 1994, respectively. Mr. Wong was admitted as a solicitor in the Guangdong-Hong Kong-Macao Greater Bay Area in September 2022.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Dong Ximiao (董希淼), aged 46, has been an independent non-executive Director since December 3, 2018. Mr. Dong is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance works, and performs his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee and related party transaction and risk management committee.

Mr. Dong is currently the head researcher of Zhongguancun Internet Finance Institute, a researcher of the Think Tank of Asian Financial Cooperation Association and a member of Digital Finance Working Committee of Internet Society of China. Mr. Dong also serves as a special economic analyst of Xinhua News Agency, a researcher of Financial Research Institute of Fudan University, a master's tutor (adjunct professor) of Zhongnan University of Economics and Law, Sichuan Agricultural University and Beijing International Accounting Institute, an expert in the 20+ forum of chinawealth.com.cn, and an assessment expert at national professional degree level. Mr. Dong joined China Construction Bank Corporation ("China Construction Bank") in July 2000 and successively served as the office secretary, deputy business manager and business manager of Zhejiang Branch of China Construction Bank. Since March 2009, he served as the vice president and a senior manager of the private banking department of the sub-branch directly under Zhejiang Branch of China Construction Bank. Mr. Dong served as the executive dean of the Research Institute of Hengfeng Bank Co., Ltd. from July 2015 to October 2018. In December 2017, he was elected as the deputy director of the Industry Development Research Committee of China Banking Association. Mr. Dong has been an independent director of Bozhou Yaodu Rural Commercial Bank Co., Ltd. since February 2020 and served as an independent director of Joudier Precision Industry (Kunshan) Co., Ltd. since November 18, 2021.

Mr. Dong graduated from Lanzhou University in June 2000 with a dual bachelor's degree in history and law, and graduated from Zhejiang University of Technology in January 2007 with a master's degree in business administration. In December 2010, he was certified as a senior economist by China Construction Bank.

Mr. Wang Tingting (王汀汀), aged 46, has been an independent non-executive Director since December 24, 2021. Mr. Wang is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in research work in the field of economic and financial services, and performs his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transaction and risk management committee.

Mr. Wang has been teaching in the Department of Applied Finance of the School of Finance of Central University of Finance and Economics since June 2004. From March 2016 to August 2021, he served as the director of the Center for Teaching Research and Case Studies on Professional Master in Finance of the School of Finance of Central University of Finance and Economics. Since August 2021, he has been serving as the head of the Department of Applied Finance of the School of Finance of Central University of Finance and Economics and the deputy director of the Institute of Securities and Futures of Central University of Finance and Economics.

Mr. Wang graduated from Renmin University of China with a bachelor's degree in economics in 1999; and from Peking University in June 2004 with a doctorate in economics, majoring in investment economics. He was rated as an associate professor in October 2006 and a professor in November 2020 by Central University of Finance and Economics. From March 2008 to March 2009, he served as a visiting scholar at Michigan State University in the United States.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Liu Guanghua (劉光華), aged 53, has been an independent non-executive Director since December 24, 2021. Mr. Liu is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal and compliance works, and performs his duties as a Director through the Board of Directors, related party transaction and risk management committee and consumer rights protection committee.

Mr. Liu served as a teaching assistant and lecturer in the Department of Law of Lanzhou University from June 1995 to December 1999. Since December 1999, he has successively been serving as an associate professor, professor and tutor for graduate students in a master's course on economic law of the School of Law of Lanzhou University. Mr. Liu is currently the director of the Centre of Research on Italy and the director of the Institute of Economic Law of Lanzhou University. He also concurrently serves as a legislative consultant for the Standing Committee of the Gansu Provincial People's Congress, a legal consultant expert for the Gansu Provincial People's Government (external legal consultant) and a member of the think tank of experts for governing the province by law of the Gansu Provincial Party Committee.

Mr. Liu graduated from Lanzhou University in June 1995 with a master's degree in law, majoring in economic law; and from Renmin University of China in December 2006 with a doctorate in law, majoring in economic law. From August 2004 to August 2005, he served as a government-sponsored visiting scholar at University of California Hastings College of Law, the United States (美國加州大學赫斯廷斯法律學院). From December 2016 to October 2017, he was a government-sponsored visiting professor at International University College of Turin (義大利國際大學都靈學院).

(II) Biographies of Supervisors

Ms. Tang Lan (湯瀾), aged 60, was elected as an employee representative Supervisor on November 12, 2018 and was appointed as the chairman of the Board of Supervisors on December 3, 2018. Ms. Tang is responsible for overall work of the Board of Supervisors and supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and work concerning the logistics support. She is also in charge of the Office of the Board of Supervisors, Audit Department, Security Department and Administration Affairs Department.

Ms. Tang was a staff member and a senior staff member of the budget division of the Bureau of Finance of Gansu Province from July 1984 to March 1991, a senior staff member and a principal staff member of the office of the Bureau of Finance of Gansu Province from March 1991 to November 1993 and temporarily served as the deputy director-general of the Finance Bureau of Chengguan District, Lanzhou City from March 1992 to October 1992. Ms. Tang served as the deputy director (deputy department-level) of farming support, compensation and financing office of the Bureau of Finance of Gansu Province from November 1993 to October 1995, the deputy director and director of the social security division of the Bureau of Finance of Gansu Province from October 1995 to December 2006 and temporarily served as the deputy director of the social security division of the Guangdong Provincial Bureau of Finance from July 2000 to February 2001 and concurrently served as the director of Social Security Fund Management Centre of Gansu Province from August 2003 to December 2006, the chief of the educational, scientific and cultural division of the Bureau of Finance of Gansu Province from December 2006 to December 2010 and deputy director, member of the Party committee, director and the secretary of the Party committee of the Finance Office of Gansu Province from December 2010 to October 2018.

Ms. Tang obtained a bachelor's degree in economics from the department of finance of the Central University of Finance and Economics (formerly known as the Central Institute of Finance and Banking) in July 1984, majoring in finance.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Zhang Yanlong (張延龍), aged 38, has been a Shareholder Supervisor of the Bank since December 24, 2021. Mr. Zhang is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Zhang worked at Zhangye Branch of Bank of China from July 2007 to January 2011. Mr. Zhang served as an assistant account manager in the diamond team of the SME Business Center of Gansu Branch of Bank of China from January 2011 to June 2016; and a first-level supervisor of capital operation in the strategic development department of Gansu Electric Power Investment from June 2016 to October 2020. Mr. Zhang has been the deputy director of the capital management department (dispatched directors and supervisors management center) of Gansu Electric Power Investment since October 2020. Mr. Zhang has been a director of Jinchuan Group Co., Ltd. (金川集團股份有限公司) since June 2022; a director of Readers Group and Duzhe Publishing and Media Corp. (讀者出版傳媒股份有限公司) since October 2022; and a director of Silk Road Information Port Co., Ltd (絲綢之路信息港股份有限公司) since December 2022.

Mr. Zhang obtained a bachelor's degree in economics from Wuhan University of Science and Technology in June 2007 and obtained a master's degree in business management from Lanzhou University in June 2015.

Mr. Han Zhenjiang (韓振江), aged 55, has been a Shareholder Supervisor of the Bank since December 24, 2021. Mr. Han is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Han worked at Honghui No. 1 Mine of Jingyuan Mine Bureau from August 1991 to March 2002 and successively served as the accountant and deputy head of its finance division. Mr. Han successively served as the head of the finance division, secretary of the Party branch, deputy chief accountant and head of the planning and finance department of Honghui No. 1 Mine from March 2002 to March 2011; person in charge of the finance department of the accounting management center of the assets and finance department of Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd. (甘肅靖遠煤電股份有限公司) ("Jingyuan Coal and Electricity") based in Honghui No. 1 Mine from March 2011 to November 2013; a member of the Party committee and the chief financial officer of Gansu Liuhua (Group) Co., Ltd. (甘肅劉化(集團)有限責任公司) from November 2013 to November 2017; and the deputy director of the assets and finance department of Jingyuan Coal and Electricity from November 2017 to July 2020. Mr. Han has been a director, the chief financial officer and the head of the assets and finance department of Jingyuan Coal and Electricity since July 2020.

Mr. Han obtained a bachelor's degree in financial accounting from Lanzhou Business College in June 1999. Mr. Han was qualified as a PRC accountant in December 2003.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Zeng Lehu (曾樂虎), aged 52, has been a Shareholder Supervisor of the Bank since June 3, 2019. Mr. Zeng is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Zeng served at the finance division of Gansu People's Publishing House and was engaged in accounting work for cashier, costing, taxation, auditing, general ledger and other posts in succession from July 1993 to June 2006. Mr. Zeng worked at the finance department of Readers Publishing Group Limited ("Readers Group") from June 2006 to December 2009, during which he organized and implemented a number of accounting computerization initiatives, and served as the accountant in charge in several professional presses under Readers Group as well as the local area network administrator of the finance department. Mr. Zeng served as the director of capital center of the finance department of Readers Group from April 2008 to April 2010; and the deputy head of audit department of Readers Group and Duzhe Publishing and Media Corp. (讀者出版傳媒股份有限公司) ("Duzhe Media"), the deputy director of the discipline inspection and supervision office of Readers Group from April 2010 to June 2014; and a supervisor, the head of audit department, and the director of the office of the supervisory committee of Duzhe Media, and concurrently as a supervisor of seven professional presses and the chairman of the supervisory committee of three controlled subsidiaries (Gansu Cultural Assets and Equity Exchange Limited (甘肅省文化產權交易中心股份有限公司), Duzhe Culture and Tourists Co., Ltd. (讀者文化旅遊股份有限公司) and Duzhe Cultural Promotion LLC (讀者文化傳播發展有限責任公司) under Duzhe Media from July 2014 to May 2018. Mr. Zeng has been a member of the professional committee under the Supervisory Commission of China Association for Public Companies since June 2017; and served concurrently as a director of Beijing Wangcai Media and Advertising Co., Ltd (北京旺財傳媒廣告有限公司) from August 2017 to December 2018; a director of Duzhe Digital Technology (Gansu) Co., Ltd (甘肅讀者數碼科技有限公司) from April to December in 2018; and the head of the finance department of Duzhe Media from May to December in 2018. Mr. Zeng has been a director, the secretary of the branch party committee and the head of the finance department of Readers Group, and has concurrently been serving as the vice chairman of the board of directors of Gansu Cultural Assets and Equity Exchange Limited, a director of Duzhe Culture and Tourists Co., Ltd. and also a director and director of finance department of Gansu Readers Shengda Printing Co., Ltd. (甘肅省讀者盛大印刷有限責任公司) since December 2018.

Mr. Zeng obtained a bachelor's degree in accounting from Lanzhou Branch of Central Radio and TV University (中央廣播電視大學) in July 2007 and was rated as a senior accountant by the Gansu Professional Title and Reform Work Office in December 2009.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Luo Yi (羅藝), aged 43, has been an external supervisor of the Bank since June 1, 2018. Mr. Luo is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Luo has been working since June 2002 in Gansu University of Political Science and Law where he now serves as an associate professor and master's supervisor in the School of Law, a postdoctoral fellow at East China University of Political Science and Law, a visiting scholar of Renmin University of China in "Program of Middle and Western Backbone Teachers Visiting Scholar of the Ministry of Education", an exchange scholar of University of Helsinki in Finland and the head of the Rule of Law Research Center for the Construction of Western Ecological Civilization of Gansu University of Political Science and Law. He also concurrently serves as an entry expert for Legal Expert Talent Database of Gansu Provincial Government, an expert in the Think Tank of Rule of Law in Gansu of the Gansu Law Society, a research fellow of Lanzhou Academy of Social Sciences, Lanzhou Social Science Association, an adjunct professor of Nanchang Institute of Technology, an expert in the Think Tank of Zhongbolian (中博聯智庫); an expert in the Department of Ecology and Environment of Gansu Province, the Department of Culture and Tourism of Gansu Province, Standing Committee of Lanzhou Municipal People's Congress, the Lanzhou Judicial Bureau and other departments for the legislative debate; a review expert for Master's and doctoral paper at the Academic Degrees Center of Ministry of Education, a member of the editorial committee and an external reviewer for various university journals in China, and an external reviewer for master's paper at Xiamen University and other universities. Social part-time job: the secretary-general of the Gansu Economic Law Research Association, the director of the Cross-Strait Legal Exchange Promotion Association of the China Law Society, a member of the Environmental Law Branch of the Chinese Society of Environmental Sciences, and a researcher of the Gansu Legal Research Center on Circular Economy, the Gansu Research Center for Promoting Social Governance According to Law and the Lanzhou Base of National Collaborative Innovation Center of Judicial Civilization. He concurrently served as a discipline editor of Western Law Review of Gansu Institute of Political Science and Law from January 2009 to December 2011.

Mr. Luo obtained a bachelor's degree in law from Gansu University of Political Science and Law in June 2002, majoring in economic law, a master's degree in law from Northwest Normal University in June 2009, majoring in legal theory, and a doctorate's degree in law from Wuhan University in December 2017, majoring in environmental and resources protection.

Mr. Ma Runping (馬潤平), aged 60, has been an external Supervisor of the Bank since December 24, 2021. Mr. Ma is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Ma successively served as the assistant head and deputy head of the Department of Finance and the deputy Dean of the School of Finance of Lanzhou Business College (currently renamed as Lanzhou University of Finance and Economics) from July 1986 to December 2003. From December 2003 to May 2015, he successively served as the deputy director of the Academic Affairs Office, the director of the Institute of Higher Education and the dean of the School of Finance of Lanzhou Business College. From May 2015 to March 2021, he served as the dean of the School of Finance of Lanzhou University of Finance and Economics. Since March 2021, he has been a professor of Lanzhou University of Finance and Economics. Academic part-time job: the director of the Academic Committee of Lanzhou University of Finance and Economics (non-executive position); an executive director of the China Society of Financial Engineering; an executive director of the China Regional Finance Forum; the deputy secretary general of the 8th Gansu Finance Association and director of the Silk Road Inclusive Finance Research Centre of the Gansu Finance Association.

Mr. Ma graduated from Lanzhou Business College with a bachelor's degree in economics in June 1986. In September 2012, he was certified as a professor (senior professional and technical position) by the Gansu Provincial Professional Title Reform Work Office.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Li Zongyi (李宗義), aged 53, has been an external Supervisor of the Bank since December 24, 2021. Mr. Li is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Li served as the project manager of China Mechanical and Electrical Equipment Lanzhou Company (中國機電設備蘭州公司) from July 1992 to December 1997 and the deputy director of Ruihua Certified Public Accountants, Gansu Branch from December 1997 to December 2019. Since December 2019, he has been serving as a senior partner of WUYIGE Certified Public Accountants (Special General Partnership) and the head of Gansu Branch. He also serves as a postgraduate tutor at Lanzhou University, Lanzhou University of Science and Technology and Lanzhou University of Finance and Economics, a part-time professor of Northwest Normal University, an executive director of the Gansu Association of Certified Public Accountants and Asset Appraisers (甘肅省註冊會計師資產評估師協會) and an executive director of the Gansu New Social Class Association (甘肅省新聯會). Mr. Li has been an independent non-executive director of Ningxia Xinri Hengli Wire Rope Co., Ltd. (寧夏新日恒力鋼絲繩股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600165) since August 2016, an independent non-executive director of Gansu Engineering Consulting Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000779) since November 2019 and an independent non-executive director of Gansu Long Shen Rong Fa Pharmaceutical Co., Ltd. (甘肅隴神戎發藥業股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 300534) since December 2020.

Mr. Li obtained an MBA degree from Lanzhou University in June 2005. Mr. Li obtained the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in September 30, 1999. He was certified as an asset appraiser by the China Appraisal Society in December 2006, and obtained the professional qualification as a lawyer in February 2007, the title of Australian Certified Public Accountant in July 2008, the qualification of Chartered Accountant (ACA) from the Institute of Chartered Accountants in England and Wales on March 26, 2013, and Senior Australian Certified Public Accountant in September 2015. Mr. Li also obtained the title of US Certified Management Accountant in January 2017, and was certified as a senior PRC certified public accountant by the Chinese Institute of Certified Public Accountants in December 2017, a tax agent by the China Certified Tax Agents Association in November 2019, and a full senior accountant by the Qualification Assessment Committee for Senior Accountant Positions in Gansu Province in December 2020.

Mr. Wang Xiaopei (王效沛), aged 51, has been an employee representative Supervisor of the Bank since December 3, 2021. Mr. Wang is primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank.

Mr. Wang worked in the lead-zinc mine in Huaniushan, Liuyuan, Gansu Province from December 1992 to April 1994; successively served as a clerk and head of accounting department of Jiuquan Branch, the head of institutional business department of the branch and the president of Suzhou Sub-branch of China Construction Bank from April 1994 to June 2011; served as a member of Party Committee and a vice president of Jiuquan Branch of China Construction Bank from June 2011 to July 2012; served as the secretary of Party Committee and president of Jiuquan Branch of the Bank from July 2012 to September 2020. He has been the secretary of Party Committee and president of Wuwei Branch of the Bank since September 2020.

Mr. WANG obtained a bachelor's degree from the Open University of China in January 2012, majoring in economics.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Liu Peixun (劉培訓), aged 55, has been an employee representative Supervisor of the Bank since December 3, 2021. Mr. Liu is primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank.

Mr. Liu successively served as a deputy chief of the accounting and settlement section, manager of the planning and finance department and manager of the financial accounting department of Jinchang Branch of Industrial and Commercial Bank of China Limited from October 1988 to August 2008. He successively served as an account manager of Lanzhou Branch, an assistant to the general manager of the second marketing department, and the person in charge of Qilihe Sub-branch of Shanghai Pudong Development Bank Co., Ltd. from August 2008 to March 2012. He successively served as a deputy general manager of the planning and finance department, the secretary of Party Committee and president of Lanzhou High-tech Sub-branch, the secretary of Party Committee and president of Lanzhou Chengguan Sub-branch of the Bank from March 2012 to August 2021. He served as the general manager of the Corporate Business Department of the Bank from August 2021 to January 2023 and has served as the general manager of the Party-masses Work Department of the Bank since January 2023.

Mr. Liu obtained a bachelor's degree from the Open University of China in July 2003, majoring in finance.

(III) Biographies of Senior Management Members

Mr. Wang Xizhen (王錫真), aged 49, is currently the president of the Bank. Mr. Wang is responsible for the overall operation and management of the Bank, and primarily responsible for coordinating and supervising the operation and management work of the management team, coordinating and supervising the overall implementation of business plan of the Bank, promoting the mitigation, collection and disposal of risk assets, and in charge of the Planning and Financial Department, Corporate Business Department, Accounting Operation Department, Information Technology Department and Investment Banking Business Department.

Mr. Wang successively served as a staff member of the business department, and deputy director and director of the office of Gansu Branch of China Construction Bank from July 1995 to May 2006. He successively served as the director assistant and deputy director of the business department, member of the general Party branch, director of Labor Union, and deputy general manager of Gansu Branch of China Construction Bank from May 2006 to January 2010. He served as the person in charge, president, secretary of the Party committee, general manager of the business department, secretary of the general Party branch, and secretary of the Party Committee of Lanzhou Xigu Sub-branch of China Construction Bank from January 2010 to October 2018. He served as a vice president and a member of the Party committee of Gansu Branch of China Construction Bank from October 2018 to May 2022.

Mr. Wang obtained a master's degree in business administration from Lanzhou University in December 2012 and was certified as a senior economist by the Assessment Committee for Senior Professional Qualification in Economics of China Construction Bank in December 2019.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Cai Tong (蔡彤), aged 55, is currently a vice president of the Bank. He is in charge of the retail business segment, and work relating to “three rurals”, rural revitalization, financial interbank and asset management. He is also in charge of the Individual Business Department, Credit Card Centre, Inclusive Finance Department (Rural Revitalization Department), Financial Interbank Department, Asset Management Department, Retail Credit Department and Channel Management Department.

Mr. Cai served as a staff member of the General Labor Union of Lanzhou City from July 1989 to March 1993, and a staff member of the finance research institution and finance management section of Lanzhou branch of the People’s Bank of China from March 1993 to December 1998. Mr. Cai successively served as a staff member, senior staff member and principal staff member of the office, deputy director of the Party Committee office, deputy director of the office as well as director of the law affairs office, and deputy director (in charge of work) and director of the monetary and credit management department of Lanzhou Center Sub-branch of the People’s Bank of China from December 1998 to January 2010. He served as the secretary of Party Committee and president of Wuwei Center Sub-branch of the People’s Bank of China, head of the Wuwei Central Sub-bureau of the State Administration of Foreign Exchange, as well as the director of the Party Committee office and director of the office of Lanzhou Central Sub-branch from January 2010 to January 2019. He also served as a vice president, member of Party Committee and director of Everbright Xinglong Trust Co., Ltd. from January 2019 to August 2022.

Mr. Cai graduated from Lanzhou University in July 1989 with a bachelor’s degree in economics, majoring in economic management, and obtained a master’s degree in business administration from Lanzhou University in June 2011. He was certified as a senior economist by the Assessment Committee for Senior Professional Qualification in Economics of the PBOC in November 2003.

Ms. Hao Jumei (郝菊梅), aged 54, is the vice president and the secretary of the Board of Directors. Ms. Hao is responsible for the daily work of the Board of Directors, and work on risk management, internal control and compliance segment, as well as the coordination and liaison with the controlling company or associated company (rural banks, etc.) of the Bank. She mainly focuses on promoting the mitigation, collection and disposal of risk assets of the Bank and is in charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department and Legal Compliance Department. She also assists Mr. Liu Qing to take charge of the Office of the Board of Directors.

Ms. Hao was the accountant of the accounting department of the Jingyuan sub-branch of the People’s Bank of China and the accountant of the Baiyin City branch from July 1989 to December 1996. She was the deputy director of Yinxing Urban Credit Union of Baiyin City from December 1996 to July 2002, manager of business department, assistant to the general manager, deputy general manager, director and member of the Party Committee of Urban Credit Union of Baiyin City from July 2002 to June 2010, and member of the Party Committee, director and vice president of Baiyin City Commercial Bank from June 2010 to February 2012. Ms. Hao was the member of the Party Committee and vice president of the Baiyin branch of the Bank from February 2012 to June 2012, member of the discipline inspection committee, deputy general manager and general manager of the planning and finance department of the Bank from June 2012 to December 2016. She was a member of the Party Committee, general manager of the planning and finance department and the secretary of the Board of Directors of the Bank from December 2016 to April 2019.

Ms. Hao obtained a bachelor’s degree in accounting from Lanzhou University of Technology in July 2004.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Du Jing (杜晶), aged 47, is currently the vice president of the Bank.

Mr. Du served as a bank teller at the Bank of China Lanzhou Chengguan Sub-branch, a staff in business department of the Gansu Branch, and a staff in secretariat department of the President Office of Gansu Branch from July 2000 to April 2005. He served as the secretary, deputy head of promotion team (leading the work) and team leader of the Bank of China Gansu Branch Office from April 2005 to May 2008. He served as the vice president of the Bank of China Lanzhou Qilihe Sub-branch from May 2008 to December 2011, and the general manager of the Individual Business Department of the Bank and the director of the Credit Card Center from December 2011 to December 2019.

Mr. Du obtained a bachelor's degree in management from Lanzhou Commercial College (now known as "Lanzhou University of Finance and Economics") in July 2000, majoring in marketing.

Mr. Feng Yuhui (馮煜輝), aged 59, is currently the chief business officer of the Bank. Mr. Feng is responsible for the overall work of Jincheng Sub-branch in Lanzhou, and is also the secretary of the Party Committee and the president of Jincheng Sub-branch in Lanzhou.

From October 1986 to November 1987, Mr. Feng worked at Cheng County Construction Engineering Company in Gansu. From November 1987 to February 1999, he served successively as the deputy section chief of the Credit Construction and Economic Department of the Longnan District Central Sub-branch of China Construction Bank, the manager of the Construction Consulting Company (section-level), and the president of the Wen County Sub-branch. From February 1999 to September 2012, he served successively as the president of Cheng County Sub-branch, a member of the Party Committee, the vice president, the director of Labor Union, and the secretary of the Party Committee and president of Longnan Branch of China Construction Bank. From September 2012 to July 2020, he served successively as the director of the Longnan Office of the Bank of Gansu, the president of Jianshe Road Sub-branch, the secretary of the Party Committee and the president of Longnan Branch, and the secretary of the Party Committee and the president of Qilihe Sub-branch in Lanzhou.

Mr. Feng obtained his bachelor's degree in finance from Lanzhou Commercial College (now known as "Lanzhou University of Finance and Economics") in December 2004; and obtained his master's degree in business administration from Lanzhou University in June 2011. In November 2009, he obtained the certificate of the qualification of intermediate economist issued by the Bureau of Human Resources and Social Security of Gansu Province.

Directors, Supervisors, Senior Management, Employees and Organizations

Ms. Nie Lei (聶蕾), aged 48, is currently the chief risk officer (temporary position) of the Bank. She is responsible for assisting Ms. Hao Jumei in charge of the Risk Management Department and Legal and Compliance Department.

Ms. Nie served as a trainee of Beidao District Office in Tianshui City of the People's Bank of China, and a staff member of the planning department of Gansu Branch from July 1997 to December 1998. She successively served as a staff member and senior staff member of the monetary and credit management department, deputy chief and deputy chief (department director grade) of the financial market management section, head of the comprehensive analysis section and head of the credit policy management section of Lanzhou Central Sub-Branch of the People's Bank of China from December 1998 to May 2016. She also served as the deputy director, deputy director (in charge of work) and director of the monetary and credit management department of Lanzhou Central Sub-branch of the People's Bank of China from May 2016 to September 2022.

Ms. Nie graduated from Shaanxi Institute of Finance and Economics in July 1997 with a bachelor's degree in economics, majoring in financial investment, and obtained a master's degree in economics from Lanzhou University in December 2004.

Mr. Duan Jianxing (段劍星), aged 53, is currently the chief information officer and the general manager of the Information Technology Department of the Bank. Mr. Duan is responsible for assisting Mr. Wang Xizhen in charge of the Information Technology Department, and also responsible for the technical support, digital transformation and product innovation related work of the Bank.

From November 1992 to April 2003, Mr. Duan served as a programmer in the real estate credit department of China Construction Bank Lanzhou Branch and a programmer in the Lanzhou Chengguan Sub-branch. From April 2003 to November 2010, he served as a staff member of the Technology Department, deputy manager, deputy chief engineer (department director grade) and engineer of Urban Credit Union of Baiyin City. From November 2010 to November 2011, he served as an engineer of Baiyin City Commercial Bank. From November 2011 to January 2023, he served as the deputy general manager and general manager of the Information Technology Department, and a member of the Department Party Committee of the Bank.

Mr. Duan obtained a bachelor's degree in science from Lanzhou University in June 1992, majoring in computer software of the Department of Computer Science. He obtained his master's degree in engineering from Beijing University of Technology in June 2009. He was certified as a senior engineer by the Department of Industry and Information Technology of Gansu Province in December 2019.

Directors, Supervisors, Senior Management, Employees and Organizations

Ms. Guo Li (郭力), aged 53, is currently the chief compliance officer and general manager of the Planning and Financial Department of the Bank. Ms. Guo is responsible for assisting Mr. Wang Xizhen in charge of the Planning and Financial Department and the asset and liability management, integrated operating budget, performance appraisal and financial management related work of the Bank.

From August 1991 to February 1998, Ms. Guo served as a bank teller at the Industrial and Commercial Bank of China Lanzhou Xigu Sub-branch. From February 1998 to September 2008, she served as a bank teller at the Lanzhou Jincheng Sub-branch Wududong Road Office and a staff member of the personnel department, accounting department and account manager department, and the deputy head of planning and financial department (presiding over the work), the manager of accounting and settlement section and the manager of asset business department of Lanzhou Jincheng Sub-branch of the Industrial and Commercial Bank of China. From September 2008 to February 2012, he served as the deputy manager of financial accounting department of business department of the Industrial and Commercial Bank of China Gansu branch, and a member of the Party branch, vice president, deputy head of bills center of business department and the deputy manager of settlement and cash management department of Lanzhou Huitong Sub-branch. From February 2012 to January 2023, he served as an assistant to the general manager, a deputy general manager, deputy general manager (presiding over the work) and general manager of the Planning and Financial Department of the Bank.

Ms. Guo obtained a bachelor's degree from Lanzhou University in July 1999, majoring in accounting. Ms. Guo obtained a master's degree in business administration from Lanzhou University in December 2006. She was certified as a senior economist by the Assessment Committee for Senior Title in Economics of Gansu Province in December 2020. She was elected as a member of the eighth session of the council by the Taxation Institute of Gansu Province in January 2022.

4. COMPANY SECRETARY

Mr. Wong Wai Chiu was appointed as the company secretary of the Bank on January 26, 2021. Mr. Wong is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Wong has over 30 years of professional services and senior management experience including acting as the chief financial officer, company secretary, information technology director and law enforcement officer in the areas of finance, accounting, regulations, internal control, corporate governance, company secretarial work, trust and forensics accounting in multi-national banking, insurance, securities and information technology corporations and listed companies in Hong Kong as well as government departments and the Hong Kong Stock Exchange. Mr. Wong is a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a certified trust practitioner. Mr. Wong possesses a B. Soc. Sc (Hon.) in Accounting from the University of Hong Kong and various master degrees and diploma in law, alternate dispute resolution, corporate governance and information technology from renowned universities of U.K., Australia and Hong Kong.

Directors, Supervisors, Senior Management, Employees and Organizations

5. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The remuneration of the Directors of the Bank 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 Shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank 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 the Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the Shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank'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 Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to 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 Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to above defined contribution plans under any circumstances.

6. COMPENSATION OF DIRECTORS AND SUPERVISORS AND FIVE INDIVIDUALS WITH THE HIGHEST EMOLUMENTS OF OUR BANK

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to notes 12 and 13 to consolidated financial statement included in this annual report.

Directors, Supervisors, Senior Management, Employees and Organizations

7. POSITIONS HELD IN THE SHAREHOLDER COMPANY BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Ms. Wu Changhong	Non-executive Director	Gansu Highway Aviation Tourism	Member of the Party Committee and deputy general manager
Mr. Shi Guanglei	Non-executive Director	Gansu State-owned Assets Investment	Chief Financial Officer
Mr. Zhao Xingjun	Non-executive Director	Gansu Financial Holding Group	Member of the standing committee of the Party Committee, deputy general manager
Mr. Guo Jirong	Non-executive Director	Jiuquan Iron & Steel	General manager of the capital resources international department
Mr. Zhang Youda	Non-executive Director	Jinchuan Group	Member of the standing committee of the Party Committee, deputy general manager
Ms. Yang Chunmei	Non-executive Director	Mengshang Bank	Deputy head (presiding over the work) of the board office
Mr. Zhang Yanlong	Shareholder Supervisor	Gansu Province Electric Power Investment Group Co., Ltd.	Deputy director of the Capital management department (dispatched directors and supervisors management center)
Mr. Han Zhenjiang	Shareholder Supervisor	Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd.	Director, head of the assets and finance department and chief financial officer
Mr. Zeng Lehu	Shareholder Supervisor	DuZhe Publishing & Media Co., Ltd.	Director and head of financial department of the Readers Group

8. CHANGES IN BIOGRAPHICAL DETAIL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

Save as disclosed above, during the Reporting Period, the Bank was not aware of any change in the information of Directors, Supervisors and senior management which is required to be disclosed pursuant to the requirements of the Rule of 13.51B(1) of the Hong Kong Listing Rules.

Directors, Supervisors, Senior Management, Employees and Organizations

9. EMPLOYEE, EMPLOYEE COMPENSATION POLICY AND EMPLOYEE TRAINING PROGRAM

(I) Staff Composition

As of December 31, 2022, the Group had 4,402 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage (%)
Corporate banking	1,042	23.67
Retail banking	1,088	24.72
Financial market operations	16	0.36
Finance and accounting	508	11.54
Risk management, internal audit and legal compliance	380	8.63
Information technology	138	3.13
Management	207	4.70
Bank teller	731	16.61
Others	292	6.63
Total	4,402	100.00

The Bank has a young and highly educated team of employees. As of December 31, 2022, the average age of the employees was 34.6, and over 89.87% of them had a bachelor's degree or higher. The following table sets forth the number of the employees by age as of December 31, 2022.

	Number of employees	Percentage (%)
Under 30 (inclusive) years old	1,371	31.14
31 to 40 years old	2,190	49.75
41 to 50 years old	554	12.59
Above 50 (exclusive) years old	287	6.52
Total	4,402	100.00

Directors, Supervisors, Senior Management, Employees and Organizations

The following table sets forth the number of the employees of the Bank by education degree as of December 31, 2022.

	Number of employees	Percentage (%)
Master's degree or higher	328	7.45
Bachelor's degree	3,676	83.51
Others	398	9.04
Total	4,402	100.00

For the year ended December 31, 2022, among the employees of the Bank, 48.61% were male and 51.39% were female; and among the senior management of the Bank, 62.5% were male and 37.5% were female. The Bank has fostered a respectful and inclusive environment that prioritizes diversity of employees in gender, age and professional skills and incorporates employees with diverse experience, backgrounds and perspectives. The Bank will strive to maintain and promote a diversified and harmonious working environment, and do a good job in employee care. By fully protecting the legitimate rights and interests of employees and eliminating any discrimination, the Bank promotes the diversified development of its talent team. In addition, the Bank provides comprehensive training for male and female employees who have the experience, skills and knowledge required for operation and business, including but not limited to operation, management, accounting, finance, compliance, etc. The Board believes that the above strategy can further promote the board diversity in terms of gender in the long run by providing the Board with the opportunity to select capable female employees for future nomination to the Board.

(II) Employee Remuneration

The Bank's employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

(III) Employee Training Program

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

(IV) Labor Union

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. As of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

10. THE SUBSIDIARY OF THE BANK

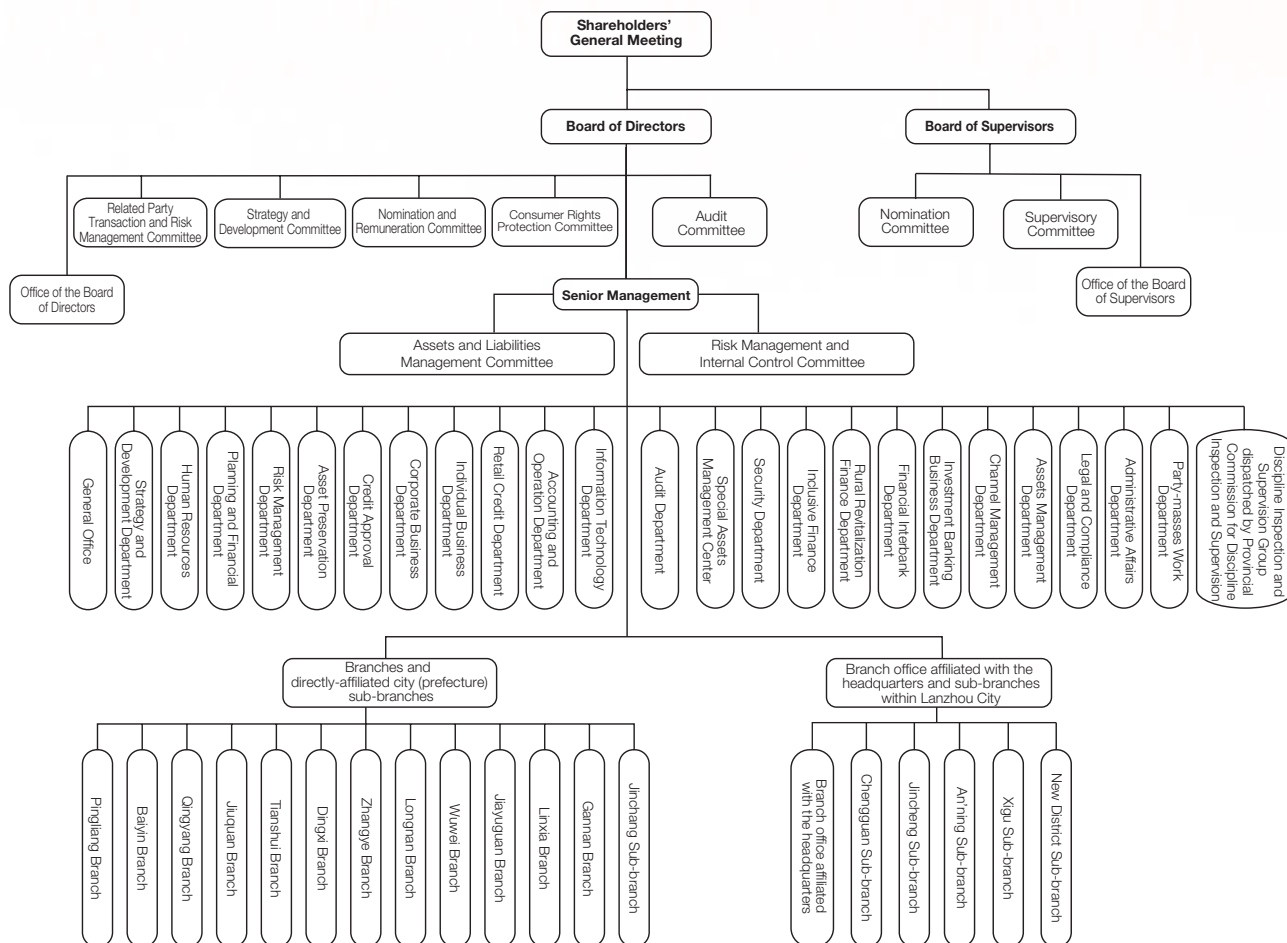
Jingning Chengji Rural Bank is the sole subsidiary of the Bank. The Bank holds 62.73% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's financial statements. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee and commission-based products and services.

Corporate Governance Report

1. CORPORATE GOVERNANCE STRUCTURE

The following chart sets forth the Bank's principal organizational and management structure:

Organizational Structure Chart of Bank of Gansu



Corporate Governance Report

2. CORPORATE GOVERNANCE

(I) Overview

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern urban commercial bank. Therefore, the Bank focuses on high quality of corporate governance and actively abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management departments. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee, and consumer rights protection committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code and the Guidelines on Corporate Governance of Banking and Insurance Institutions issued by the CBIRC (the "Corporate Governance Guidelines") into the Bank's governance structure and policies. The Corporate Governance Code and the Corporate Governance Guidelines are well reflected in the Articles of Association and the Terms of Reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties, forming good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate government structure and established a series of corporate government systems according to the Corporate Governance Code and the Corporate Governance Guidelines. The Directors of the Bank believe during the Reporting Period, the Bank has complied with all the code provisions contained in the Corporate Governance Code and has adopted certain recommended best practices where appropriate. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Corporate Governance Guidelines and meet the higher expectations from its Shareholders and potential investors.

(II) The Board Nomination and Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategic objectives and maintain good corporate governance. In respect of appointing the Directors, the Bank will consider the diversity of the members in various aspects including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time for achieving a diverse Board of Directors. The Directors are appointed on the basis of their qualifications, skills and experience. The Directors are selected according to a series of diversification basis including but not limited to gender, age, cultural and educational background, region, professional skills, knowledge and service term.

Corporate Governance Report

The nomination and remuneration committee of the Board is responsible for preparing the selection procedure and standard of the Directors, president and other senior management of the Bank and having preliminary review on the qualification and conditions of Directors, president and other senior management. It reviews the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors and management according to the experiences, asset scale and shareholding structure of the Bank at least every year and makes recommendations to the Board of Directors relating to the proposed changes to the Board of Directors based on the Bank's strategies.

The Board Diversity Policy shall be complied with when the nomination and remuneration committee of the Board of Directors makes recommendations on the candidates. The nomination and remuneration committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The nomination and remuneration committee of the Board of Directors will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

During the Reporting Period, the Board of Directors of the Bank appointed a new executive Director and a new employee representative Director (non-executive Director) was elected by the employee representative meeting of the Bank. When identifying the candidate for the member of the Board of Directors, the Bank will first select potential candidates within and beyond the social network of the members of the Board of Directors by means of referrals by its existing Directors, recommendations by third parties as well as by the Shareholders of the Company. Then, the suitability of these potential candidates shall be reviewed by the Bank through interview, background investigation, brief introduction and statement before the candidate for the Director is finalized. The Bank fully considered the importance of diversity of the members of the Board of Directors, took into a comprehensive consideration of gender, age, cultural and educational background, region, professional skills, knowledge, tenure and other factors, and paid attention to the diversity, unique insights and valuable contributions that the candidate would bring to the Board of Directors by leveraging his/her experience and expertise. As of the Latest Practicable Date, the diversity analysis for the Board of Directors is as follows: currently, the ages of the members of the Board of Directors range from 42 to 60, and there are three female out of 14 Directors in total. The professional experiences and skills of the Directors cover banking, financial and accounting, finance, economics, law, engineering and other areas. In light of the foregoing, the Board of Directors believes that, during the Reporting Period, its composition, membership background and procedures for selecting new Directors are in compliance with the requirements of the Diversification Policy for the Members of the Board of Directors.

Director	Gender	Age	Seniority	Banking	Accounting and finance major	Other majors	Directorship in other companies (number of companies)
Liu Qing	Male	57	39	✓			
Wang Xizhen	Male	49	28	✓			
Wu Changhong	Female	60	39		✓		
Shi Guanglei	Male	42	19		✓		
Zhao Xingjun	Male	54	28		✓		
Zhang Youda	Male	50	32		✓		1
Guo Jirong	Male	52	27		✓		1
Yang Chunmei	Female	45	22	✓			
Chen Jinhui	Male	54	33	✓			1
Luo Mei	Female	47	19		✓		
Wong Sincere	Male	58	27			Law	3
Dong Ximiao	Male	46	22	✓			2
Wang Tingting	Male	46	19			Economics	
Liu Guanghua	Male	53	27			Law	

Corporate Governance Report

(III) General Meeting of the Bank

During the Reporting Period, the Bank convened a total of two Shareholders' general meetings, the details of which are set out as follows:

(1) 2021 Annual General Meeting

The annual general meeting of the Bank for 2021 was convened on June 24, 2022, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. To consider and approve the resolution on the work report of the Board of Directors for 2021
2. To consider and approve the resolution on the work report of the Board of Supervisors for 2021
3. To consider and approve the resolution on the financial accounts and financial audit report for 2021
4. To consider and approve the resolution on the profit distribution plan for 2021
5. To consider and approve the resolution on the financial budget plan for 2022
6. To consider and approve the resolution on the annual report for 2021
7. To consider and approve the resolution on the engagement of external auditing firms for 2022
8. To consider and approve the resolution on the work report of Independent Non-executive Directors for 2021
9. To consider and approve the resolution on the evaluation results of Directors, Supervisors and senior management by the Board of Supervisors for 2021
10. To consider and approve the resolution on the remuneration distribution and settlement results for Directors and Supervisors in 2021
11. To consider and approve the resolution on the report on the implementation of related-party/connected transactions for 2021
12. To consider and approve the resolution on the amendments to the Measures for Equity Management of Bank of Gansu

Corporate Governance Report

Special resolutions

13. To consider and approve the resolution on the general mandate to issue Shares
14. To consider and approve the resolution on the financial bond issuance plan

(2) 2022 First Extraordinary General Meeting

The Bank held the 2022 first extraordinary general meeting on June 24, 2022, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolution

1. To consider and approve the resolution on the proposed election of Mr. Wang Xizhen as an executive Director of the third session of the Board of Directors of the Bank.

(IV) Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Directors is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and internal management setup of the Bank, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs of operation and management. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

Corporate Governance Report

(1) Composition of the Board of Directors

As of the Latest Practicable Date, the Board of Directors consists of 14 members, including:

Executive Directors:	Mr. Liu Qing, Mr. Wang Xizhen
Non-executive Directors:	Ms. Wu Changhong, Mr. Shi Guanglei, Mr. Zhao Xingjun, Mr. Zhang Youda, Mr. Guo Jirong, Ms. Yang Chunmei, Mr. Chen Jinhui
Independent non-executive Directors:	Ms. Luo Mei, Mr. Wong Sincere, Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua

The decision-making, authorization and voting procedures of the Board of Directors strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organizational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its Shareholders.

(2) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by Shareholders' ordinary resolution at a Shareholders' general meeting, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors in the Bank shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The nomination and remuneration committee of the Board of Directors is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval of nomination resolution related to candidates from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the CBIRC, the qualification of a candidate for the Bank's directorship shall also be approved by the CBIRC.

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(3) Relationships among Directors, Supervisors and Senior Management Members

The Directors, Supervisors and senior management members of the Bank are not related to one another in respect of financial business, family or other material/relevant relationships.

(4) Changes of Directors

For changes of Directors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations — II. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(5) Operation of the Board of Directors

According to the Articles of Association, the Board of Directors shall convene at least four meetings per year and at least one meeting per quarter. The meetings of the Board of Directors include regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman and a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of an extraordinary meeting of the Board of Directors shall be dispatched to the Directors five days prior to the date of convening the meeting. In emergency circumstances where an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of the meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meetings (including video conference) of the Board of Directors generally conduct voting by way of a show of hands and voting by registered ballot.

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors. The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings and the participating Directors and the recorder of minutes shall sign on such minutes. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

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(6) Functions and Powers of the Board of Directors

According to the Articles of Association, the Board of Directors exercises the following functions and powers:

- (i) to determine the Bank's business development strategies and oversee its implementation, determine the Bank's business plans and investment plans;
- (ii) to consider the Bank's annual report and manage the Bank's external information disclosure;
- (iii) to convene general meetings and report work to the general meeting;
- (iv) to implement the resolutions of the general meeting;
- (v) to prepare the Bank's annual financial budgets plan, final accounts plan, venture capital distribution plan, profit distribution plan and plan for making up the losses;
- (vi) to assess and evaluate the performance of the Directors and senior management' duties and report the evaluation results to the general meeting by the Board of Supervisors ultimately;
- (vii) to formulate plans for increase or reduction of the registered capital, issue of bonds or other securities and listing plan of the Bank;
- (viii) to consider and approve the Bank's plans for external investments, acquisitions and sales of assets, asset collateral, external guarantees, entrusted wealth management, related transactions and data governance in accordance with the authorization of the general meeting;
- (ix) to formulate a plan for material acquisitions or repurchases of Shares of the Bank or merger, division, dissolution and alternation of corporate form of the Bank and submit it to the general meeting for approval;
- (x) to determine the establishment, merger and removal of the internal management department and branch offices of the Bank;
- (xi) to consider and approve material related transactions within the scope of the authorization of the general meeting;
- (xii) to appoint or dismiss the president of the Bank and the secretary of the Board of Directors in accordance with the nomination of the chairman of the Board; to appoint or dismiss other senior management such as the vice president of the Bank and the person in charge of finance in accordance with the nomination of the president of the Bank;
- (xiii) to formulate the Bank's capital plans, and assume the ultimate responsibility for capital or solvency management;
- (xiv) to determine the Bank's risk tolerance, risk management and internal management policies, assume the ultimate responsibility for comprehensive risk management, to formulate the Bank's main management system;

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- (xv) to regularly assess and improve the Bank's corporate governance;
- (xvi) to formulate the basic management system of the Bank;
- (xvii) to formulate the amendment proposals to the Articles of Association, the rules of procedure for general meetings and the rules of procedure for Board meetings, and consider and approve the working rules of the special committees of the Board of Directors;
- (xviii) to be responsible for the Bank's information disclosure and be ultimately responsible for the completeness and accuracy of the Bank's accounting and financial reporting system;
- (xix) to listen to the work report and examine the work of the president;
- (xx) to approve the Bank's annual internal audit plans and audit budgets;
- (xxi) to determine the chairman and members of the respective committees of the Board in accordance with the nomination of the nomination and remuneration committee;
- (xxii) to consider and approve the proposals put forward by the respective committees of the Board;
- (xxiii) to determine the Bank's long-term incentive schemes, remuneration plans and salary plans;
- (xxiv) to request the general meeting to engage, reappoint or replace the accounting firm which conducts audit for the Bank;
- (xxv) to have the right to stop the decision made by the president and other senior management of the Bank that may cause significant business risk or loss to the Bank;
- (xxvi) to carry out the performance appraisal for the president and other senior management of the Bank and determine their remuneration, rewards and penalties and payment methods and decide on the remuneration and payment methods of the independent Directors and external Supervisors;
- (xxvii) to formulate the Bank's policy on the protection of consumer rights and interests, regularly listen to and consider the senior management's report on the protection of consumer rights and interests, to safeguard the legitimate rights and interests of financial consumers and other stakeholders;
- (xxviii) to consider and approve the money laundering risk management report, develop money laundering risk management strategies and monitor the implementation of the strategies and assume the ultimate responsibility for money laundering risk management; other powers conferred by the laws, administrative regulations, department rules and regulations, the Articles of Association and Shareholders' general meeting or required by the supervisory authority to the Board of Directors for exercise.

Unless otherwise stipulated in the Articles of Association, items 5, 7, 8, 9, 12, 16, 25 shall be passed by more than two-thirds of all Directors, and the rest shall be passed by more than half of all Directors when making the resolutions above.

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(7) Responsibilities of the Directors

During the Reporting Period, all Directors exercised their rights granted by the Bank and domestic and overseas regulatory authorities in a prudent, earnest, and diligent manner. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by the laws, administrative regulations, departmental rules and the Articles of Association.

In accordance with Code Provision B.1.4 of the Corporate Governance Code, the Bank has formulated the Rules of Procedure for Meetings of the Board of Directors to ensure that the Board has access to independent views and opinions, and reviews the effectiveness of such rules on an annual basis. All Directors have access to information from the Bank and, where appropriate, independent professional advice to perform their duties to the Bank at the Bank's expense. The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased director liability insurance for all Directors.

(8) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2022. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2022, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

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(9) Attendance at Meetings of the Board of Directors and General Meetings

During the Reporting Period, the Bank has convened 10 meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank during the Reporting Period are set out in the table as follows:

Directors	Number of meetings attended in person/attended by proxy/should be attended						
	Board of Directors	Strategy and Development Committee	Audit committee	Nomination and Remuneration Committee	Transaction and Risk Management Committee	Consumer Rights Protection Committee	General Meeting (actual attendance)
Mr. Liu Qing	10/0/10	3/0/3	-	4/0/4	-	2/0/2	2
Mr. Wang Xizhen ⁽¹⁾	4/0/4	1/0/1	-	1/0/1	4/0/4	-	0
Ms. Wu Changhong	10/0/10	-	2/0/2	-	-	-	2
Mr. Shi Guanglei	9/0/9	-	-	-	-	2/0/2	2
Mr. Zhao Xingjun	9/0/9	3/0/3	-	-	-	-	2
Mr. Zhang Youda	10/0/10	3/0/3	-	-	-	-	2
Mr. Guo Jirong	10/0/10	-	2/0/2	-	-	-	2
Ms. Yang Chunmei	9/0/9	-	-	-	-	2/0/2	2
Mr. Ma Zhiqiang ⁽²⁾	3/1/4	1/0/1	-	-	-	1/0/1	2
Ms. Luo Mei	10/0/10	-	2/0/2	4/0/4	-	-	2
Mr. Wong Sincere	10/0/10	-	2/0/2	-	8/0/8	-	2
Mr. Dong Ximiao	10/0/10	-	2/0/2	4/0/4	8/0/8	-	2
Mr. Wang Tingting	8/1/9	-	-	4/0/4	8/0/8	-	2
Mr. Liu Guanghua	9/0/9	-	-	-	8/0/8	2/0/2	2

Notes:

- (1) Mr. Wang Xizhen has been an executive Director of the Bank since September 16, 2022. During the period from the date when Mr. Wang Xizhen started to act as an executive Director to December 31, 2022, 4 meetings of the Board of Directors were held by the Bank; 1 meeting of the strategy and development committee where he assumes office was held; 1 meeting of the nomination and remuneration committee where he assumes office was held; and 4 meetings of the related party transaction and risk management committee where he assumes office was held. During such period, the Bank did not hold any general meeting.
- (2) Mr. Ma Zhiqiang resigned as a non-executive Director, a member of the strategy and development committee and the chairman of the consumer rights protection committee of the Bank on August 12, 2022.
- (3) Mr. Chen Jinhui, an existing non-executive Director of the Bank, is not included in the table as he has been a non-executive Director (employee representative Director) of the Bank since January 18, 2023.

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(10) Independent Non-executive Directors

The Board of Directors has appointed five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC, the CSRC and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Director the annual confirmations of independence in writing under Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the Hong Kong Listing Rules in respect of their independence.

The Bank's independent non-executive Directors represent the majority of the Bank's audit committee, nomination and remuneration committee, related party transaction and risk management committee and they serve as the chairman of these committees. Ms. Luo Mei, an independent non-executive Director, has appropriate accounting and relevant financial management expertise as required by the Hong Kong Listing Rules by virtue of her educational background and working experience.

During the Reporting Period, the independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings as observers. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized on the interests of minority Shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(11) Continuing professional development plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they were nominated to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of Directors under requirements of the Hong Kong Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, trainings participated in by all Directors are as follows:

Directors	Contents of the trainings
Liu Qing, Wu Changhong, Shi Guanglei, Zhao Xingjun, Guo Jirong, Zhang Youda, Yang Chunmei, Luo Mei, Wong Sincere, Dong Ximiao, Wang Tingting, Liu Guanghua	Special training on shareholder equity management of commercial banks
Liu Qing, Wu Changhong, Shi Guanglei, Zhao Xingjun, Guo Jirong, Zhang Youda, Yang Chunmei, Luo Mei, Wong Sincere, Dong Ximiao, Wang Tingting, Liu Guanghua	Guidelines on directors' responsibilities
Liu Qing, Wang Xizhen, Wu Changhong, Shi Guanglei, Zhao Xingjun, Guo Jirong, Zhang Youda, Yang Chunmei, Chen Jinhui, Luo Mei, Wong Sincere, Dong Ximiao, Wang Tingting, Liu Guanghua	ESG rules and disclosures of listed companies

The Bank will provide briefings on the latest developments of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors are aware of the latest regulatory development.

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(12) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period and up to the date of this annual report, the Board of Directors has:

- (i) developed and reviewed the Bank's policies and practices on corporate governance;
- (ii) reviewed and monitored the training and continuing professional development of Directors and senior management;
- (iii) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;
- (iv) developed, reviewed and monitored the code of conduct for Directors; and
- (v) reviewed the Bank's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

During the Reporting Period, the Board meeting considered and approved the following resolutions:

the Resolution on the Authorization to Mr. Qiu Jinhu to Act as President of Bank of Gansu Co., Ltd.; the Resolution on the Work Report of the Board of Directors for 2021; the Resolution on the Work Report of Senior Management for 2021; the Resolution on the General Mandate to Issue Shares; the Resolution on the Replenishment of Other Tier-one Capital Through a Convertible Negotiated Deposit; the Resolution on the Amendments to the Measures for Equity Management of Bank of Gansu; the Resolution on the 2021 Environmental, Social and Governance (ESG) Report; the Resolution on the Report on the Assessment of the Basic Information of the Substantial Shareholders for 2021; the Resolution on the Amendments to the Plan for Authorization to Management by the Board; the Resolution on the Request for the Convening of the 2021 Annual General Meeting; the Resolution on the Report on Supervision Opinions and Rectification for 2021; the Resolution on the Report on Green Finance Business for 2021; the Resolution on the Final Financial Report and Financial Audit Report for 2021; the Resolution on the Profit Distribution Proposal for 2021; the Resolution on the Integrated Business Plan for 2022; the Resolution on the Annual Report for 2021; the Resolution on the Engagement of External Auditing Firms for 2022; the Resolution on the Work Report of Internal Audit for 2021; the Resolution on the Audit Plan for 2022; the Resolution on the Internal Control Self-assessment Report for 2021; the Resolution on the Remuneration Distribution and Settlement Results for Directors and Supervisors in 2021; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2021; the Resolution on the Report on Work of Independent Directors in 2021; the Resolution on the Overall Risk Management Report for 2021; the Resolution on the Risk Appetite Statement for 2022; the Resolution on the Risk Management Strategy Proposal for 2022; the Resolution on the Credit Risk and Market Risk Limit Management Plan for 2022; the Resolution on the Report on Particulars of Related-party Transactions for 2021; the Resolution on the



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Estimated Cap of Related-party/Connected Transactions for 2022; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2021; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution on the Work Report of Consumer Rights Protection for 2021; the Resolution on the Election of Executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of President of Bank of Gansu Co., Ltd.; the Resolution on the Request for the Convening of the First Extraordinary General Meeting of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board; the Resolution on the Related-party Transaction of Market-based Transfer of Non-performing Assets; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gansu Farm Group Co., Ltd.; the Resolution on the Adjustment of Partial Integrated Business Plan for 2022; the Resolution on the Second Package of the First Batch of Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions for 2022; the Resolution on the Interim Report for 2022; the Resolution on the Amendments to Terms of Reference of the Related Party Transaction and Risk Management Committee of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Development of the Outsourcing Strategic Plan of Bank of Gansu; the Resolution on the Amendments to the Capital Administrative Measures of Bank of Gansu; the Resolution on the Overall Risk Management Report for the First Half of 2022; the Resolution on the Recovery Plan and Disposal Plan of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2022; the Resolution on the Exemption and Management of Related Parties of Bank of Gansu; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2022; the Resolution on the Related-party Transaction of Investment and Ratification of the Bank's Subscription of the Bonds of Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.; the Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Risk Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Information Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Compliance Officer of Bank of Gansu Co., Ltd.; the Resolution on the Report of the Digital Transformation of Bank of Gansu Co., Ltd.; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gepic Energy Development Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions in the Fourth Quarter of 2022; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks of Bank of Gansu for 2021.

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(13) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed five Board committees, namely the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee and consumer rights protection committee.

(i) *Strategy and Development Committee*

During the Reporting Period, the strategy and development committee consists of Mr. Liu Qing (executive Director), Mr. Wang Xizhen (executive Director, appointed on September 16, 2022), Mr. Zhao Xingjun (non-executive Director), Mr. Zhang Youda (non-executive Director) and Mr. Ma Zhiqiang (non-executive Director, resigned on August 12, 2022). Mr. Liu Qing served as the chairman of the strategy and development committee.

The principal responsibilities of the strategy and development committee include but are not limited to:

- to formulate the operation objectives of the Bank; and
- to formulate the environmental, social and governance (ESG) related objectives, medium – and long-term development strategy and management approach of the Bank, and supervise the implementation of the relevant objectives;
- to supervise and review the execution condition of annual business plans and investment plans of the Bank.

During the Reporting Period, the strategy and development committee held 3 meetings in total, at which the Resolution on the Work Report of Senior Management for 2021; the Resolution on the General Mandate to Issue Shares; the Resolution on the Replenishment of Other Tier-one Capital Through a Convertible Negotiated Deposit; the Resolution on the Amendments to the Measures for Equity Management of Bank of Gansu; the Resolution on the 2021 Environmental, Social and Governance (ESG) Report; the Resolution on the Report on the Assessment of the Basic Information of the Substantial Shareholders for 2021; the Resolution on the Report on Green Finance Business for 2021; the Resolution on the Development of the Outsourcing Strategic Plan of Bank of Gansu; the Resolution on the Amendments to the Capital Administrative Measures of Bank of Gansu; and the Resolution on the Report of the Digital Transformation of Bank of Gansu Co., Ltd. were considered and approved.

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(ii) *Audit Committee*

During the Reporting Period, the audit committee consists of Ms. Wu Changhong (non-executive Director), Mr. Guo Jirong (non-executive Director), Ms. Luo Mei (independent non-executive Director), Mr. Wong Sincere (independent non-executive Director) and Mr. Dong Ximiao (independent non-executive Director). Ms. Luo Mei is the chairman of the audit committee.

The principal responsibilities of the audit committee include but are not limited to:

- to review the accounting policy, financial condition, financial reports, risk and compliance condition of the Bank;
- to propose to employ or replace external audit agency;
- to supervise the internal audit system and its implementation of the Bank;
- to coordinate the communication between internal audit and external audit; and
- to guarantee the authenticity, accuracy and completeness of audited financial information of the Bank.

During the Reporting Period, the audit committee held 2 meetings in total, at which the Resolution on the Final Financial Report and Financial Audit Report for 2021; the Resolution on the Profit Distribution Proposal for 2021; the Resolution on the Integrated Business Plan for 2022; the Resolution on the Annual Report for 2021; the Resolution on the Engagement of External Auditing Firms for 2022; the Resolution on the Work Report of Internal Audit for 2021; the Resolution on the Audit Plan for 2022; the Resolution on the Internal Control and Self-assessment Report for 2021; and the Resolution on the Interim Report for 2022 were considered and approved.

(iii) *Nomination and Remuneration Committee*

During the Reporting Period, nomination and remuneration committee consists of Mr. Liu Qing (executive Director), Mr. Wang Xizhen (executive Director, appointed on September 16, 2022), Ms. Luo Mei (independent non-executive Director), Mr. Dong Ximiao (independent non-executive Director) and Mr. Wang Tingting (independent non-executive Director). Mr. Dong Ximiao served as the chairman of the nomination and remuneration committee.

The principal responsibilities of the nomination and remuneration committee include but are not limited to: Responsibilities regarding nomination:

- submitting proposals to the Board of Directors in relation to the formation of the Board of Directors based on the business condition, asset size and equity structure of the Bank;
- formulating the procedures and the standards for election of Directors, president and other senior management of the Bank, and submitting the relevant proposals to the Board of Directors;

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- conducting initial review of the qualifications and credentials of the Directors, president and other senior management, and providing review comments;
- assessing the independence of independent non-executive Directors; and
- developing and, where appropriate, reviewing the diversification policy of the Board of Directors and disclosing the relevant policies or their abstracts in the annual reports. For the summary of the board diversity policy of the Bank and the implementation thereof, please refer to “—II. Corporate Governance — (II) The Board Nomination and Diversity Policy” of this section.

Responsibilities regarding remuneration and evaluation:

- making recommendations to the Board of Directors on the remuneration of Directors, Supervisors, president and other senior management, and supervising the implementation of the proposals;
- making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior management, and the remuneration of non-executive Directors;
- based on the remuneration offered by companies of similar nature, time needed and responsibilities, proposing the employment terms for other positions within the Bank; and
- assessing fulfillment of duties and responsibilities by Directors and senior management and evaluating their annual performance.

During the Reporting Period, the nomination and remuneration committee held 4 meetings in total, at which the Resolution on the Remuneration Distribution and Settlement Results for Directors and Supervisors in 2021; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2021; the Resolution on the Report on Work of Independent Directors in 2021; the Resolution on the Election of Executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of President of Bank of Gansu Co., Ltd.; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board; the Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Risk Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Information Officer of Bank of Gansu Co., Ltd.; and the Resolution on the Appointment of Chief Compliance Officer of Bank of Gansu Co., Ltd. were considered and approved.

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(iv) Related Party Transaction and Risk Management Committee

During the Reporting Period, the related party transaction and risk management committee consists of Mr. Wong Sincere (independent non-executive Director), Mr. Wang Xizhen (executive Director, appointed on September 16, 2022), Mr. Dong Ximiao (independent non-executive Director), Mr. Wang Tingting (independent non-executive Director) and Mr. Liu Guanghua (independent non-executive Director). Mr. Wong Sincere is the chairman of the related party transaction and risk management committee.

The principal responsibilities of the related party transaction and risk management committee include but are not limited to:

Responsibilities regarding management of related party transaction:

- examining and approving the related party transaction within the scope of authorization set by the Board of Directors, or accepting the filing of such related party transaction; and
- assessing the related party transaction outside the scope of authority set by the Board of Directors, and seeking for the approval of such related party transaction by the Board of Directors.

Responsibilities regarding risk management:

- supervising the management of risks by the Bank's senior management;
- evaluating the Bank's risk profile;
- making recommendations regarding the Bank's risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties to establish effective systems;
- reviewing the effectiveness of the internal audit work of the Bank; and
- actively or as appointed by the Board of Directors, conducting research on key investigation results relating to risk management matters and responses of management to investigation results.

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During the Reporting Period, the related party transaction and risk management committee held 8 meetings in total, at which the Resolution on the Overall Risk Management Report for 2021; the Resolution on the Risk Appetite Statement for 2022; the Resolution on the Risk Management Strategy Proposal for 2022; the Resolution on the Credit Risk and Market Risk Limit Management Plan for 2022; the Resolution on the Report on Particulars of Related-party Transactions for 2021; the Resolution on the Estimated Cap of Related-party/Connected Transactions for 2022; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2021; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gansu Farm Group Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions; the Resolution on the Second Package of the First Batch of Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions for 2022; the Resolution on the Review of Related-party Transactions of Gansu Financial Holdings Wuwei Financing Guarantee Co., Ltd. to Reduce Penalty Interest; the Resolution on the Amendments to Terms of Reference of the Related Party Transaction and Risk Management Committee of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Overall Risk Report for the First Half of 2022; the Resolution on the Recovery Plan and Disposal Plan of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2022; the Resolution on the Exemption and Management of Related Parties of Bank of Gansu; the Resolution on the Related-party Transaction of Investment and Ratification of the Bank's Subscription of the Bonds of Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gepic Energy Development Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions in the Fourth Quarter of 2022; and the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks of Bank of Gansu for 2021 were considered and approved.

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(v) *Consumer Rights Protection Committee*

During the Reporting Period, the consumer rights protection committee consists of Mr. Liu Qing (executive Director), Mr. Shi Guanglei (non-executive Director), Ms. Yang Chunmei (non-executive Director), Mr. Ma Zhiqiang (non-executive Director, resigned on August 12, 2022) and Mr. Liu Guanghua (independent non-executive Director). Mr. Ma Zhiqiang served as the chairman of the consumer rights protection committee.

The principal responsibilities of the consumer rights protection committee include but are not limited to:

- formulating strategies, policies and objectives of the Bank's consumer rights protection work and incorporating contents relating to consumer rights protection into our corporate governance and business development strategies;
- supervising our senior management to effectively implement consumer rights protection work;
- periodically listening to our senior management's special reports on consumer rights protection work;
- supervising and evaluating the comprehensiveness, promptness and effectiveness of the Bank's consumer rights protection work and the performance of our senior management in this respect; and
- reviewing and providing comments on proposals in relation to consumer rights protection to be submitted to the Board in accordance with the Bank's overall strategies.

During the Reporting Period, the consumer rights protection committee held 2 meetings in total, at which the Resolution on the Work Report of Consumer Rights Protection for 2021 and the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2022 were considered and approved.

(14) **Overview of the annual audit work of the Bank**

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited (collectively as "Shinewing") carried out the 2022 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, Shinewing conducted the audit on internal control, carried out internal control test at the Bank's level and business process level, and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through the interview, Shinewing understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. Shinewing conducted a preliminary audit on major subjects of financial statements such as financial instruments, operating income, investment income and carried out preliminary testing. Shinewing also made a testing and evaluation on the main information system used by the Bank and discussed timely the finding of preliminary audit with the Bank's management. During year-end audit, Shinewing followed up the finding on the preliminary audit and conducted detailed audit procedures for all major subjects, and communicated timely the finding of year-end audit with the Bank's management.

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In order to successfully complete the audit work in 2022 and issue relevant audit reports with scheduled time, the audit committee of the Board of Directors authorized the finance department of the Bank to discuss with Shinewing about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the auditor's report, etc. During the audited period, the audit committee made multiple rounds of supervision. On March 30, 2023, Shinewing issued the standard unqualified auditor's reports to the Bank within the scheduled time.

The audit committee reviewed the independence, objectivity and audit procedure of Shinewing to ensure that the financial reports issued give a true and fair view. Shinewing has taken the necessary protective measures in accordance with the relevant ethical requirements to prevent possible threats to independence.

(V) Board of Supervisors

The Board of Supervisors, the Bank's supervisory body, aims to guarantee the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders and has the obligation to oversee the Bank's financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for an external Supervisor of the Bank shall be no more than six years. Shareholder Supervisors and external Supervisors shall be elected, removed or replaced at the general meeting. Employee representative Supervisors shall be elected, removed or replaced at the employee representative meeting of the Bank.

(1) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee representative Supervisors and external Supervisors. The number of the employee representative Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors. During the Reporting Period and up to the date of this annual report, the members of the Board of Supervisors are as follows:

- Ms. Tang Lan (Chairman of the Board of Supervisors, employee representative Supervisor)
- Mr. Zhang Yanlong (Shareholder Supervisor)
- Mr. Han Zhenjiang (Shareholder Supervisor)
- Mr. Zeng Lehu (Shareholder Supervisor)
- Mr. Luo Yi (External Supervisor)
- Mr. Ma Runping (External Supervisor)
- Mr. Li Zongyi (External Supervisor)
- Mr. Wang Xiaopei (Employee representative Supervisor)
- Mr. Liu Peixun (Employee representative Supervisor)

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(2) Chairman of the Board of Supervisors

During the Reporting Period, Ms. Tang Lan served as the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to urge and check the implementation of the resolutions of the Board of Supervisors;
- to review and sign reports of the Board of Supervisors and other important documents;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to fulfill obligations; and
- other duties and powers as provided for in laws, administrative regulations and Articles of Association.

(3) Changes of Supervisors

For changes of Supervisors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations — II. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(4) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

- (i) to review the Bank’s report periodically prepared by the Board and give written audit opinions;
- (ii) to examine and supervise the Bank’s financial affairs;
- (iii) to monitor the Directors and senior officers in the performance of their duties, make recommendations on the removal of Directors, president and other senior management who violate the laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders’ general meeting;
- (iv) to demand rectification from a Director, president and other senior officers when the acts of such persons are detrimental to the interests of the Bank;
- (v) to review financial information such as the financial reports, operation reports and profit distribution plans proposed to be submitted by the Board to general meetings; if any queries arise, it may authorize the registered certified public accountants and certified public auditors in the name of the Bank for review;
- (vi) to propose to convene an extraordinary general meeting; to convene and preside over the Shareholders’ general meeting when the Board of Directors fails to perform the duties of convening and presiding over the general meeting as set out in the Articles of Association;
- (vii) to make proposal to the Shareholders’ general meeting;

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- (viii) to assess and evaluate the Supervisors for performance of their duties and report to the Shareholders' general meeting;
- (ix) to report to the Shareholders' general meeting;
- (x) to supervise and require for rectification regarding the Bank's business decision-making, risk management and internal control;
- (xi) to supervise the Bank's internal audit;
- (xii) to undertake the resign audit of Directors and senior officers as required;
- (xiii) to negotiate with the Directors or file a lawsuit against the Directors and senior officers on behalf of the Bank in accordance with the provisions of the PRC Company Law;
- (xiv) to investigate any abnormality found in operations of the Bank, and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, at the expense of the Bank;
- (xv) to propose any remuneration (or allowance) arrangement of a Supervisor;
- (xvi) to supervise the Directors and senior management personnel in the performance of the anti-money laundering duties according to law and to evaluate the Directors and senior officers in the performance of the risk management of money laundering, and report to the Shareholders' general meeting; and
- (xvii) other duties and powers as provided in the laws, administrative regulations, and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly through the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches, sub-branches and subsidiaries; and
- conducting off-office audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal controls, and the performance of the Board of Directors and senior management.

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(5) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 10 meetings and there was no objection to the matters concerning the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

Supervisors	Attendance in person	Attendance through proxy	No. of required attendance
Ms. Tang Lan	10	0	10
Mr. Zhang Yanlong	10	0	10
Mr. Han Zhenjiang	10	0	10
Mr. Zeng Lehu	10	0	10
Mr. Luo Yi	10	0	10
Mr. Ma Runping	10	0	10
Mr. Li Zongyi	10	0	10
Mr. Wang Xiaopei	10	0	10
Mr. Liu Peixun	10	0	10

During the Reporting Period, the Board of Supervisors had considered and approved the following resolutions:

the Resolution on the Authorization to Mr. Qiu Jinhui to Act as President of Bank of Gansu Co., Ltd.; the Resolution on the Work Report of the Board of Supervisors of Bank of Gansu Co., Ltd. for 2021; the Resolution on the Report of the Board of Supervisors on the Performance Assessment of the Board of Directors, the Board of Supervisors and the senior management and their members of Bank of Gansu Co., Ltd. for 2021; the Resolution on the Work Report of the Board of Directors for 2021; the Resolution on the Work Report of Senior Management for 2021; the Resolution on the General Mandate to Issue Shares; the Resolution on the Replenishment of Other Tier-one Capital Through a Convertible Negotiated Deposit; the Resolution on the Amendments to the Measures for Equity Management of Bank of Gansu Co., Ltd.; the Resolution on the 2021 Environmental, Social and Governance (ESG) Report; the Resolution on the Report on the Assessment of the Basic Information of the Substantial Shareholders for 2021; the Resolution on the Plan for Authorization to Management by the Board; the Resolution on the Request for the Convening of the 2021 Annual General Meeting; the Resolution on the Report on Supervision Opinions and Rectification for 2021; the Resolution on the Work Report on Green Finance for 2021; the Resolution on the Final Financial Report and Financial Audit Report for 2021; the Resolution on the Profit Distribution Proposal for 2021; the Resolution on the Integrated Business Plan for 2022; the Resolution on the Annual Report for 2021; the Resolution on the Engagement of External Auditing Firms for 2022; the Resolution on the Work Report of Internal Audit for 2021; the Resolution on the Audit Plan for 2022; the Resolution on the Internal Control Self-assessment Report for 2021; the Resolution on the Remuneration Distribution and Settlement Results for Directors and Supervisors in 2021; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2021; the Resolution on the Report on Work of Independent

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Directors in 2021; the Resolution on the Overall Risk Management Report for 2021; the Resolution on the Risk Appetite Statement for 2022; the Resolution on the Risk Management Strategy Proposal for 2022; the Resolution on the Credit Risk and Market Risk Limit Management Plan for 2022; the Resolution on the Report on Particulars of Related-party Transactions for 2021; the Resolution on the Estimated Cap of Related-party/Connected Transactions for 2022; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2021; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution on the Work Report of Consumer Rights Protection for 2021; the Resolution on the Election of Executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of President of Bank of Gansu Co., Ltd.; the Resolution on the Request for the Convening of the First Extraordinary General Meeting of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board of Bank of Gansu Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which may Constitute Related-party Transactions of Bank of Gansu Co., Ltd.; the Resolution on the Related-party Transaction of Bank of Gansu Co., Ltd. Regarding Investment in the Bonds Issued by Gansu Farm Group Co., Ltd.; the Resolution on the Adjustment of Partial Integrated Business Plan of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Second Package of the First Batch of Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Interim Report for 2022; the Resolution on the Amendments to Terms of Reference of the Related Party Transaction and Risk Management Committee of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Development of the Outsourcing Strategic Plan of Bank of Gansu; the Resolution on the Amendments to the Capital Administrative Measures of Bank of Gansu; the Resolution on the Overall Risk Management Report for the First Half of 2022; the Resolution on the Recovery Plan and Disposal Plan of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2022; the Resolution on the Exemption and Management of Related Parties of Bank of Gansu; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2022; the Resolution on the Related-party Transaction of Investment and Ratification of the Bank's Subscription of the Bonds of Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.; the Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Risk Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Information Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Compliance Officer of Bank of Gansu Co., Ltd.; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gepic Energy Development Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions in the Fourth Quarter of 2022; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks of Bank of Gansu for 2021.

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(6) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

(7) Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

(8) Committees under the Board of Supervisors

The Board of Supervisors has established two committees, namely the supervisory committee and the nomination committee. These committees operate in accordance with the rules of procedures formulated by the Board of Supervisors.

Supervisory Committee

The supervisory committee consists of five Supervisors, being Mr. Li Zongyi, Ms. Tang Lan, Mr. Liu Peixun, Mr. Ma Runping and Mr. Han Zhenjiang. Mr. Li Zongyi is the chairman of the Supervisory Committee. The principal responsibilities of the supervisory committee include: supervising the Board of Directors in formulating prudent business philosophies and development strategies; formulating and coordinating the implementation of internal inspection and special audit plans with respect to our business decision-making, financial activities, risk management and internal controls; formulating and coordinating the implementation of investigation plans for major emergencies and risk events based on the authorization of our Board of Supervisors; and communicating with external auditors regarding preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

The supervisory committee convened a total of 9 meetings during the Reporting Period, at which the following resolutions were considered and approved:

the Resolution on the Work Report of the Board of Supervisors of Bank of Gansu Co., Ltd. for 2021; the Resolution on the Report of the Board of Supervisors on the Performance Assessment of the Board of Directors, the Board of Supervisors and the senior management and their members of Bank of Gansu Co., Ltd. for 2021; the Resolution on the Work Report of the Board of Directors for 2021; the Resolution on the Work Report of Senior Management for 2021; the Resolution on the General Mandate to Issue Shares; the Resolution on the Replenishment of Other Tier-one Capital Through a Convertible Negotiated Deposit; the Resolution on the Amendments to the Measures for Equity Management of Bank of Gansu Co., Ltd.; the Resolution on the 2021 Environmental, Social and Governance (ESG) Report; the Resolution on the Report on the Assessment of the Basic Information of the Substantial Shareholders for 2021; the Resolution on the Plan for Authorization to Management

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by the Board; the Resolution on the Request for the Convening of the 2021 Annual General Meeting; the Resolution on the Report on Supervision Opinions and Rectification for 2021; the Resolution on the Work Report on Green Finance for 2021; the Resolution on the Final Financial Report and Financial Audit Report for 2021; the Resolution on the Profit Distribution Proposal for 2021; the Resolution on the Integrated Business Plan for 2022; the Resolution on the Annual Report for 2021; the Resolution on the Engagement of External Auditing Firms for 2022; the Resolution on the Work Report of Internal Audit for 2021; the Resolution on the Audit Plan for 2022; the Resolution on the Internal Control Self-assessment Report for 2021; the Resolution on the Remuneration Distribution and Settlement Results for Directors and Supervisors in 2021; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2021; the Resolution on the Report on Work of Independent Directors in 2021; the Resolution on the Overall Risk Management Report for 2021; the Resolution on the Risk Appetite Statement for 2022; the Resolution on the Risk Management Strategy Proposal for 2022; the Resolution on the Credit Risk and Market Risk Limit Management Plan for 2022; the Resolution on the Report on Particulars of Related-party Transactions for 2021; the Resolution on the Estimated Cap of Related-party/Connected Transactions for 2022; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2021; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution on the Work Report of Consumer Rights Protection for 2021; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board of Bank of Gansu Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions of Bank of Gansu Co., Ltd.; the Resolution on the Related-party Transaction of Bank of Gansu Co., Ltd. Regarding of Investment in the Bonds Issued by Gansu Farm Group Co., Ltd.; the Resolution on the Adjustment of Partial Integrated Business Plan of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Second Package of the First Batch of Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions of Bank of Gansu Co., Ltd. for 2022; the Resolution on the Interim Report for 2022; the Resolution on the Amendments to Bank of Terms of Reference of the Related Party Transaction and Risk Management Committee of the Board of Directors of Gansu Co., Ltd.; the Resolution on the Development of the Outsourcing Strategic Plan of Bank of Gansu; the Resolution on the Amendments to the Capital Administrative Measures of Bank of Gansu; the Resolution on the Overall Risk Management Report for the First Half of 2022; the Resolution on the Recovery Plan and Disposal Plan of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2022; the Resolution on the Exemption and Management of Related Parties of Bank of Gansu; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2022; the Resolution on the Related-party Transaction of Investment and Ratification of the Bank's Subscription of the Bonds of Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.; the Resolution on the Related-party Transaction of Investment in the Bonds Issued by Gepic Energy Development Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions in the Fourth Quarter of 2022; the Resolution on the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks of Bank of Gansu for 2021.

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Nomination Committee

The nomination committee consists of five Supervisors, being Mr. Luo Yi, Ms. Tang Lan, Mr. Wang Xiaopei, Mr. Zhang Yanlong and Mr. Zeng Lehu. The chairman of the nomination committee is Mr. Luo Yi. The principal responsibilities of the nomination committee include: formulating procedures and standards concerning election and appointment of Supervisors, conducting preliminary review on the qualifications of candidates for Supervisors, and submitting proposals to the Board of Supervisors; supervising the process of election and appointment of the Directors; performing comprehensive evaluation of Directors, Supervisors and senior management and reporting the results of evaluation to the Board of Supervisors; and supervising the objectivity and reasonableness of the remuneration management systems and policies and remuneration plans for senior management.

The nomination committee held 3 meetings during the Reporting Period, at which the following resolutions were considered and approved:

the Resolution on the Authorization to Mr. Qiu Jinhu to Act as President of Bank of Gansu Co., Ltd.; the Resolution on the Election of Executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of President of Bank of Gansu Co., Ltd.; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Risk Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Information Officer of Bank of Gansu Co., Ltd.; the Resolution on the Appointment of Chief Compliance Officer of Bank of Gansu Co., Ltd..

(9) Work performed by External Supervisors

The chairmen of the supervisory committee and the nomination committee of the Board of Supervisors are served by external Supervisors, which strengthens the role of external Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, external Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of external Supervisors in compliance with relevant laws and regulations.

(VI) Senior Management

Under the leadership of the Board of Directors, the president and other senior management of the Bank shall operate and manage the Bank in accordance with the relevant laws and regulations, the Articles of Association and the authorization of Board of Directors. In accordance with the Articles of Association, the president of the Bank shall be nominated, appointed or dismissed by the Board of Directors. Moreover, the Bank has one president and several vice presidents. The vice president and other senior management are nominated by the president, appointed or dismissed by the Board of Directors. The qualifications of the president and other senior management shall be reviewed and approved by the regulatory authority of banking in China.

Corporate Governance Report

As at the date of this annual report, the senior management of the Bank includes:

- Mr. Wang Xizhen (President)
- Mr. Cai Tong (Vice President)
- Ms. Hao Jumei (Vice President, Secretary to the Board)
- Mr. Du Jing (Vice President)
- Mr. Feng Yuhui (Chief Business Officer)
- Ms. Nie Lei (Chief Risk Officer)
- Mr. Duan Jianxing (Chief Information Officer)
- Ms. Guo Li (Chief Compliance Officer)

The president of the Bank shall be responsible to the Board of Directors. The president shall operate and manage the Bank in accordance with the laws, regulations, the Articles of Association and the authorization of the Board of Directors. The vice president shall assist with the president and perform the responsibilities as per the relevant authorizations.

The president of the Bank has the following powers and duties:

- (a) to manage the business operations of the Bank and report work to the Board;
- (b) to implement resolutions of the Board;
- (c) to prepare plans for the establishment of internal management structure of the Bank;
- (d) to establish the basic management system of the Bank and to formulate the Bank's specific rules and regulations;
- (e) to appoint or remove the head of the functional departments and the branches other than those required to be appointed or removed by the Board;
- (f) to propose to the Board for the appointment or removal of the vice president and other senior officers of the Bank;
- (g) to authorize the vice president and other senior officers, the person in charge of the internal functional departments and branches to be engaged in business management activities;
- (h) to submit to the Board the annual business plan and investment plan of the Bank, the annual financial budget, the final accounting plan and the profit distribution plan of the Bank on behalf of the senior management, and organize the implementation after approval;
- (i) to determine the salary, welfare, reward, punishment and other incentive and restraint programs and implement them after the approval of the Board of Directors;
- (j) to decide on the appointment and dismissal of employees of the Bank other than senior officers;

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- (k) to take urgent measures in the event of a major incident in the Bank and to report immediately to the Board of Directors, the Board of Supervisors and the banking regulatory authorities and the local branches of the PBOC;
- (l) in exceptional circumstances, to propose an extraordinary meeting of the Board of Directors; and
- (m) other powers which are to be exercised by the president in accordance with the laws, regulations and the provisions of the Articles of Association or the power to be exercised by the president as authorized by the Board. The president and vice presidents who are not Directors may attend meetings of the Board of Directors, but have no voting rights at such meetings.

Remuneration paid to the senior management (excluding the members of senior management who concurrently served as Directors) for the year ended December 31, 2022 is set out as follows:

Remuneration bands	Number of persons
Below RMB1.0 million	6
RMB1.0 million — RMB1.5 million	0

(VII) Chairman of the Board of Directors and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

Mr. Liu Qing was appointed as an executive Director and the chairman of the Board of Directors on December 3, 2018, responsible for the overall strategic planning and management of the Board of Directors to ensure the effective operation of the Board of Directors and that all Directors are aware of the current issues and that each issue could be discussed in a timely and constructively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors receive timely, appropriate, complete and reliable information for their consideration and review.

Due to work rearrangement, Mr. Wang Wenyong has ceased to be an executive Director and the President of the Bank, with effect from December 27, 2021. In view of the temporary vacancy of the candidate for the President of the Bank, at the meeting of Board of Directors held on January 21, 2022, the Bank considered and approved the authorization and appointment of Mr. Qiu Jinhu, vice president of the Bank, to act as President during the vacancy of the President for the period until the date of the election of the President by the Board of Directors. On June 1, 2022, the Board considered and approved the appointment of Mr. Wang Xizhen as the president of the Bank, with the term from October 17, 2022 (i.e. the date on which his qualification for the position was approved by the CBIRC Gansu Office) until the expiry of the third session of the Board of the Bank. The president of the Bank is responsible for the operation of business, the implementation of the strategies and business plans of the Bank. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.

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(VIII) Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management members, the Bank confirmed that they complied with the Model Code during the Reporting Period.

Risk Management and Internal Control

(IX) External Auditors and Remuneration of Auditors

The Group engaged Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2022, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2022 are RMB4.76 million.

The audit committee of the Board of Directors was of the view that Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited can complete various engagements of the Bank satisfactorily, stick to the principles of independence, objectiveness and impartiality and comply with the applicable accounting principles and ethical requirements for accountants, and are diligent and responsive when conducting auditing work. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the audit committee on the selection and appointment of external auditors.

(X) Company Secretary

During the Reporting Period, the company secretary of the Bank is Mr. Wong Wai Chiu. Mr. Wong took part in relevant professional trainings for no less than 15 hours during the Reporting Period. The main contact person between the company secretary and the Bank is Ms. Hao Jumei, the secretary to the Board, Ms. Hao Jumei is also required to report significant events to the chairman of the Board.

Regarding the biographic details of Mr. Wong Wai Chiu and further information regarding the change of the company secretary, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations — IV. Company Secretary” of this annual report.

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(XI) Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meeting, reception for visitors, onsite visits and telephone consultations.

The Bank has formulated the Information Disclosure Regulations of Bank of Gansu Co., Ltd. ("Information Disclosure Regulations"), which clearly regulate the scope and standards of information disclosure, the responsibilities and duties of relevant subjects, the procedures for handling and publishing information, and internal control measures. To facilitate efficient and continuous communication between the Bank and its shareholders and potential investors, the Bank has also established the Investor Relations Management System of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司投資者關係管理制度》). Through the establishment and improvement of rules and regulations, the Bank aims to further improve operational transparency and credibility, strengthen communication with investors to keep them informed of our information disclosure, thereby guaranteeing investors' right to know and protecting investors' legitimate rights and interests.

The Board has reviewed the effectiveness of the above systems of shareholder communication and the Bank's shareholders and investor engagement and communication activities during the Reporting Period and is satisfied with the implementation and effectiveness of the Bank's policies relating to communication with shareholders. The Bank maintained good interaction with investors through multiple channels, actively responded to market concerns and enhanced their understanding and recognition of the Company. In 2022, the Bank released a total of 94 articles in relation to corporate governance information, equity management information, annual and semi-annual reports, financial and accounting reports, risk management information, related party transaction information, and annual major events. The Bank's investor relations were recognized by professional institutions and awarded the "2022 Tianji Award for Harmonious Investor Relations" at the 2022 Annual Summit of China Financial Institutions sponsored by the Securities Times.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors, Bank of Gansu Co., Ltd.

Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC

Telephone: +86 (931) 877 0491

Facsimile: +86 (931) 877 1877

Principal place of business in Hong Kong of the Bank: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

Investors may view this annual report on the website of the Bank (www.gsbankchina.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Corporate Governance Report

Enquiries on matters relating to the H Shares

If the Shareholders have any enquiries on matters relating to the H Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Enquiries on matters relating to the Domestic Shares

If the Shareholders have any enquiries on matters relating to the Domestic Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, please send the enquiries in writing to the following address:

Office of the Board of Directors, Bank of Gansu Co., Ltd.
Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Telephone: +86 (931) 877 0491
Facsimile: +86 (931) 877 1877

(XII) Rights of Shareholders

(1) Convening of extraordinary general meeting at the request of Shareholders

The Shareholders (the "Proposal Shareholders") of the Bank who individually or jointly hold 10% or more (calculated based on the shareholding from the date when such written request is made by such Shareholders) of the total voting Shares of the Bank may request in writing to convene an extraordinary general meeting. The following procedures shall be followed if the Proposal Shareholders request an extraordinary general meeting or class meeting:

- (i) Two or more Shareholders jointly holding the shares carrying more than 10% (inclusive) of the voting rights in the meeting to be held can execute one or several copies of written requirements in the same format for requiring the Board of Directors to convene the extraordinary general meeting or class meeting and clarify the meeting subject. The Board shall respond in writing to decide to convene such meeting or not within ten days upon receipt of such written proposal in accordance with the laws, rules and regulations and the Articles of Association. The number of shares aforesaid shall be calculated from the date when such written request is made by the Shareholders.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days after the Board makes such resolution, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposals.

Corporate Governance Report

- (ii) Where the Board does not agree to convene an extraordinary general meeting or does not respond within ten days upon receipt of the request, the Shareholders who individually or jointly hold more than 10% of the Shares of the Bank shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposal.

Where the Board of Supervisors fails to give a notice of the general meeting in specified period, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders individually or jointly holding more than 10% of the Shares of the Bank for over 90 consecutive days (the "Convening Shareholder") may convene and preside over a general meeting.

Where the Board fails to respond to the request of the Shareholder to hold a general meeting, any reasonable expenses incurred by the Shareholder to convene and preside over such meeting shall be borne by the Bank and deducted from any sums owed by the Bank to the Directors who have defaulted on their duties.

If the Board of Supervisors or Shareholders decide to convene the general meeting, it shall notify the Board of Directors in writing, and report to and file with the banking regulatory authority of the place where the Bank is located. The content of the notice of convening the extraordinary general meeting shall comply with the following requirements:

- (A) The proposal shall not be added with the new content; or otherwise the Proposal Shareholders shall make a new request to the Board of Directors to convene a general meeting in accordance with the aforesaid procedures;
- (B) The meeting shall be held at the venue where the Bank is located.

For the general meeting convened and presided over by Shareholders on their own initiatives, the shareholding proportion of the Convening Shareholders before the announcement of the resolutions passed at the general meeting shall not be less than 10%. The Board of Supervisors or Convening Shareholders shall submit the relevant evidentiary materials to the local banking regulatory authorities in the jurisdiction in which the Bank is situated upon the issuance of the notice of a general meeting or the announcement of the resolution of a general meeting.

Corporate Governance Report

(2) Proposing resolutions at Shareholders' general meetings

Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may submit provisional proposals to the conveners in writing 10 days before the date of the general meeting. The conveners shall issue a supplemental notice of general meeting setting out the contents of the provisional proposals within two days upon receiving the proposals.

Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and Board of Supervisors.

Shareholders who individually or jointly hold 1% or more of the total voting Shares of the Bank may nominate candidates for independent Directors. One Shareholder can only nominate one candidate for independent Director and a Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent Director. The qualifications of the nominated candidates for independent Director shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, wherein the key points of review shall include the independence, expertise, experience, capabilities. The nominators for independent Director shall obtain the consent of the nominee before nomination and the nominating Shareholder shall be fully aware of the occupation, academic experiences, professional qualifications, detailed work experiences, all spare-time jobs and other information of the nominee and shall express opinions on the qualification and independence of the nominee as independent Director. In case the Board of Directors has the different views on the particulars of the nominee, written opinions of Board of Directors shall be issued.

(3) Making inquiries to the Board of Directors

Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

Corporate Governance Report

(4) Inspection rights of the Shareholders

Shareholders are entitled to access the following information in accordance with the applicable laws, regulations, departmental rules, normative documents, regulations promulgated by the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

- (i) to obtain a copy of the Articles of Association after its cost has been paid;
- (ii) to have access to and copy the following documents after a reasonable fee has been paid:
 - (A) the Shareholder register;
 - (B) the personal information of Directors, Supervisors, president and other senior management of the Bank;
 - (C) status of the share capital of the Bank;
 - (D) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last accounting year, as well as all the expenses paid by the Bank in relation to such repurchases;
 - (E) minutes of the general meetings;
 - (F) special resolutions of the Bank;
 - (G) the latest audited financial statements and the Board reports, auditor's reports and the Board of Supervisors' Reports of the Bank;
 - (H) the copy of the latest annual return submitted to the State Administration for Market Regulation or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents above (save for item (B) above) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (E) shall be available for inspection by Shareholders only.

If any Shareholder makes a request to obtain a copy of the relevant documents from the Bank, the Bank shall send a copy of the requested documents within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include sensitive information about share price of the Bank.

Corporate Governance Report

(XIII) Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to provide timely, accurate and fair information for the investors. During the Reporting Period and up to the date of this annual report, no insider dealing was identified.

In accordance with the requirement of Measures for the Information Disclosure of Commercial Banks and Notice on the Normative Content of the Annual Report of the Joint-stock Commercial Banks, the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed.

The Bank has also formulated the Information Disclosure Regulations, which provide for basic principles of information disclosure, including the disclosure principles in the Bank's prospectus, offering circulars, listing documents, periodic reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman of the Board of Directors is the primary person in charge of the information disclosure of the Bank.

(XIV) Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality and protect the legitimate interest of investors by maintaining fairness with regard to information disclosure, the Bank has formulated the Information Disclosure Regulations pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements. The Information Disclosure Regulations provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

(XV) Amendment to the Articles of Association during the Reporting Period

On May 24, 2021, the proposal in respect of the change of the domicile of the Bank was considered and approved at the 2020 annual general meeting, and on December 24, 2021, the proposal regarding the proposed amendments to the Articles of Association was considered and approved at the 2021 first extraordinary general meeting. The amended Articles of Association became effective upon approval by CBIRC Gansu Office on April 27, 2022. Investors may review the existing and effective Articles of Association on the website of the Bank (www.gsbankchina.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Risk Management, Internal Control and Internal Audit

1. OVERVIEW

The Bank emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management, internal control reporting, announcement and appraisal system. In particular, the Bank has set up a vertical risk management structure by establishing risk management departments and positions at its head office and at each branch and sub-branch.
- The Bank has developed different risk management strategies based on the nature and characteristics of major risk categories. It also provides regular risk management training to its employees by conducting bank-wide on-site training and inviting law firms and professional institutions to provide training.

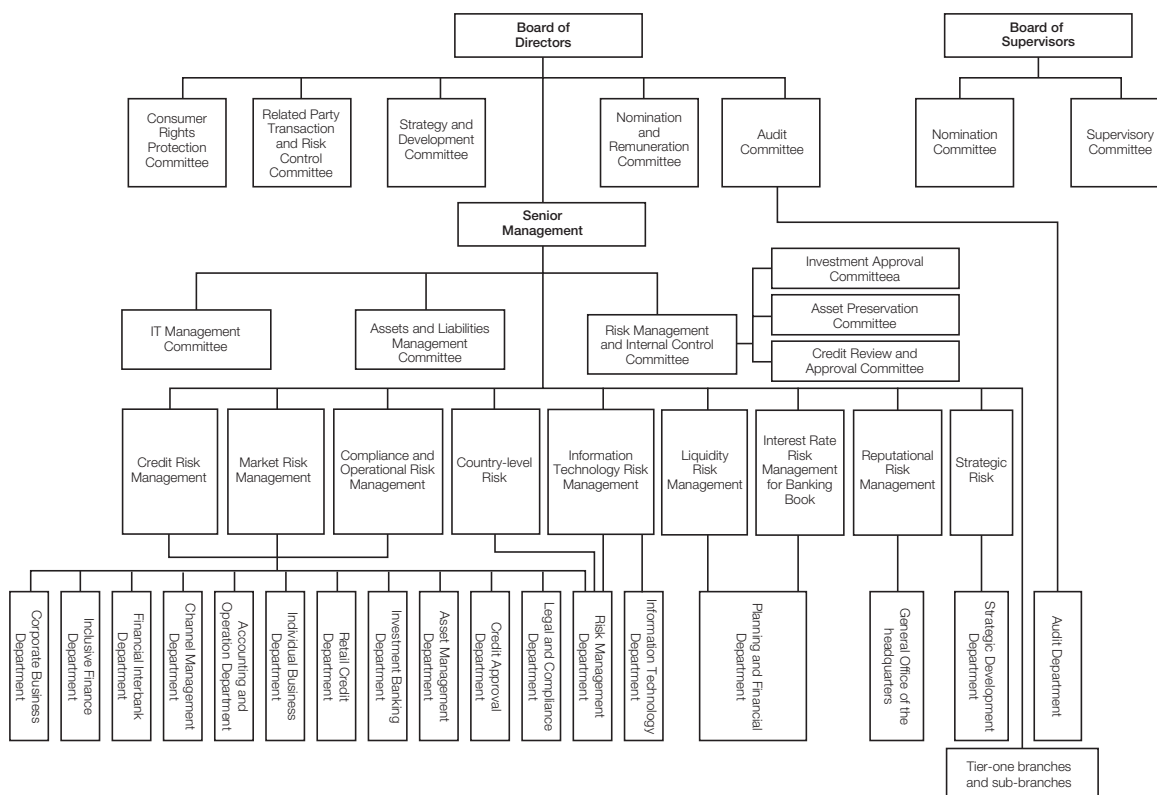
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Bank has implemented prudent risk management and internal control to ensure good asset quality. As of December 31, 2022, the Bank's non-performing loan ratio was 2.00%; and the Bank's provision coverage ratio was 134.73%.

2. RISK MANAGEMENT AND INTERNAL CONTROL OF THE BANK

(I) Organizational System

As of the date of this annual report, the organizational structure of the Bank's risk management is as follows:



Risk Management, Internal Control and Internal Audit

(1) Board of Directors and its Special Committees

The Board of Directors is ultimately responsible for the Bank's risk management and internal control. The Board of Directors is primarily responsible for (i) cultivating the Bank's risk management culture, philosophy, values and code of conduct; (ii) formulating risk management strategies; (iii) determining the Bank's overall risk appetite and risk limits; (iv) reviewing and approving risk management policies and procedures; (v) supervising the performance of risk management responsibilities by the Bank's senior management; (vi) reviewing risk management reports; (vii) reviewing and approving disclosures regarding the Bank's exposure to major risks and overall risk exposure; and (viii) appointing the Bank's chief risk officer. The Bank has established a related party transaction and risk management committee, strategy and development committee and audit committee under its Board of Directors.

Related Party Transaction and Risk Management Committee

The Bank's related party transaction and risk management committee is primarily responsible for (i) supervising the control of risks by the Bank's senior management; (ii) evaluating the Bank's risk profile; (iii) making recommendations regarding the Bank's risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties of establishing effective systems; (iv) conducting research on key investigation results relating to risk management matters and management responses to investigation results; (v) reviewing and approving related party transaction filings within the committee's authorized scope as determined by the Board; and (vi) reviewing related party transactions and submitting transactions to the Board for approval.

Strategy and Development Committee

The Bank's strategy and development committee is primarily responsible for: (i) formulating the Bank's operation objectives; (ii) formulating the environmental, social and governance (ESG) related objectives, medium – and long-term development strategy and management approach of the Bank, and supervising the implementation of the relevant objectives; and (iii) supervising and reviewing the implementation of the Bank's annual business plans and investment plans.

Audit Committee

The Bank's audit committee is primarily responsible for: (i) reviewing the Bank's accounting policies, financial position, financial reports and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising the Bank's internal audit system and the implementation of this system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of the Bank's audited financial information.

According to the regulatory requirements, the Board of Directors conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in relation to the risk management and internal control. The Board of Directors has conducted a review of the effectiveness of the risk management and internal control systems of the Bank and its subsidiary and considered them effective and adequate.

Risk Management, Internal Control and Internal Audit

(2) Board of Supervisors and its Special Committees

The Board of Supervisors shall be accountable to the Shareholders' general meeting, and supervises the Bank's financial position and the legality and compliance of the performance of Directors, presidents and other senior management members in accordance with the laws, regulations and responsibilities prescribed in the Articles of Association, in order to safeguard the legal rights of the Bank and its Shareholders.

There are the supervisory committee and nomination committee under the Bank's Board of Supervisors, and the Board of Supervisors has established effective mechanisms for communication with such special committees.

Supervisory Committee

The Bank has established a supervisory committee under the Board of Supervisors, which is primarily responsible for (i) supervising the Board of Directors in formulating prudent business philosophies and development strategies; (ii) formulating and coordinating the implementation of internal inspection and special audit plans with respect to the Bank's business decision making, financial activities, risk management and internal controls; (iii) formulating and coordinating plans for major emergencies and risk events based on the authorization by the Board of Supervisors; and (iv) communicating with external auditors regarding the preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

Nomination Committee

The Bank's nomination committee under the Board of Supervisors is primarily responsible for (i) preparing the selection procedures and criteria for Supervisors; making preliminary assessment on the service qualifications and conditions of the candidate for Supervisors, and making recommendations to the Board of Supervisors; (ii) supervising the selection procedure of Directors; (iii) conducting comprehensive assessment on the performance of Directors, Supervisors and senior management and report to the Board of Supervisors; (iv) supervising on whether the compensation system and policy of the Bank and the compensation plan of the senior management are scientific and reasonable; and (v) other matters authorized by the Board of Supervisors.

(3) Senior Management and its Special Committees

The Bank's senior management implements the risk management policies, strategies and plans set by the Board of Directors. It is primarily responsible for (i) establishing a management structure based on comprehensive risk management strategies, delineating risk management responsibilities among various departments, and developing a coordinated checks-and-balances mechanism among departments; (ii) formulating clear execution and accountability systems for the effective communication and implementation of risk management strategies, preferences and limits; (iii) formulating and implementing overall risk limits based on the Bank's overall risk appetites determined by the Board, based on the relevant industry, region, customer and product; (iv) formulating and adjusting risk management policies and procedures and conducting periodic evaluations; (v) evaluating the Bank's overall risk profile and exposure to specific risks and reporting to the Board; (vi) establishing information management and data quality control systems; and (vii) monitoring breaches of risk appetite, risk limits or violations of risk management policies and procedures, and taking corresponding measures based on the Board's authorization.

The Bank has established five special committees with risk management responsibilities under its senior management: the risk management and internal control committee, asset preservation and management committee, IT management committee, credit review and approval committee, and assets and liabilities management committee.

Risk Management, Internal Control and Internal Audit

Risk Management and Internal Control Committee

The Bank's risk management and internal control committee is primarily responsible for (i) formulating risk management and internal control plans and policies as well as risk evaluations to ensure the effective operation of the Bank's risk management and internal control systems; (ii) formulating risk identification, quantification, assessment, monitoring, control and mitigation measures; (iii) formulating plans or proposals to evaluate the sufficiency, compliance and effectiveness of risk management and internal control systems; (iv) overseeing business departments in establishing, improving and implementing internal control systems; (v) conducting feasibility studies with respect to risks associated with the Bank's major business activities; (vi) handling material risk events; (vii) reviewing proposals regarding risk classifications and provisioning for impairments; (viii) reviewing accountability for incidents of employee non-compliance; (ix) submitting risk reports to the related party transaction and risk management committee; and (x) ensuring the implementation of risk management policies and resolutions of the related party transaction and risk management committee.

Asset Preservation and Management Committee

The Bank's asset preservation and management committee is primarily responsible for (i) reviewing asset preservation plans and strategies; (ii) reviewing and approving proposals relating to the collection and disposition of collateral; (iii) reviewing and approving dispositions of non-credit assets; (iv) reviewing and approving proposals for the restructuring of non-performing loans; (v) reviewing and approving proposals of branches and sub-branches for the write-offs of credit and bad debts; (vi) reviewing and approving proposals for asset restructurings, mergers and acquisitions and bankruptcies; and (vii) advising on the protection of creditors' rights and preservation of loan assets, and overseeing the implementation of such advice.

IT Management Committee

The Bank's IT management committee is primarily responsible for (i) formulating the Bank's IT strategic objectives and planning; (ii) supervising the Bank's IT-related work and regularly reporting IT strategic plans, IT budget and IT expenditures to the Board and senior management; (iii) reviewing the Bank's annual IT budget, adjusting IT project priorities and coordinating relevant resources; (iv) considering the Bank's IT policies, systems, standards and principles and urging relevant departments to establish an internal IT management system; (v) implementing the Bank's information safety management decisions and addressing significant information safety incidents; and (vi) supervising the implementation by IT departments of the IT budget and expenditures, IT strategies, standards and flows, IT internal controls, the operation, maintenance and upgrading of IT systems and infrastructure, information safety management, disaster recovery planning as well as IT outsourcing.

Credit Review and Approval Committee

The Bank's credit review and approval committee is primarily responsible for (i) independently performing review and approval duties on matters relating to the Bank's credit business on the basis of the reporting entity's due diligence report and credit business review analysis opinion; and (ii) assessing and reviewing the feasibilities and risks regarding the technology, market and finance relating to the Bank's credit business, paying attention to various factors that may affect credit safety, effectively identifying various risks, and generating review and approval opinions after a comprehensive appraisal of revenue and risks.

Assets and Liabilities Management Committee

The Bank's assets and liabilities management committee is primarily responsible for determining the Bank's asset and liability management policies, to ensure that the Bank maintains reasonable capital adequacy ratios and liquidity and realizes its desired operating results under the changing economic environment and financial markets.

Risk Management, Internal Control and Internal Audit

(4) Risk Management Department

The Bank has established a centralized and vertical risk management structure. A number of the Bank's business departments at the head office, such as Risk Management Department, Corporate Business Department, Credit Approval Department, Inclusive Finance Department, Asset Preservation Department and Personal Banking Department, are involved in the Bank's daily risk management. These departments are mainly responsible for (i) formulating the Bank's overall risk management policies, covering credit authorizations and policies, credit reviews and approvals, management of non-performing assets and review and approval of loan disbursements; (ii) reviewing and approving the credit business by branches and sub-branches; and (iii) guiding branches and sub-branches in formulating credit policies based on their scale of business, target customers and local economic conditions.

Each of the Bank's branches and sub-branches has established its own risk management department and positions. The risk management departments and positions at the Bank's branches and sub-branches are mainly responsible for (i) implementing the risk management policies of the Bank's head office; (ii) monitoring and staying alert of and supervising the risks associated with the Bank's business activities; and (iii) reporting major risk events to the management of the branch or sub-branch and the risk management department of the Bank's head office.

(II) Management of Different Types of Risks

(1) Credit Risk Management

Overview

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations; or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on – or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. The Bank also considers its asset and liability structure and trends in deposit and loan growth. The Bank formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. The Bank also encourages the extension of credit to emerging technology sectors, such as internet, big data and artificial intelligence in accordance with national policy directives. In addition, the Bank also issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and its risk preferences.

The Bank categorizes the industries in which a loan applicant operates into different categories and adopts a different credit policy for each industry category. The Bank has also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. The Bank generally updates these policies on an annual basis.

Risk Management, Internal Control and Internal Audit

Credit Risk Management of Corporate Loans

The Bank manages credit risks related to its corporate loans through five procedures, including pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, and non-performing loan management.

Credit Risk Management for Retail Loans

The Bank's credit risk management procedures for retail loans include pre-loan investigation, credit review and approval, loan disbursement management and post-disbursement management.

Credit Risk Management for Financial Market Operations

The Bank's financial market operations include money market transactions, investment business and wealth management business. The Bank has established various mechanisms to manage credit risks arising from its financial market operations.

Credit Risk Management for Money Market Transactions

The credit management department at the Bank's head office leads the review and approval of credit limits granted to inter-bank customers and adjusts credit limits based on a customer's operating conditions. To timely respond to risk event alerts, the Bank closely monitors changes in the operations of the actual bearers of credit risks and any external factors that could affect their ability to honor contractual obligations.

Credit Risk Management for Standard Investments and Non-Standard Credit Assets Investments

The Bank primarily invests in (i) standard investments such as debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers, and public funds managed by fund companies, and (ii) non-standard credit assets, such as trust plans, asset management plans, wealth management products.

In terms of debt securities investments, (i) the Bank has formulated strict counterparty selection criteria for its bond investments; and (ii) it only invests in standard debt financing instruments with corporate or facility credit ratings of AA or above, with a focus on bonds issued by state-owned or state-controlled enterprises. The Bank has also established similar risk management procedures for investment funds as those for loans.

The Bank manages credit risks related to its non-standard credit assets investments primarily through procedures including counterparty screening, due diligence, review and approval, classifications and record keeping. In particular, the Bank has established similar risk management procedures for asset management plans and trust plans as those for loans. The Bank also implements strict standards for investment in non-principal-protected wealth management products.

Credit Risk Management for the Wealth Management Business

The Bank manages risks associated with the issuance of wealth management products primarily through measures such as setting up an asset management department at the Bank's head office to be responsible for the issuance and management of the wealth management business, conducting evaluations of counterparty's eligibility, pre-investment due diligence investigations, risk assessments and post-investment risk management for wealth management products, performing market forecasts and analyses to select appropriate investment targets for wealth management products, and timely disclosing the relevant information to investors, etc.

Risk Management, Internal Control and Internal Audit

Credit Risk Management for the Bank's Bill Discounting Business

The Bank has published management measures and procedures for its bill discounting business. The Bank provides discounting of bank acceptance bills and commercial acceptance bills. It manages risks arising from the discounting of bank acceptance bills primarily by verifying the authenticity of the bills and the items recorded on the bills. The measures and procedures adopted by the Bank for commercial bill discounting mainly include approval by corporate credit approval authorizations, verification of the accuracy of the underlying transactions and risk classification by the risk management department based on repayment status.

Credit Risk Management for the Bank's Off-Balance-Sheet Business

The Bank strictly reviews the business backgrounds of off-balance-sheet transactions and verifies the authenticity of the related documentation. The Bank also requires strict compliance with its internal procedures to ensure that the deposit amounts, margin ratios and guarantee measures meet its requirements.

Credit Risk Management for Related Party Transactions

In order to control risks arising from related party transactions and ensure compliance with relevant laws and regulations, the Bank has specified in its Articles and internal policies the standards for identifying related parties, the review and approval procedures for related party transactions and the reporting and registration requirements for such transactions.

The Bank rigorously enforces these internal procedures throughout the Bank to identify business relationships between related parties and the Bank and maintain centralized monitoring and management of related party transactions.

Credit Risk Management for IT System

The Bank seeks to improve its credit risk management with advanced IT systems. It has improved and upgraded the credit management system to analyze customer data. The system consists of a credit evaluation module, a risk management module, a post-disbursement management module, a credit reporting module and an asset preservation module in accordance with the Bank's internal policies related to the extension of credit and provision of loans.

The Bank's risk management department collects and reports feedback from the Bank's credit business departments to the Bank's senior management and IT department. The Bank has set employee authorization limits to ensure data security and prevent employees from using system functions not related to their duties. Changes in authorization limits for employees at branches must be approved by authorized persons in the risk management department at the relevant branch. Changes in authorization limits for head office employees must be approved by authorized persons in the risk management department at the Bank's head office.

The Bank has also developed a credit risk big data alert system that measures credit risk by analyzing data of its credit businesses, data in the PBOC Credit Reference System and data from third party sources, such as the Internet and media.

Risk Management, Internal Control and Internal Audit

(2) Liquidity Risk Management

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting the Bank's liquidity include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to the Bank's statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The objective of the Bank's liquidity risk management is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of the Bank's assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

The organizational framework of the Bank's liquidity risk management focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. The Board of Directors is the ultimate decision-making institution for liquidity risk management and assumes ultimate responsibility for the Bank's liquidity risk management. Senior management is responsible for liquidity risk management, and the Bank's assets and liabilities management committee is responsible for implementing liquidity risk management policies and procedures. The Bank's supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the Bank's daily liquidity risk management.

The Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans and enhances liquidity risk management and stress tests. The Bank manages liquidity risks with instruments such as position provisioning and monitoring, cash flow analyses, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(3) Market Risk Management

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book. The market risks associated with the banking book include interest rate risk and exchange rate risk. The primary market risks in the Bank's trading book arise from fluctuations in the value of financial instruments due to changes in interest and exchange rates.

The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formats and adjusts interest rates. It manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits. The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests.

The Bank also seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

The Bank employs a number of risk management techniques to monitor and control market risks in its financial market operations, including monitoring open positions, stop-loss limits and value-at-risk of the Bank's trading book on a daily basis. The Bank analyzes its potential market risks through various methods, including duration analysis, sensibility analysis, scenario analysis and value-at-risk analysis.

Risk Management, Internal Control and Internal Audit

(4) Operational Risk Management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, failures of risk, implementation, settlement and procedure management systems relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Bank's Board of Directors is ultimately responsible for ensuring the effectiveness of the Bank's operational risk management. The Bank's senior management is responsible for coordinating operational risk management through its risk management and internal control committee. The Bank's risk management department formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The Bank's audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures. The Bank has also established a GRC system for managing internal control and operational risks.

The Bank manages operational risk primarily through measures including: (i) collecting and analyzing data on operational risk related loss to identify operational risks; (ii) re-assessing risk points for products and businesses which involve frequent occurrences of operational risk events or may incur significant losses from potential operational risk events; (iii) monitoring operational risks, and establishing an alert system to control the frequency of risk events that are likely to result in uncontrollable losses as well as reduce the potential losses from these events; (iv) establishing a comprehensive operational risk reporting system to analyze and report operational risks in a timely manner; and (v) enhancing internal training on operational risk management.

(5) Reputational Risk Management

Reputational risk represents the risk of negative evaluation of the Bank by stakeholders, the public and the media due to the Bank's operation and management, the behavior of its employees or external events such as complaints, penalties and cases, which hurts the brand value and affects the normal operations or even the market stability. The general office of the Bank's head office is primarily responsible for the management of reputation risk, and the Board, Board of Supervisors and senior management assume the ultimate responsibility, supervisory responsibility and management responsibility for reputation risk management, respectively. The Bank's reputational risk management measures primarily include (i) formulating detailed reputational risk management policies and guidelines for identifying, reporting and managing significant reputational incidents; (ii) supervising employees' performance of duties in minimizing negative risk events; (iii) analyzing public opinion, investigating reputational risks and analyzing the dissemination channels of reputational risks and related incidents; and (iv) enhancing internal training on reputational risk management.

(6) IT Risk Management

IT risk refers to operational, reputational, legal and other risks arising from information technology due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems.

The Bank's IT management committee supervises and guides the Bank's IT activities. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. Its audit department audits IT risks. Its IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

The Bank has adopted a variety of measures to manage IT risk, including (i) establishing systems, procedures and implementation rules for managing IT risks in accordance with relevant regulatory requirements; (ii) setting up an IT outsourcing risk management system with defined outsourcing management principles and strategies to eliminate outsourcing risks; and (iii) enhancing internal training on IT risks.

Risk Management, Internal Control and Internal Audit

(7) Legal and Compliance Risk Management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at the Bank's head office is in charge of managing the Bank's overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

Risk Management, Internal Control and Internal Audit

(8) Anti-money Laundering Management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees the Bank's bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the Bank's overall money-laundering risk profile, and adjusts the Bank's anti-money laundering policies on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Risk Management, Internal Control and Internal Audit

(9) Anti-corruption System

The Bank strictly abides by laws and regulations such as the Regulation of the Communist Party of China on Disciplinary Actions, the Law of the People's Republic of China on Administrative Discipline for Public Officials, the Criminal Law of the People's Republic of China and the Supervision Law of the People's Republic of China in its stringent control of corporate prevention of possible irregularities, violations of discipline and law by the Bank's employees. Accordingly, the Bank has launched the Trial Implementation Measures for Complaint Management and Investigation of Bank of Gansu (《甘肅銀行信訪管理及查處工作實施辦法(試行)》), the Trial Administrative Measures for Report on Marriage and Compassionate Leave of Party Members and Leading Cadres of Bank of Gansu (《甘肅銀行黨員幹部操辦婚喪喜慶事宜報備暫行辦法》), the Operating Procedures for Reminders, Letters and Discretions for Management Staff of Bank of Gansu's Head Office (《甘肅銀行總行管理幹部提醒、函詢和誡勉工作操作規程》), the Trial Administrative Measures for Accountability of Violation and Dereliction of Duty of Bank of Gansu (《甘肅銀行違規失職行為問責管理辦法(試行)》), the Measures for the Assessment of the Party Construction of Bank of Gansu (《甘肅銀行黨風廉政建設工作考核辦法》), the Administrative Measures for the Prevention and Control of Cases of Bank of Gansu (《甘肅銀行案件防控管理辦法》) and other internal systems, gradually improving its construction of system.

In addition to the internal system, the Bank has established a four-in-one complaint mechanism of "letters, visits, call, internet", which accepts and handles issues and traces in accordance with relevant requirements, so as to effectively curb the occurrence of corruption and other illegal acts. In terms of complaint management, the assigned discipline inspection and supervision team has formulated a corresponding working system. In accordance with the principles of unified management, classification and treatment, and handling within a time limit, the approval process is strictly implemented. In accordance with the requirements of registration acceptance, analysis and judgment, investigation and verification, and handling of issues, the Bank will investigate and deal with issues and traces on complaint letters in accordance with the law.

(III) Internal Audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. The Bank conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimize internal control compliance and its corporate governance structure, in an effort to improve its operations. The Bank adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of its head office.

The Bank has formulated internal audit rules and systems that contain articles of association and criteria for internal audit. The audit department of its head office formulates annual internal audit plans based on regulatory requirements as well as its operation, management and business profile. The plans may be implemented after being approved by the audit committee of the Board of Directors.

The Bank has also established an audit management system, which may, through standard internal audit methods and procedures, audit its operation and management, information systems, risk profile and performance of employees of key positions, evaluate the effectiveness of its internal controls and corporate governance, and conduct follow-up audits on a timely basis.

Risk Management, Internal Control and Internal Audit

3. REGULATION OF THE BANK'S INSIDE INFORMATION

The Bank attaches great importance to information disclosure and insider information management. In order to strengthen the insider information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated Measures for Information Disclosure of Bank of Gansu Co., Ltd. 《甘肅銀行股份有限公司信息披露辦法》 in accordance with PRC Company Law, PRC Securities Laws, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents.

The Bank has also formulated the Rules of Registration of Insiders and Confidentiality 《內幕信息知情人登記管理及保密制度》 which provide clear regulations for various aspects, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail management of insiders and confidentiality and the penalties for violating the internal measures governing insiders and inside information.

Independent Auditor's Report



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香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF BANK OF GANSU CO., LTD.

甘肅銀行股份有限公司

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

OPINION

We have audited the consolidated financial statements of Bank of Gansu Co., Ltd (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 181 to 317, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matters identified during our audit are summarised as follows:

- Expected credit losses of loans and advances to customers
- Consolidation of structured entities
- Valuation of financial instruments

Independent Auditor's Report

Expected credit losses of loans and advances to customers

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 203 to 207.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses ("ECL") for the loan portfolios at the balance sheet date.</p> <p>They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p> <p>The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.</p> <p>Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default, forward-looking information and the expected future cash flows related to each loan within the loan portfolios.</p> <p>We identified the ECL on loans and advances to customers as a key audit matter due to the significant balances amounted to approximately RMB208,623,170,000 (net of accumulated impairment losses of approximately RMB5,649,271,000) as at the end of the reporting period and the subjective nature of the judgement, estimation and calculation.</p>	<p>Our procedures were designed to evaluate the management's internal controls and assessment process for the measurement on the ECL model and to challenge the reasonableness of the models and assumptions used to estimate the ECL of loans and advances to customers. We have assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We have discussed the judgement in relation to the recognition of 12 months ECL and lifetime ECL of loans and advances under the 3-stage impairment model approach and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the Group's accounting policies, the market practices and model calculations were tested through re-performance.</p> <p>We have challenged the assumptions, critical judgement, management bias and the ECL models used by the management by assessing the reliability of the management's past estimates and future forecast.</p> <p>For the collectively assessed ECL, we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and thus the allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current economic scenarios and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including forward-looking information and the value of realisable collateral based on available market information.</p> <p>For both collectively and individually assessed ECL, we have also assessed the consolidated financial statement disclosures relating to the Group's exposure to credit risk.</p>

Independent Auditor's Report

Consolidation of structured entities

Refer to note 43 to the consolidated financial statements and the accounting policies on pages 196 to 197.

The 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. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing trust plans, asset management plans, wealth management products and investment funds.</p> <p>The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking consideration of power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment and estimation such as the purpose and design of structured entities, its practical ability to direct the relevant activities, interests it holds directly or indirectly, performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc unilaterally. We identified consolidation of structured entities as a key audit matter due to the key judgement exercised by the management of the Group in assessing and concluding whether the Group, as an investor, controlled over the structured entities.</p>	<p>We assessed the Group's analysis and conclusions on whether or not the Group has the practical ability to direct the relevant activities of the structured entities unilaterally and the Group has control over the structured entities by reviewing relevant agreements and documents to analyse whether the Group has obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, and whether the Group is exposed, or has rights, to the magnitude and variability of variable returns from its involvement with structured entities.</p> <p>Furthermore, we assessed the design and tested the operating effectiveness of the Group's key internal controls over its structured entities, and assessed the adequacy of disclosures being made in the consolidated financial statements required under the accounting policies of the Group for these consolidated or unconsolidated structured entities.</p>



Independent Auditor's Report

Valuation of financial instruments

Refer to note 49 to the consolidated financial statements and the accounting policies on page 222.

The key audit matter	How the matter was addressed in our audit
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particularly those required significant unobservable inputs, usually involve subjective judgment and assumptions. With different valuation techniques and assumptions applied, the valuation results might vary significantly.</p> <p>As at December 31, 2022, financial assets measured at fair value amounted to approximately RMB45,926,888,000, representing 12% of total assets. Financial instruments which required either directly (i.e. as prices) or indirectly (i.e. derived from prices) inputs were categorised within level 2 of the fair value hierarchy while financial instruments which are not based on observable market inputs were categorised within level 3 of the fair value hierarchy. We identified valuation of financial instruments as a key audit matter due to the significance of financial instruments measured at fair value, and judgements and estimations involved in valuation.</p>	<p>Our procedures were designed to assess and evaluate the design and operating effectiveness of the Group's key controls over valuation of financial instruments, including to evaluate the effectiveness of the relevant data quality and the IT system involved.</p> <p>We assessed the valuation techniques, inputs and assumptions used by the Group and observed the management's analysis and comparison of the Group's valuation techniques with those commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>We also assessed the adequacy of the disclosure being made in the consolidated financial statements required under the Group's accounting policies for valuation of financial instruments.</p>

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE BANK AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank 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 of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report

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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 of the Bank.
- Conclude on the appropriateness of the Bank's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report

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

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong

March 30, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
Interest income		13,788,636	13,676,231
Interest expenses		(8,720,713)	(8,751,975)
Net interest income	6	5,067,923	4,924,256
Fee and commission income		464,043	392,412
Fee and commission expenses		(64,065)	(41,609)
Net fee and commission income	7	399,978	350,803
Net trading gains	8	762,136	953,119
Net gains arising from investment securities	9	51,907	192,094
Net exchange gains (losses)		209,590	(148,509)
Other operating income, net	10	35,262	5,865
		1,058,895	1,002,569
Operating income		6,526,796	6,277,628
Operating expenses	11	(2,337,873)	(2,288,980)
Impairment losses on assets, net of reversals	14	(3,618,369)	(3,438,388)
Operating profit		570,554	550,260
Share of result of an associate		(140)	88
Profit before tax		570,414	550,348
Income tax credit	15	33,162	22,948
Profit for the year		603,576	573,296

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
Profit for the year		603,576	573,296
Other comprehensive (expense)/income for the year:			
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligations		(190)	(1,520)
– Fair value (loss) gain on investments in equity investments at fair value through other comprehensive income		(3,209)	7,227
– Income tax relating to items that will not be reclassified to profit or loss		850	(1,427)
		(2,549)	4,280
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income			
– Movement of provision for impairment losses	24	(318)	(1,480)
– Change in fair value recognised in investment revaluation reserve		(69,759)	20,787
– Income tax relating to item that may be reclassified subsequently to profit or loss		17,519	(4,827)
		(52,558)	14,480
Other comprehensive (expense)/income for the year, net of income tax		(55,107)	18,760
Total comprehensive income for the year		548,469	592,056
Profit for the year attributable to:			
– Owners of the Bank		600,710	570,655
– Non-controlling interests		2,866	2,641
		603,576	573,296
Total comprehensive income for the year attributable to:			
– Owners of the Bank		545,603	589,415
– Non-controlling interests		2,866	2,641
		548,469	592,056
Earnings per share			
Basic and diluted (RMB cents)	16	3.99	3.79

Consolidated Statement of Financial Position

At December 31, 2022

	Notes	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Assets				
Cash and deposits with the central bank	17	20,034,555	20,669,319	26,677,773
Deposits with banks	18	1,224,947	4,890,986	3,717,974
Placements with other financial institutions	19	1,500,503	3,890,739	–
Financial assets held under resale agreements	20	6,992,510	13,096,287	19,161,579
Financial assets at amortised cost	21	85,368,603	73,028,805	70,625,942
Loans and advances to customers	22	208,623,170	195,999,551	177,826,247
Financial assets at fair value through profit or loss	23	35,706,115	30,175,815	26,407,960
Financial assets at fair value through other comprehensive income	24	10,220,773	9,897,414	11,491,983
Interest in an associate	25	10,172	10,312	10,224
Property and equipment	27	2,989,852	3,043,380	2,959,332
Right-of-use assets	28	245,213	244,514	338,438
Deferred tax assets	29	1,867,816	1,862,158	1,833,475
Other assets	30	2,418,234	1,695,322	1,312,861
Total assets		377,202,463	358,504,602	342,363,788
Liabilities and equity				
Liabilities				
Borrowings from the central bank	32	7,631,672	7,075,867	6,642,802
Deposits from banks and other financial institutions	33	24,039,651	17,995,736	11,705,481
Placements from banks	34	2,822,806	–	–
Financial assets sold under repurchase agreements	35	3,328,758	6,055,161	8,736,315
Deposits from customers	36	279,039,186	263,233,437	257,119,319
Accrued staff costs	37	390,071	504,481	551,265
Taxes payable		2,194	2,383	3,662
Debts securities issued	38	26,039,053	28,918,929	23,630,981
Deferred tax liabilities	29	33,830	32,972	23,698
Lease liabilities	28	180,066	197,657	282,817
Other liabilities	39	1,090,124	2,431,588	2,202,702
Total liabilities		344,597,411	326,448,211	310,899,042

Consolidated Statement of Financial Position

At December 31, 2022

	Notes	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Equity				
Share capital	40	15,069,791	15,069,791	15,069,791
Capital reserve	41	5,956,614	5,956,422	5,955,483
Defined benefit plan reserve		(4,045)	(3,902)	(2,762)
Investment revaluation reserve		102,093	157,057	137,157
Surplus reserve	41	1,844,340	1,727,903	1,615,945
General reserve	41	5,343,087	4,955,881	4,538,992
Retained earnings		4,252,792	4,155,725	4,113,917
Total equity attributable to the owners of the Bank		32,564,672	32,018,877	31,428,523
Non-controlling interests		40,380	37,514	36,223
Total equity		32,605,052	32,056,391	31,464,746
Total liabilities and equity		377,202,463	358,504,602	342,363,788

The consolidated financial statements on pages 181 to 317 were approved and authorised for issue by the board of directors of the Bank on March 30, 2023 and are signed on its behalf by:

Mr. Liu Qing
Director

Mr. Wang Xizhen
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to the owners of the Bank							Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000			
At January 1, 2022	15,069,791	5,956,422	(3,902)	157,057	1,727,903	4,955,881	4,155,725	32,018,877	37,514	32,056,391
Profit for the year	-	-	-	-	-	-	600,710	600,710	2,866	603,576
Other comprehensive expense for the year	-	-	(143)	(54,964)	-	-	-	(55,107)	-	(55,107)
Total comprehensive (expense)/income for the year	-	-	(143)	(54,964)	-	-	600,710	545,603	2,866	548,469
Shareholders' injection (Note 41)	-	192	-	-	-	-	-	192	-	192
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	116,437	-	(116,437)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	387,206	(387,206)	-	-	-
At December 31, 2022	15,069,791	5,956,614	(4,045)	102,093	1,844,340	5,343,087	4,252,792	32,564,672	40,380	32,605,052

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to the owners of the Bank							Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000			
At January 1, 2021	15,069,791	5,955,483	(2,762)	137,157	1,615,945	4,538,992	4,113,917	31,428,523	36,223	31,464,746
Profit for the year	-	-	-	-	-	-	570,655	570,655	2,641	573,296
Other comprehensive (expense)/income for the year	-	-	(1,140)	19,900	-	-	-	18,760	-	18,760
Total comprehensive (expense)/income for the year	-	-	(1,140)	19,900	-	-	570,655	589,415	2,641	592,056
Shareholders' injection (Note 41)	-	939	-	-	-	-	-	939	-	939
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	111,958	-	(111,958)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	416,889	(416,889)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,350)	(1,350)
At December 31, 2021	15,069,791	5,956,422	(3,902)	157,057	1,727,903	4,955,881	4,155,725	32,018,877	37,514	32,056,391

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	570,414	550,348
Adjustments for:		
Depreciation of property and equipment	243,421	225,967
Depreciation of right-of-use assets	160,844	157,518
Amortisation of intangible assets	31,035	17,186
Impairment losses on assets, net of reversals	3,618,369	3,438,388
Interest expense on lease liabilities	5,367	4,392
Interest expense on debts securities issued	811,635	868,598
Losses on disposal of repossessed assets	6,023	5,500
Gains on disposal of land use rights	-	(7,065)
Losses on disposal of property and equipment	768	603
Unrealised losses/(gains) from debt securities at fair value through profit or loss	158,910	(23,022)
Net gains arising from investment securities	(51,907)	(192,094)
Government grants	(42,933)	(17,702)
Interest income on investments	(2,832,971)	(2,561,852)
Share of result of an associate	140	(88)
	2,679,115	2,466,677
Changes in operating assets		
Net decrease in deposits with the central bank	1,595,735	5,156,160
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(82,648)	67,555
Net decrease in financial assets held under resale agreements	886	7,255
Net increase in financial assets at fair value through profit or loss	(5,689,210)	(3,744,833)
Net increase in loans and advances to customers	(15,051,324)	(19,645,845)
Net increase in other operating assets	(883,644)	(2,926,945)
	(20,110,205)	(21,086,653)
Changes in operating liabilities		
Net increase in borrowings from central bank	555,805	433,065
Net increase in deposits from banks and other financial institutions	8,866,721	6,290,255
Net decrease in financial assets sold under repurchase agreements	(2,726,403)	(2,681,154)
Net increase in deposits from customers	15,805,749	6,114,118
Net (decrease)/increase in other operating liabilities	(1,552,193)	177,569
	20,949,679	10,333,853

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000 (Restated)
Cash generated from/(used in) operations	3,518,589	(8,286,123)
Income tax refunded/(paid)	40,331	(3,994)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	3,558,920	(8,290,117)
INVESTING ACTIVITIES		
Proceeds from disposal and redemption of investments	26,920,948	24,163,497
Interest income received from financial investments	2,702,901	2,596,458
Proceeds from disposal of property and equipment	6,256	1,614
Proceeds from disposal of land use rights	-	10,900
Payments on acquisition of investments	(40,417,131)	(24,219,024)
Payments on acquisition of property and equipment and intangible assets	(241,543)	(322,500)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(11,028,569)	2,230,945
FINANCING ACTIVITIES		
Shareholders' injection	192	939
Government grants received	42,933	17,702
Net proceeds from issue of new debt securities	55,458,337	62,182,355
Repayment of debt securities issued	(59,100,000)	(57,640,000)
Repayment of lease liabilities	(156,939)	(152,589)
Interest paid on debts securities issued	(49,848)	(123,005)
Interest paid on lease liabilities	(5,367)	(4,392)
Dividends paid	(82)	(23)
Dividends paid to non-controlling interests	(420)	(840)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(3,811,194)	4,280,147
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,280,843)	(1,779,025)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,699,642	28,478,667
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 45)	15,418,799	26,699,642
Interest received	12,398,277	12,426,348
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(7,625,979)	(8,007,564)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. GENERAL

Bank of Gansu Co., Ltd (the “Bank”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “PRC”) on September 27, 2011 with the approval of China Banking and Insurance Regulatory Commission (“CBIRC”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “Predecessor Entities”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBIRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is 525-1, Donggang West Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 2139).

As at December 31, 2022, the Bank has 1 head office operational department, 12 branches, 181 sub-branches, 5 micro-to-small enterprise sub-branches, 1 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates in Mainland China.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiary.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning January 1, 2022.

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

The application of the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2022 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17) ¹

¹ Effective for annual periods beginning on or after January 1, 2023.

² Effective for annual periods beginning on or after January 1, 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Bank anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Change of presentation of the consolidated statement of financial position

In preparing the consolidated financial statements for the year ended December 31, 2022, the directors of the Company have revisited the presentation of the consolidated financial statements and considered that to integrate the interest receivables and interest payables into each interest-earning assets and interest-bearing liabilities instead of presenting interest receivables and interest payables as a separate line item on the consolidated financial statements would better align with the market practices. The change of presentation of the Group’s interest receivables and interest payables are considered to be accounted for retrospectively. The comparative figures in the consolidated statement of financial position and consolidated statement of cash flows have been reclassified to conform with the current year’s presentation. These reclassifications have no impact on the net asset value as at December 31, 2021 and January 1, 2021 and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity for the year ended December 31, 2021 and January 1, 2021.

Reclassification adjustments are summarised as follow:

- (a) Reclassification of accrued interest to interest-bearing assets.
- (b) Reclassification of interest receivables on matured financial assets to other assets.
- (c) Reclassification of accrued interest to interest-bearing liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Change of presentation of the consolidated statement of financial position (Continued)

The nature and effects of the reclassification adjustments on the Group’s consolidated financial position as at December 31, 2021 and January 1, 2021 are as follow:

	31/12/2021	Reclassification adjustments		31/12/2021
	RMB'000 (Originally stated)	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Restated)
Assets				
Cash and deposits with the central bank	20,660,560	8,759	-	20,669,319
Deposits with banks	4,889,320	1,666	-	4,890,986
Placements with other financial institutions	3,890,000	739	-	3,890,739
Financial assets held under resale agreements	13,092,054	4,233	-	13,096,287
Financial assets at amortised cost	70,974,947	2,053,858	-	73,028,805
Interests receivables	5,926,927	(5,282,425)	(644,502)	-
Loans and advances to customers	193,241,097	2,758,454	-	195,999,551
Financial assets at fair value through profit or loss	29,942,944	232,871	-	30,175,815
Financial assets at fair value through other comprehensive income	9,675,569	221,845	-	9,897,414
Interest in an associate	10,312	-	-	10,312
Property and equipment	3,043,380	-	-	3,043,380
Right-of-use assets	244,514	-	-	244,514
Deferred tax assets	1,862,158	-	-	1,862,158
Other assets	1,050,820	-	644,502	1,695,322
Total assets	358,504,602	-	-	358,504,602

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Change of presentation of the consolidated statement of financial position (Continued)

The nature and effects of the reclassification adjustments on the Group’s consolidated financial position as at December 31, 2021 and January 1, 2021 are as follow: (Continued)

	31/12/2021 RMB'000 (Originally stated)	Reclassification adjustments RMB'000 (Note c)	31/12/2021 RMB'000 (Restated)
Liabilities and equity			
Liabilities			
Borrowings from the central bank	7,055,091	20,776	7,075,867
Deposits from banks and other financial institutions	17,844,062	151,674	17,995,736
Financial assets sold under repurchase agreements	6,051,480	3,681	6,055,161
Deposits from customers	255,987,920	7,245,517	263,233,437
Accrued staff costs	504,481	-	504,481
Taxes payable	2,383	-	2,383
Interests payables	7,457,264	(7,457,264)	-
Debts securities issued	28,883,313	35,616	28,918,929
Deferred tax liabilities	32,972	-	32,972
Lease liabilities	197,657	-	197,657
Other liabilities	2,431,588	-	2,431,588
Total liabilities	326,448,211	-	326,448,211
Equity			
Share capital	15,069,791	-	15,069,791
Capital reserve	5,956,422	-	5,956,422
Defined benefit plan reserve	(3,902)	-	(3,902)
Investment revaluation reserve	157,057	-	157,057
Surplus reserve	1,727,903	-	1,727,903
General reserve	4,955,881	-	4,955,881
Retained earnings	4,155,725	-	4,155,725
Total equity attributable to the owners of the Bank	32,018,877	-	32,018,877
Non-controlling interests	37,514	-	37,514
Total equity	32,056,391	-	32,056,391
Total liabilities and equity	358,504,602	-	358,504,602

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Change of presentation of the consolidated statement of financial position (Continued)

The nature and effects of the reclassification adjustments on the Group’s consolidated financial position as at December 31, 2021 and January 1, 2021 are as follow: (Continued)

	1/1/2021 RMB'000 (Originally stated)	Reclassification adjustments RMB'000		1/1/2021 RMB'000 (Restated)
		(Note a)	(Note b)	
Assets				
Cash and deposits with the central bank	26,666,680	11,093	-	26,677,773
Deposits with banks	3,716,145	1,829	-	3,717,974
Financial assets held under resale agreements	19,150,091	11,488	-	19,161,579
Financial assets at amortised cost	68,932,101	1,693,841	-	70,625,942
Interests receivables	4,151,959	(4,007,070)	(144,889)	-
Loans and advances to customers	176,386,767	1,439,480	-	177,826,247
Financial assets at fair value through profit or loss	25,837,489	570,471	-	26,407,960
Financial assets at fair value through other comprehensive income	11,213,115	278,868	-	11,491,983
Interest in an associate	10,224	-	-	10,224
Property and equipment	2,959,332	-	-	2,959,332
Right-of-use assets	338,438	-	-	338,438
Deferred tax assets	1,833,475	-	-	1,833,475
Other assets	1,167,972	-	144,889	1,312,861
Total assets	342,363,788	-	-	342,363,788

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Change of presentation of the consolidated statement of financial position (Continued)

The nature and effects of the reclassification adjustments on the Group’s consolidated financial position as at December 31, 2021 and January 1, 2021 are as follow: (Continued)

	1/1/2021 RMB’000 (Originally stated)	Reclassification adjustments RMB’000 (Note c)	1/1/2021 RMB’000 (Restated)
Liabilities and equity			
Liabilities			
Borrowings from the central bank	6,620,195	22,607	6,642,802
Deposits from banks and other financial institutions	11,625,724	79,757	11,705,481
Financial assets sold under repurchase agreements	8,730,070	6,245	8,736,315
Deposits from customers	249,677,701	7,441,618	257,119,319
Accrued staff costs	551,265	–	551,265
Taxes payable	3,662	–	3,662
Interests payables	7,629,663	(7,629,663)	–
Debts securities issued	23,551,545	79,436	23,630,981
Deferred tax liabilities	23,698	–	23,698
Lease liabilities	282,817	–	282,817
Other liabilities	2,202,702	–	2,202,702
Total liabilities	310,899,042	–	310,899,042
Equity			
Share capital	15,069,791	–	15,069,791
Capital reserve	5,955,483	–	5,955,483
Defined benefit plan reserve	(2,762)	–	(2,762)
Investment revaluation reserve	137,157	–	137,157
Surplus reserve	1,615,945	–	1,615,945
General reserve	4,538,992	–	4,538,992
Retained earnings	4,113,917	–	4,113,917
Total equity attributable to the owners of the Bank	31,428,523	–	31,428,523
Non-controlling interests	36,223	–	36,223
Total equity	31,464,746	–	31,464,746
Total liabilities and equity	342,363,788	–	342,363,788

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (i.e. its subsidiary). Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group is an investor of structured entities in which the Group also acts as a manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entities.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entities, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated, the exchange differences are recognised in profit or loss, except for exchange differences arising on the translation of non-monetary financial investments in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits with banks and highly liquid short-term investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest or dividend income which are derived from the Group’s ordinary course of business are presented as revenue.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “Net interest income” line item (Note 6).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTOCI (debt instruments)

The Group classifies and measures financial assets subsequently at FVTOCI if both of the following conditions are met:

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

The Group's debt instruments classified at FVTOCI includes investment in debt securities. Fair value is determined in the manner described in Note 49. Debt instruments are initially measured at fair value plus transaction costs. Subsequent changes in the carrying amount for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, impairment gains or loss, and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Net gains (losses) arising from investment securities" line item in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend and interest earned on the financial assets and is included in the “Net trading gains” line item. Fair value is determined in the manner described in Note 49.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with the central bank, deposits with banks, placements with other financial institutions, financial assets held under resale agreements, financial assets at amortised cost, debt instruments at FVTOCI, interest receivables and other receivables included in other assets and credit commitments). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions, including time value of money where appropriate.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit-impaired. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definitions of higher than AA.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk (Continued)

For credit commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a credit commitment, the Group considers changes in the risk of a default occurring on the loan to which a credit commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for credit commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

Except for investments in debt instruments that are measured at FVTOCI and credit commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

Credit commitment

Credit commitment is provided by the Group to the customer to extend loans to the customer within the commitment period on the agreed term of the contract. The Group normally does not lend at below-market rate or provide customer with credit commitments to be settled in cash or the Group shows the impairment provision for the credit commitment in provision on a net basis through the delivery or issuance of other financial instruments. Credit commitment recognises impairment losses in accordance with IFRS 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligations is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue under IFRS 15 from the following major sources:

- Wealth management service fees
- Bank acceptance bills service fees
- Agency services fees
- Settlement and clearing fees
- Letter of guarantee service fees

Fee and commission income is recognised at the specific point of time or for a certain period of time on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Fee and commission income charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including bank acceptance bills, settlement and clearing and letter of guarantee.

Fee and commission income charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including, wealth management service fees and agency services fees.

In current year, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and estimated useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain premises. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial assets held under resale and sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Property and equipment

Property and equipment use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. They are held by the Group for operation and administration purposes with useful lives over one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the costs of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss in accordance with the Group’s accounting policy. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Ownership interests in leasehold land and buildings (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	5%	20 to 30 years
Electronic equipment	3%	3 to 5 years
Motor vehicles	3%	5 to 8 years
Leasehold improvement	0%	Over the shorter of 5 to 10 years or economic useful lives
Computer software	0%	Over the shorter of 5 to 8 years or economic useful lives
Office equipment	3%	5 to 8 years

Intangible assets included in “other assets”

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Repossessed assets included in “other assets”

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor’s rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property and equipment, right-of-use assets, intangible assets and repossessed assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and repossessed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Employee benefits

Payments to defined contribution plan and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Defined benefit costs are categorised as:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the measurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in a subsidiary and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items 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 (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Expenses recognition

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one 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 Group is under common control only from the state and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- (a) the Bank’s subsidiary;
- (b) investors that exercise significant influence over the Group;
- (c) key management personnel of the Group and close family members of such individuals;
- (d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value except for the Group's leasing transactions, value in use of property and equipment, right-of-use assets, intangible assets, repossessed assets and interest in an associate for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

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 set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Significant influence over an associate

As per Note 25, the directors of the Bank considered Gansu Jingchuan BOC Fullerton Community Bank Co., Ltd* (“甘肅涇川中銀富登村鎮銀行股份有限公司”, “Gansu Jingchuan”), in which the Group has 16.67% equity interest in, as an associate of the Group.

The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account i) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; ii) the representation or rights to appoint/nominate directors for the board of directors of the associate; and iii) the rights to participate in the policy-making process, including dividends and other distribution.

Consolidation of structured entities

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management products and an asset management plans.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group has controls over such structured entities based on whether the Group has the practical ability to direct the relevant activities of the entity unilaterally, such as the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest in each case is not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

Legal title of premises

As detailed in Note 27, certain of the Group's premises as at December 31, 2022 and 2021 of which the Group had not obtained the relevant legal titles, the premises were recognised in the consolidated statement of financial position as at December 31, 2022 as the premises was under the completion stage of obtaining the legal title while as at December 31, 2021 was based on the legal opinion and management judgement that the Group is in substance controlling these premises.

At December 31, 2022, the premises with carrying values of approximately RMB1,853,302,000 was in the process of obtaining the relevant legal titles (2021: approximately RMB1,882,372,000).

* The English translation is for identification only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ECL on major financial assets

The Bank has adopted IFRS 9 to measure and account for financial instruments. For deposits with banks, placements with other financial institutions, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, provision for bank acceptances and letters of guarantees and credit commitments, the measurement of ECL uses complex models and a large number of assumptions. These models and assumptions relate to future macroeconomic conditions and borrowers' credit behavior (e.g. the probability of default and the corresponding losses).

According to the requirements of accounting standards, the measurement of ECL involves many critical judgements. For example:

- Judge the standard of significant increase in credit risk;
- Select proper models and assumptions of measurement of ECL;
- For different types of financial instruments, determine the number and weight of forward-looking scenarios to be used in measuring ECL;
- Divide the measurement of ECL into groups by characteristics of financial instruments, and the items with similar credit risk characteristics are grouped into one combination.

As at December 31, 2022, the carrying amount of deposits with banks, placements with other financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets at amortised costs were approximately RMB1,224,947,000, RMB1,500,503,000, RMB6,992,510,000, RMB208,623,170,000 and RMB85,368,603,000 respectively (2021 (Restated): approximately RMB4,890,986,000, RMB3,890,739,000, RMB13,096,287,000, RMB195,999,551,000 and RMB73,028,805,000 respectively), net of accumulated impairment losses of nil, nil, nil, RMB5,649,271,000 and RMB2,061,452,000 (2021: nil, nil, nil, RMB5,354,206,000 and RMB1,389,700,000 respectively).

As at December 31, 2022, the carrying amount of provision for bank acceptances and letters of guarantees under financial liabilities were approximately RMB53,044,000 (2021: approximately RMB37,344,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

ECL on major financial assets (Continued)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

ECL on major financial assets (Continued)

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Valuation of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

As at December 31, 2022, the financial assets that are measured at fair value on a recurring basis is approximately RMB45,926,888,000 (2021 (Restated): approximately RMB40,073,229,000).

Impairment of non-financial assets

Non-financial assets (i.e., property and equipment, repossessed assets, right-of-use assets, intangible assets and interest in an associate) are reviewed when impairment indicators once occurred to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the value in use, significant judgements are exercised over the present value of future cash flows, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at December 31, 2022, the carrying amount of non-financial assets was approximately RMB4,146,692,000 (2021: approximately RMB3,851,687,000), net of accumulated impairment loss of nil (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation and amortisation

Property and equipment are depreciated using the straight-line method over their estimated useful lives after taking into account residual values. Right-of-use assets are depreciated using the straight-line method over the shorter period of lease term and estimated useful life of the underlying assets. Intangible assets are amortised using the straight-line method over their estimated useful lives. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

As at December 31, 2022, the carrying amount of property and equipment was approximately RMB2,989,852,000 (2021: approximately RMB3,043,380,000), net of accumulated depreciation of approximately RMB2,009,198,000 (2021: approximately RMB1,820,170,000).

As at December 31, 2022, the carrying amount of right-of-use assets was approximately RMB245,213,000 (2021: approximately RMB244,514,000), net of accumulated depreciation of approximately RMB569,596,000 (2021: approximately RMB408,752,000).

As at December 31, 2022, the carrying amount of intangible assets was approximately RMB8,202,000 (2021: approximately RMB11,372,000), net of accumulated amortisation of approximately RMB56,632,000 (2021: approximately RMB32,063,000).

Impairment of interest in an associate

In determining whether the interest in an associate are impaired, the directors of the Bank assesses the recoverable amount of the interest in an associate which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interest in an associate exceeds its recoverable amount. In determining the recoverable amount of the interest in an associate, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As at December 31, 2022, the carrying amount of interest in an associate was approximately RMB10,172,000 (2021: approximately RMB10,312,000). No impairment loss was recognised as at December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

- (a) **Urban maintenance and construction tax**
Urban maintenance and construction tax is calculated as 5%-7% of business tax and value added tax.
- (b) **Education surcharge**
Education surcharge is calculated as 3% of business tax and value added tax.
- (c) **Local education surcharge**
Local education surcharge is calculated as 2% of business tax and value added tax.
- (d) **Income tax**
The income tax is calculated on taxable income. The statutory income tax rate is 15%-25%.
- (e) **Value added tax**
Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May 2017. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

6. NET INTEREST INCOME

	2022 RMB'000	2021 RMB'000
Interest income arising from		
– Deposits with the central bank	257,891	328,636
– Deposits with banks	43,649	26,904
– Placements with banks and other financial institutions	11,654	927
– Loans and advances to customers:		
Corporate loans and advances	7,445,136	6,988,965
Personal loans and advances	2,426,854	2,709,227
Discounted bills	517,466	683,683
– Financial assets held under resale agreements	253,015	376,037
– Financial assets at fair value through other comprehensive income	358,990	363,123
– Financial assets at amortised cost	2,473,981	2,198,729
	13,788,636	13,676,231
Less: Interest expenses arising from		
– Borrowings from the central bank	(134,501)	(129,483)
– Deposits from banks and other financial institutions	(735,582)	(642,199)
– Placements from banks	(69,851)	–
– Deposits from customers:		
Corporate customers	(1,567,264)	(2,030,015)
Individual customers	(5,344,086)	(4,973,664)
– Financial assets sold under repurchase agreements	(52,427)	(103,624)
– Debts securities issued	(811,635)	(868,598)
– Lease liabilities	(5,367)	(4,392)
	(8,720,713)	(8,751,975)
	5,067,923	4,924,256

Note:

All of the interest income and interest expense for the years ended December 31, 2022 and 2021 are calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

7. NET FEE AND COMMISSION INCOME

	2022 RMB'000	2021 RMB'000
Fee and commission income		
– Wealth management service fees	81,538	76,303
– Bank acceptance bills service fees	11,677	25,604
– Agency services fees	67,999	70,480
– Settlement and clearing fees	192,550	177,112
– Letter of guarantee service fees	69,899	10,562
– Others	40,380	32,351
	464,043	392,412
Fee and commission expenses		
– Settlement and clearing fees	(7,415)	(6,927)
– Bank card service fees	(56,368)	(33,684)
– Others	(282)	(998)
	(64,065)	(41,609)
	399,978	350,803

All of the fee and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVTPL.

8. NET TRADING GAINS

	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
– Realised gains from debt securities	724,532	405,012
– Unrealised (losses) gains from debt securities	(158,910)	23,022
Interest income arising from financial assets at FVTPL	196,514	525,085
	762,136	953,119

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2022 RMB'000	2021 RMB'000
Net gains on disposal of financial assets at fair value through other comprehensive income	51,907	192,094

10. OTHER OPERATING INCOME, NET

	2022 RMB'000	2021 RMB'000
Government grants (Note)	42,933	17,702
Losses on disposal of property and equipment	(768)	(603)
Losses on disposal of repossessed assets	(6,023)	(5,500)
Gains on disposal of land use rights	–	7,065
Rental income	3,092	6,311
Other operating expenses	(3,972)	(19,110)
	35,262	5,865

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

11. OPERATING EXPENSES

	2022 RMB'000	2021 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	844,714	847,523
– Staff welfares	54,885	68,271
– Social insurance	239,158	212,424
– Housing allowances	86,935	74,849
– Labor union and staff education expenses	12,516	16,861
– Others	6,350	5,971
	1,244,558	1,225,899
Premises and equipment expenses		
– Depreciation of property and equipment	243,421	225,967
– Depreciation of right-of-use assets	160,844	157,518
– Amortisation of intangible assets	31,035	17,186
– Rental and property management expenses	17,245	25,913
	452,545	426,584
Business tax and surcharges	101,771	122,079
Other general and administrative expenses (Note)	538,999	514,418
	2,337,873	2,288,980

Note: Auditor's remuneration for the year ended December 31, 2022 was approximately RMB3,360,000 (2021: approximately RMB3,388,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Bank paid and/or payable by the Group during the years ended December 31, 2022 and 2021 are set out below:

	For the year ended December 31, 2022				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	-	311	150	292	753
WANG Xizhen ^{(1), (9)}	-	83	37	53	173
Non-executive directors					
WU Changhong ⁽²⁾	-	-	-	-	-
GUO Jirong ⁽²⁾	-	-	-	-	-
ZHANG Youda ⁽²⁾	-	-	-	-	-
SHI Guanglei ⁽⁷⁾	-	-	-	-	-
ZHAO Xingjun ⁽⁷⁾	-	-	-	-	-
YANG Chunmei ⁽⁷⁾	-	-	-	-	-
MA Zhiqiang ^{(7), (10)}	-	105	60	112	277
Independent non-executive directors					
LUO Mei ⁽²⁾	143	-	-	-	143
WONG Sincere ⁽²⁾	143	-	-	-	143
DONG Ximiao ⁽²⁾	143	-	-	-	143
WANG Tingting ⁽⁷⁾	107	-	-	-	107
LIU Guanghua ⁽⁷⁾	107	-	-	-	107
Supervisors					
TANG Lan	-	287	148	275	710
ZENG Lehu	-	-	-	-	-
LUO Yi	143	-	-	-	143
ZHANG Yanlong ⁽¹¹⁾	-	-	-	-	-
HAN Zhenjiang ⁽¹¹⁾	-	-	-	-	-
MA Runping ⁽¹¹⁾	143	-	-	-	143
LI Zongyi ⁽¹¹⁾	143	-	-	-	143
WANG Xiaopei ⁽¹¹⁾	-	302	136	211	649
LIU Peixun ⁽¹¹⁾	-	288	141	382	811
	1,072	1,376	672	1,325	4,445

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	For the year ended December 31, 2021				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	-	225	144	386	755
WANG Wenyong ^{(1), (8)}	-	214	141	358	713
Non-executive directors					
WU Changhong ⁽²⁾	-	-	-	-	-
GUO Jirong ⁽²⁾	-	-	-	-	-
ZHANG Youda ⁽²⁾	-	-	-	-	-
ZHANG Hongxia ^{(2), (4)}	71	-	-	-	71
LIU Wanxiang ^{(2), (3)}	-	-	-	-	-
Independent non-executive directors					
TANG Xiuli ^{(2), (3)}	143	-	-	-	143
LUO Mei ⁽²⁾	143	-	-	-	143
WONG Sincere ⁽²⁾	143	-	-	-	143
DONG Ximiao ⁽²⁾	143	-	-	-	143
Directors' emoluments	643	439	285	744	2,111

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	For the year ended December 31, 2021				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Directors' emoluments	643	439	285	744	2,111
Supervisors					
TANG Lan	-	214	141	363	718
XU Yongfeng	-	303	144	521	968
LUO Zhenxia	-	269	141	419	829
LIU Yongchong ⁽⁵⁾	-	-	-	-	-
LI Yongjun ⁽³⁾	-	-	-	-	-
ZENG Lehu ⁽¹⁾	-	-	-	-	-
YANG Zhenjun ⁽⁵⁾	-	-	-	-	-
DONG Ying ⁽³⁾	-	-	-	-	-
LUO Yi	143	-	-	-	143
SUN Yan ^{(6), (3)}	83	-	-	-	83
ZHANG Yanlong ⁽¹¹⁾	-	-	-	-	-
HAN Zhenjiang ⁽¹¹⁾	-	-	-	-	-
MA Runping ⁽¹¹⁾	-	-	-	-	-
LI Zongyi ⁽¹¹⁾	-	-	-	-	-
WANG Xiaopei ⁽¹¹⁾	-	-	-	-	-
LIU Peixun ⁽¹¹⁾	-	-	-	-	-
Supervisors' emoluments	226	786	426	1,303	2,741
Directors' and supervisors' emoluments	869	1,225	711	2,047	4,852

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

- (1) The emolument represent the payments to the directors in respect of their service in connection with management affair of the Group.
- (2) The emolument represent the payments to the directors in respect of their service as a director.
- (3) Resigned on 24 December 2021.
- (4) Resigned on 23 June 2021.
- (5) Resigned on 24 May 2021.
- (6) Appointed on 24 May 2021.
- (7) Appointed on 4 March 2022.
- (8) Resigned on 27 December 2021.
- (9) Appointed on 16 September 2022.
- (10) Resigned on 12 August 2022.
- (11) Appointed on 24 December 2021.

Mr. LIU Qing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended December 31, 2022 and 2021. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the years ended December 31, 2022 and 2021.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the directors or supervisors of the Group whose emolument are disclosed in Note 12 above are the five individuals with the highest emoluments for the years ended December 31, 2022 and 2021.

The emoluments of the five individuals with the highest emoluments in the Group for the years ended December 31, 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	1,474	1,452
Retirement benefits scheme contributions	683	709
Discretionary bonuses	2,191	2,482
	4,348	4,643

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
HK\$ nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	4	5

No emoluments were paid by the Group to the five individuals with the highest emoluments of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the year ended December 31, 2022 (2021: nil).

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2022 RMB'000	2021 RMB'000
Impairment losses, net of reversals on:		
Financial assets at FVTOCI	(318)	(1,480)
Financial assets at amortised cost	942,035	1,969,064
Loans and advances to customers	2,427,705	1,472,541
Acceptance bills, letters of guarantees and unused credit card commitments	15,700	2,526
Other assets	233,247	(4,263)
	3,618,369	3,438,388

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

15. INCOME TAX CREDIT

(a) Income tax:

	2022 RMB'000	2021 RMB'000
Current tax:		
– PRC Enterprise Income Tax	2,347	2,715
Over provision in prior years		
– PRC Enterprise Income Tax	(49,078)	–
Deferred tax (Note 29)		
– Current year	13,569	(25,663)
	(33,162)	(22,948)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd.* ("平涼市靜寧成紀村鎮銀行股份有限公司", "Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15% for the years ended December 31, 2022 and 2021.

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	570,414	550,348
Tax at domestic income tax rate of 25% (2021: 25%)	142,603	137,587
Tax effect of share of result of an associate	35	(22)
Tax effect of expenses not deductible for tax purpose (note i)	178,197	61,297
Tax effect of income that are not taxable for tax purpose (note ii)	(303,997)	(220,960)
Over provision in prior years	(49,078)	–
Income tax on concessionary rate	(922)	(850)
Income tax credit	(33,162)	(22,948)

* The English translation is for identification only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

15. INCOME TAX CREDIT (Continued)

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows: (Continued)

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses, impairment losses on assets (net of reversals), staff costs and donations, which exceed the tax deduction limits in accordance with the PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers and government bonds, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 29.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	2022	2021
Profit for the year attributable to owners of the Bank (RMB'000)	600,710	570,655
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	15,069,791	15,069,791

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2022 RMB'000	2021 RMB'000 (Restated)
Cash on hand	405,081	422,799
Deposits with the central bank		
– Statutory deposit reserve (Note a)	14,221,165	15,789,985
– Surplus deposit reserve (Note b)	5,384,158	4,405,469
– Fiscal deposits	16,378	42,307
	19,621,701	20,237,761
Accrued interest	7,773	8,759
	20,034,555	20,669,319

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations in the PRC. As at December 31, 2022 and 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2022	2021
Reserve ratio for RMB deposits	5.25%	6%
Reserve ratio for foreign currency deposits	6%	9%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

18. DEPOSITS WITH BANKS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
Deposits in Mainland China – Banks	1,160,231	4,871,470
Deposits outside Mainland China – Banks	53,284	17,850
Accrued interest	1,213,515 11,432	4,889,320 1,666
	1,224,947	4,890,986

Notes:

a) Provision for impairment losses:

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross deposits with banks (excluding accrued interest)	1,213,515	-	-	1,213,515
Less: Provision for impairment losses	-	-	-	-
	1,213,515	-	-	1,213,515

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross deposits with banks (excluding accrued interest)	4,889,320	-	-	4,889,320
Less: Provision for impairment losses	-	-	-	-
	4,889,320	-	-	4,889,320

b) No movement in provision for impairment losses for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

19. PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	2022 RMB'000	2021 RMB'000 (Restated)
Placements in Mainland China – Other financial institutions	1,500,000	3,890,000
Accrued interest	503	739
	1,500,503	3,890,739

Notes:

a) Provision for impairment losses:

	At December 31, 2022				Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000		
Gross placements with other financial institutions (excluding accrued interest)	1,500,000	-	-		1,500,000
Less: Provision for impairment losses	-	-	-		-
	1,500,000	-	-		1,500,000

	At December 31, 2021				Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000		
Gross placements with other financial institutions (excluding accrued interest)	3,890,000	-	-		3,890,000
Less: Provision for impairment losses	-	-	-		-
	3,890,000	-	-		3,890,000

b) No movement in provision for impairment losses for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
In Mainland China		
– Banks	1,087,100	284,865
– Other financial institutions	5,902,063	12,807,189
	6,989,163	13,092,054
Accrued interest	3,347	4,233
	6,992,510	13,096,287

(b) Analysed by type of security held

	2022 RMB'000	2021 RMB'000 (Restated)
Debt securities		
– Government	2,571,944	5,124,171
– Banks and other financial institutions	4,417,219	7,967,883
	6,989,163	13,092,054
Accrued interest	3,347	4,233
	6,992,510	13,096,287

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(Continued)

(c) Provision for impairment losses:

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross financial assets held under resale agreements (excluding accrued interest)	6,989,163	-	-	6,989,163
Less: Provision for impairment losses	-	-	-	-
	6,989,163	-	-	6,989,163

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross financial assets held under resale agreements (excluding accrued interest)	13,092,054	-	-	13,092,054
Less: Provision for impairment losses	-	-	-	-
	13,092,054	-	-	13,092,054

(d) No movement in provision for impairment losses for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

21. FINANCIAL ASSETS AT AMORTISED COST

	2022 RMB'000	2021 RMB'000 (Restated)
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	34,353,961	23,014,335
– Banks and other financial institutions	23,448,662	18,299,298
– Corporations	4,451,899	4,092,582
Trust plans	14,339,745	16,184,745
Asset management plans	8,501,587	10,549,687
Asset-backed securities issued by bank and other institutions	154,827	224,000
	85,250,681	72,364,647
Accrued interest	2,179,374	2,053,858
Less: Provision for impairment losses (Note a, b)	(2,061,452)	(1,389,700)
	85,368,603	73,028,805
Analysed as:		
Listed outside Hong Kong	60,865,336	38,930,041
Unlisted outside Hong Kong	24,503,267	34,098,764
	85,368,603	73,028,805
Fair value	83,733,344	71,153,465

At December 31, 2022 and 2021, parts of debt securities were pledged as security for repurchase agreements (Note 31(a) and Note 35(c)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

21. FINANCIAL ASSETS AT AMORTISED COST (Continued)

Notes:

(a) Provision for impairment losses of financial assets at amortised cost:

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross financial assets at amortised cost (excluding accrued interest)	68,569,345	9,868,485	6,812,851	85,250,681
Less: Provision for impairment losses	(156,023)	(226,677)	(1,678,752)	(2,061,452)
	68,413,322	9,641,808	5,134,099	83,189,229

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross financial assets at amortised cost (excluding accrued interest)	56,854,732	8,863,711	6,646,204	72,364,647
Less: Provision for impairment losses	(241,708)	(181,700)	(966,292)	(1,389,700)
	56,613,024	8,682,011	5,679,912	70,974,947

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

21. FINANCIAL ASSETS AT AMORTISED COST (Continued)

Notes: (Continued)

(b) Movements in provision for impairment losses of financial assets at amortised cost

Provision for impairment losses of financial assets at amortised cost	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2021	311,381	431,761	614,088	1,357,230
Changes in the provision for impairment losses				
– Transfer to stage 2	–	70,000	(70,000)	–
– Transfer to stage 3	–	(223,221)	223,221	–
– Write off and others	–	–	(1,936,594)	(1,936,594)
– (Reversal) charge to profit or loss	(69,673)	(96,840)	2,135,577	1,969,064
Provision for impairment losses at December 31, 2021 and January 1, 2022	241,708	181,700	966,292	1,389,700
Changes in the provision for impairment losses				
– Transfer to stage 2	(33,343)	33,343	–	–
– Write off and others	–	–	(270,283)	(270,283)
– (Reversal) charge to profit or loss	(52,342)	11,634	982,743	942,035
Provision for impairment losses at December 31, 2022	156,023	226,677	1,678,752	2,061,452

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2022 RMB'000	2021 RMB'000 (Restated)
Gross loans and advances to customers		
Corporate loans and advances	137,047,943	126,837,440
Personal loans and advances		
– Personal business loans	5,688,029	5,479,122
– Personal consumption loans	18,124,829	18,104,596
– Residential and commercial mortgage loans	26,170,540	24,422,355
	49,983,398	48,006,073
Discounted bills	23,032,036	23,751,790
	210,063,377	198,595,303
Accrued interest	4,209,064	2,758,454
Less: Provision for impairment losses	(5,649,271)	(5,354,206)
	208,623,170	195,999,551

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At December 31, 2022		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	29,459,108	13.75%	13,029,402
– Wholesale and retail	12,408,342	5.79%	7,741,848
– Real estate	12,149,675	5.67%	12,107,709
– Construction	12,161,656	5.68%	5,701,634
– Mining	5,435,085	2.54%	1,356,945
– Agriculture, forestry, animal husbandry and fishery	7,546,641	3.52%	2,197,994
– Leasing and business services	23,918,705	11.16%	7,740,318
– Water, environment and public facility management	3,992,438	1.86%	2,366,189
– Cultural, sports and entertainment	3,593,920	1.68%	2,994,076
– Accommodation and catering	2,700,495	1.26%	2,311,290
– Electricity, gas and water production and supply	1,992,939	0.93%	661,305
– Transportation, storage and postal services	11,207,869	5.23%	1,449,362
– Health and social services	2,140,059	1.00%	942,055
– Education	1,613,870	0.75%	457,064
– Finance	5,653,000	2.64%	–
– Scientific research, technical services and geological prospecting	462,329	0.22%	65,350
– Resident and other services	479,348	0.22%	401,769
– Information transmission, computer services and software	132,464	0.06%	43,453
	137,047,943	63.96%	61,567,763
Personal loans and advances	49,983,398	23.33%	28,332,703
Discounted bills	23,032,036	10.75%	–
Accrued interest	4,209,064	1.96%	–
	214,272,441	100%	89,900,466
Less: Provision for impairment losses	(5,649,271)		
	208,623,170		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At December 31, 2021		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
- Manufacturing	28,447,678	14.13%	11,442,341
- Wholesale and retail	12,316,688	6.12%	8,085,139
- Real estate	11,533,091	5.73%	11,477,591
- Construction	11,681,153	5.80%	5,692,347
- Mining	5,381,971	2.67%	2,247,895
- Agriculture, forestry, animal husbandry and fishery	8,513,489	4.23%	3,081,950
- Leasing and business services	18,483,870	9.18%	7,507,456
- Water, environment and public facility management	3,495,837	1.74%	1,946,759
- Cultural, sports and entertainment	4,618,853	2.29%	3,109,858
- Accommodation and catering	2,686,797	1.33%	2,297,783
- Electricity, gas and water production and supply	2,111,298	1.05%	881,958
- Transportation, storage and postal services	7,990,238	3.97%	1,291,842
- Health and social services	2,161,248	1.07%	833,010
- Education	1,602,602	0.80%	435,347
- Finance	4,575,000	2.27%	-
- Scientific research, technical services and geological prospecting	613,820	0.30%	139,391
- Resident and other services	505,342	0.25%	412,760
- Information transmission, computer services and software	116,685	0.06%	47,317
- Public administration, social security and social organisations	1,780	0.00%	-
	126,837,440	62.99%	60,930,744
Personal loans and advances	48,006,073	23.84%	25,768,031
Discounted bills	23,751,790	11.80%	-
Accrued interest	2,758,454	1.37%	-
	201,353,757	100%	86,698,775
Less: Provision for impairment losses	(5,354,206)		
	195,999,551		

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For the year ended December 31, 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at December 31, 2022 and 2021, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At December 31, 2022					
	Gross impaired loans and advances	Stage 1	ECL Stage 2	Stage 3	Charge for the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
- Manufacturing	240,835	447,347	228,803	83,132	409,068	-
- Leasing and business services	30,456	380,096	20,797	10,607	52,686	-

	At December 31, 2021					
	Gross impaired loans and advances	Stage 1	ECL Stage 2	Stage 3	Charge for the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
- Manufacturing	342,160	447,369	156,371	109,924	340,043	-

(c) Analysed by type of collateral

	2022 RMB'000	2021 RMB'000 (Restated)
Gross loans and advances to customers		
Unsecured loans	29,310,474	26,633,717
Guaranteed loans	77,173,845	72,524,391
Collateralised loans	89,900,466	86,698,775
Pledged loans	13,678,592	12,738,420
	210,063,377	198,595,303
Accrued interest	4,209,064	2,758,454
Less: Provision for impairment losses	(5,649,271)	(5,354,206)
	208,623,170	195,999,551

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue year

	At December 31, 2022				Total RMB'000
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	
Unsecured loans	610,310	136,956	299,234	110,745	1,157,245
Guaranteed loans	598,814	228,491	448,146	301,178	1,576,629
Collateralised loans	1,247,712	575,804	698,069	471,539	2,993,124
Pledged loans	23,257	18,504	14,263	25,767	81,791
	2,480,093	959,755	1,459,712	909,229	5,808,789
As a percentage of gross loans and advances to customers (excluding accrued interest)	1.18%	0.46%	0.69%	0.43%	2.77%

	At December 31, 2021				Total RMB'000
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	
Unsecured loans	947,578	130,467	183,205	85,093	1,346,343
Guaranteed loans	1,095,216	391,997	591,781	139,413	2,218,407
Collateralised loans	3,300,553	589,519	1,044,582	183,856	5,118,510
Pledged loans	13,509	22,407	6,170	28,732	70,818
	5,356,856	1,134,390	1,825,738	437,094	8,754,078
As a percentage of gross loans and advances to customers (excluding accrued interest)	2.70%	0.57%	0.92%	0.22%	4.41%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross loans and advances to customers (excluding accrued interest)	197,511,533	8,358,849	4,192,995	210,063,377
Less: Provision for impairment losses	(2,148,353)	(1,638,038)	(1,862,880)	(5,649,271)
	195,363,180	6,720,811	2,330,115	204,414,106

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Gross loans and advances to customers (excluding accrued interest)	186,577,473	7,962,980	4,054,850	198,595,303
Less: Provision for impairment losses	(1,971,530)	(1,594,378)	(1,788,298)	(5,354,206)
	184,605,943	6,368,602	2,266,552	193,241,097

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

As at December 31, 2022 and 2021, an analysis of the gross amount of loans and advances to customers with the grading of the loan is as follows:

	At December 31, 2022			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Normal	197,511,533	48,880	–	197,560,413
Special mention	–	8,309,969	–	8,309,969
Substandard	–	–	1,150,145	1,150,145
Doubtful	–	–	1,570,217	1,570,217
Loss	–	–	1,472,633	1,472,633
Gross carrying amount (excluding accrued interest)	197,511,533	8,358,849	4,192,995	210,063,377
Less: Provision for impairment losses	(2,148,353)	(1,638,038)	(1,862,880)	(5,649,271)
Net carrying amount	195,363,180	6,720,811	2,330,115	204,414,106

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	
Normal	186,402,473	736,529	–	187,139,002
Special mention	175,000	7,226,451	–	7,401,451
Substandard	–	–	1,041,536	1,041,536
Doubtful	–	–	1,820,810	1,820,810
Loss	–	–	1,192,504	1,192,504
Gross carrying amount (excluding accrued interest)	186,577,473	7,962,980	4,054,850	198,595,303
Less: Provision for impairment losses	(1,971,530)	(1,594,378)	(1,788,298)	(5,354,206)
Net carrying amount	184,605,943	6,368,602	2,266,552	193,241,097

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

Provision for impairment losses – Loans and advances to customers	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2021	2,213,624	1,502,306	1,722,960	5,438,890
Changes in the provision for impairment losses				
– Transfer to stage 1	307,650	(291,185)	(16,465)	–
– Transfer to stage 2	(78,238)	82,505	(4,267)	–
– Transfer to stage 3	(15,585)	(241,947)	257,532	–
– Write-offs and others	–	–	(1,613,848)	(1,613,848)
– (Reversal) charge to profit or loss	(455,921)	542,699	1,385,763	1,472,541
– Recoveries of loans and advances previously written off	–	–	56,623	56,623
Provision for impairment losses at December 31, 2021 and January 1, 2022	1,971,530	1,594,378	1,788,298	5,354,206
Changes in the provision for impairment losses				
– Transfer to stage 1	703,402	(659,199)	(44,203)	–
– Transfer to stage 2	(79,242)	83,866	(4,624)	–
– Transfer to stage 3	(14,958)	(157,336)	172,294	–
– Write-offs and others	–	–	(2,205,087)	(2,205,087)
– (Reversal) charge to profit or loss	(432,379)	776,329	2,083,755	2,427,705
– Recoveries of loans and advances previously written off	–	–	72,447	72,447
Provision for impairment losses at December 31, 2022	2,148,353	1,638,038	1,862,880	5,649,271

(g) Analysed by geographical sector

Geographically, the Group mainly conduct their businesses and most of their customers and assets are located in Gansu Province of the PRC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000 (Restated)
Financial assets held for trading (Note (i))	7,105,660	4,742,523
Trust plans	1,520,045	1,444,643
Asset management plans	8,483,962	8,851,892
Investment funds	18,596,448	15,136,757
	35,706,115	30,175,815
Analysed as:		
Listed outside Hong Kong	7,105,660	4,742,523
Unlisted outside Hong Kong	28,600,455	25,433,292
	35,706,115	30,175,815

Notes:

(i) Financial assets held for trading:

	2022 RMB'000	2021 RMB'000 (Restated)
Debt securities issued by the following institutions in Mainland China:		
– Banks	5,722,030	3,658,249
– Other financial institutions	1,383,630	1,084,274
	7,105,660	4,742,523

As at December 31, 2022, no financial assets at FVTPL were subject to material restrictions on the realisation (2021: nil).

The above debt securities traded on the China Interbank Bond Market are included in “Listed outside Hong Kong”.

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000 (Restated)
Debt instruments classified at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
– Government	4,437,258	4,397,478
– Banks and other financial institutions	5,231,520	4,949,286
	9,668,778	9,346,764
Unlisted equity investments designated at FVTOCI	325,596	328,805
Accrued interest	226,399	221,845
	10,220,773	9,897,414
Analysed as:		
– Listed outside Hong Kong	9,895,177	9,568,609
– Unlisted outside Hong Kong	325,596	328,805
	10,220,773	9,897,414

At December 31, 2022 and 2021, parts of debt securities were pledged as security for repurchase agreements (Note 31(a) and Note 35(c)).

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Bank have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

Movement of provision for impairment losses:

Provision for impairment losses – Debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2021	2,603	–	–	2,603
– Movement during the year	(1,480)	–	–	(1,480)
Provision for impairment losses at December 31, 2021 and January 1, 2022	1,123	–	–	1,123
– Movement during the year	(318)	–	–	(318)
Provision for impairment losses at December 31, 2022	805	–	–	805

25. INTEREST IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits	7,172	7,312
	10,172	10,312

As at December 31, 2022 and 2021, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2022	2021	2022	2021	
Gansu Jingchuan	Limited liability	The PRC	Ordinary shares	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

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25. INTEREST IN AN ASSOCIATE (Continued)

The financial information and carrying amount of the Group's interest in an associate that is not material and is accounted for using the equity method are set out below:

	2022 RMB'000	2021 RMB'000
The Group's share of (loss) profit and total comprehensive (expense) income for the year	(140)	88
	2022 RMB'000	2021 RMB'000
Carrying amount of the Group's interest in the immaterial associate	10,172	10,312

26. PARTICULARS OF A SUBSIDIARY

Name of subsidiary	Place of establishment/operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
				At December 31, 2022	2021	At December 31, 2022	2021	At December 31, 2022	2021	
Jingning Chengji Rural Bank	The PRC	Ordinary	Joint stock company with limited liability	40,250	40,250	62.73%	62.73%	62.73%	62.73%	Corporate and retail banking

The subsidiary is directly held by the Bank and has no material non-controlling interests to the Group for the years ended December 31, 2022 and 2021.

None of the subsidiaries had issued any debt securities during both years and at the years ended December 31, 2022 and 2021.

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27. PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Premises (Buildings) RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Office equipment RMB'000	Total RMB'000
Cost								
At January 1, 2021	440,858	2,443,633	607,447	49,922	504,017	420,389	111,280	4,577,546
Additions	100,366	20,454	25,090	927	49,363	80,600	35,432	312,232
Transfers in/(out) from construction in progress	(136,599)	136,599	-	-	-	-	-	-
Disposals	-	(42)	(18,918)	(2,284)	-	-	(4,984)	(26,228)
At December 31, 2021 and January 1, 2022	404,625	2,600,644	613,619	48,565	553,380	500,989	141,728	4,863,550
Additions	36,981	36,421	21,661	425	35,559	63,502	16,577	211,126
Transfers in/(out) from construction in progress	(239,950)	193,732	350	-	57	29,607	1,995	(14,209)
Disposals	-	-	(26,801)	(153)	-	(23,478)	(10,985)	(61,417)
At December 31, 2022	201,656	2,830,797	608,829	48,837	588,996	570,620	149,315	4,999,050
Accumulated depreciation and impairment								
At January 1, 2021	-	466,478	515,219	45,333	320,298	189,871	81,015	1,618,214
Provided for the year	-	72,921	10,736	896	37,320	68,187	35,907	225,967
Eliminated on disposals	-	(21)	(17,474)	(2,171)	-	-	(4,345)	(24,011)
At December 31, 2021 and January 1, 2022	-	539,378	508,481	44,058	357,618	258,058	112,577	1,820,170
Provided for the year	-	77,555	17,175	704	36,330	87,547	24,110	243,421
Eliminated on disposals	-	-	(23,022)	(149)	-	(21,186)	(10,036)	(54,393)
At December 31, 2022	-	616,933	502,634	44,613	393,948	324,419	126,651	2,009,198
Carrying value								
At December 31, 2022	201,656	2,213,864	106,195	4,224	195,048	246,201	22,664	2,989,852
At December 31, 2021	404,625	2,061,266	105,138	4,507	195,762	242,931	29,151	3,043,380

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27. PROPERTY AND EQUIPMENT (Continued)

At December 31, 2022, the premises with carrying values of approximately RMB1,853,302,000 was in the process of obtaining the relevant legal titles (2021: approximately RMB1,882,372,000). Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use rights certificates were approximately RMB141,012,000 (2021: approximately RMB158,089,000).

The aforementioned premises are located in the PRC with medium term leases (10 – 50 years).

28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i) Right-of-use assets

	2022 RMB'000	2021 RMB'000
Premises	203,289	223,771
Land use rights in the PRC	41,924	20,743
	245,213	244,514

Additions to the right-of-use assets for the year ended December 31, 2022 amounted to approximately RMB139,348,000 (2021: approximately RMB67,429,000), due to new leases of office premises.

During the year ended December 31, 2022, the Group transferred the land use rights of approximately RMB14,209,000 and RMB7,986,000 from construction in progress on the completion of construction and repossessed assets by the management decision respectively.

ii) Lease liabilities

As at December 31, 2022, the carrying amount of lease liabilities was approximately RMB180,066,000 (2021: approximately RMB197,657,000).

For the year ended December 31, 2022, the Group entered into a number of new lease agreements for office premises and recognised lease liabilities of approximately RMB139,348,000 (2021: approximately RMB67,429,000).

Amounts payable under lease liabilities	2022 RMB'000	2021 RMB'000
Within one year	86,056	85,410
After one year but within two years	44,769	57,841
After two years but within five years	37,838	53,239
After five years	11,403	1,167
	180,066	197,657

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28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

iii) Amount recognised in profit or loss

	2022 RMB'000	2021 RMB'000
Depreciation expense of premises	159,830	156,854
Depreciation expense of land use rights	1,014	664
Interest expense on lease liabilities	5,367	4,392
Expense relating to short-term leases	3,031	10,807

iv) Others

For the year ended December 31, 2022, the total cash outflow for leases amount to approximately RMB165,337,000 (2021: approximately RMB167,788,000).

Restrictions or covenants on leases

As at December 31, 2022, lease liabilities of RMB180,066,000 are recognised with related right-of-use assets of RMB245,213,000 (2021: lease liabilities of RMB197,657,000 and related right-of-use assets of RMB244,514,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

29. DEFERRED TAX ASSETS

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	1,867,816	1,862,158
Deferred tax liabilities	(33,830)	(32,972)
	1,833,986	1,829,186

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For the year ended December 31, 2022

29. DEFERRED TAX ASSETS (Continued)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the years ended December 31, 2022 and 2021:

	Provision for impairment losses on assets RMB'000 Note (i)	Net (gains)/ losses from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Tax losses RMB'000 Note (iii)	Net balance of deferred tax assets RMB'000
At January 1, 2021	1,509,622	(18,278)	26,863	291,570	1,809,777
(Charge)/credit to profit or loss	(79,500)	(5,756)	2,942	107,977	25,663
Credit/(charge) to other comprehensive income	370	(7,004)	380	-	(6,254)
At December 31, 2021 and January 1, 2022	1,430,492	(31,038)	30,185	399,547	1,829,186
Credit/(charge) to profit or loss	261,619	39,728	12,293	(327,209)	(13,569)
Credit to other comprehensive income	79	18,242	48	-	18,369
At December 31, 2022	1,692,190	26,932	42,526	72,338	1,833,986

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at December 31, 2022 and 2021. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at December 31, 2022 and 2021, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At December 31, 2022, the Group has unused tax losses of approximately RMB289,354,000 (2021: approximately RMB1,598,188,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

30. OTHER ASSETS

	2022 RMB'000	2021 RMB'000 (Restated)
Other receivables and prepayments	895,842	584,333
Less: Provision for impairment losses	(131,034)	(87,034)
	764,808	497,299
Intangible assets (Note (i))	8,202	11,372
Repossessed assets (Note (ii))	893,253	542,109
Interest receivables	544,667	644,502
Less: Provision for impairment losses	(108,316)	–
	436,351	644,502
Others (Note 53)	396,551	40
Less: Provision for impairment losses	(80,931)	–
	315,620	40
	2,418,234	1,695,322

Notes:

(i) Movements of intangible assets:

	2022 RMB'000	2021 RMB'000
Cost		
At the beginning of the year	43,435	33,954
Additions	30,417	10,268
Disposals	(9,018)	(787)
At the end of the year	64,834	43,435
Accumulated amortisation		
At the beginning of the year	32,063	15,434
Amortisation for the year	31,035	17,186
Eliminated on disposals	(6,466)	(557)
At the end of the year	56,632	32,063
Carrying amounts		
At the end of the year	8,202	11,372

These intangible assets mainly included software which are amortised over 1 – 5 years.

(ii) Repossessed assets

No impairment loss has been recognised for repossessed assets for the year ended December 31, 2022 and 2021.

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For the year ended December 31, 2022

31. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which is for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at December 31, 2022 are approximately RMB19,590,940,000 (2021: approximately RMB18,528,195,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

32. BORROWINGS FROM THE CENTRAL BANK

	2022 RMB'000	2021 RMB'000 (Restated)
Borrowings	3,579,569	2,112,862
Re-discounted bills	4,040,900	4,942,229
Accrued interest	11,203	20,776
	7,631,672	7,075,867

33. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
Deposits from the following institutions operating in Mainland China		
– Banks	18,189,975	10,257,480
– Other financial institutions	4,936,735	6,817,319
	23,126,710	17,074,799
Deposits from the following institutions operating outside Mainland China		
– Banks	775,463	769,263
Accrued interest	137,478	151,674
	24,039,651	17,995,736

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

34. PLACEMENTS FROM BANKS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000
Placements in Mainland China		
– Banks	2,822,617	–
Accrued interest	189	–
	2,822,806	–

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
In Mainland China		
– Banks	3,324,967	5,194,480
– Other financial institutions	–	857,000
	3,324,967	6,051,480
Accrued interest	3,791	3,681
	3,328,758	6,055,161

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

(b) Analysed by collateral

	2022 RMB'000	2021 RMB'000 (Restated)
Debt securities	3,324,967	6,051,480
Accrued interest	3,791	3,681
	3,328,758	6,055,161

(c) Transfer of financial assets

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at December 31, 2022, there are debt securities measured at amortised cost and at FVTOCI with carrying amount of approximately RMB1,745,178,000 and RMB680,452,000 respectively (2021: approximately RMB5,433,512,000 and RMB1,451,199,000), are under these agreements measured at amortised cost. The proceeds from selling such debt securities totalling RMB3,324,967,000 as at December 31, 2022 (2021: approximately RMB6,051,480,000).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as "collateral" for the secured lending from the counterparties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

36. DEPOSITS FROM CUSTOMERS

	2022 RMB'000	2021 RMB'000 (Restated)
Demand deposits		
– Corporate customers	55,875,166	57,145,270
– Individual customers	40,747,292	35,183,894
	96,622,458	92,329,164
Time deposits		
– Corporate customers	20,479,984	20,101,565
– Individual customers	143,615,675	129,059,471
	164,095,659	149,161,036
Pledged deposits		
– Acceptances	6,251,107	7,576,598
– Guarantees and letters of guarantees	303,346	210,112
– Others	2,063,060	2,321,526
	8,617,513	10,108,236
Others	2,171,069	4,389,484
Accrued interest	7,532,487	7,245,517
	279,039,186	263,233,437

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

37. ACCRUED STAFF COSTS

	2022 RMB'000	2021 RMB'000
Salary and bonus payable	315,625	448,543
Social pension schemes payable (Note (i))	6,657	6,917
Other social insurances payable	46,529	25,821
Supplementary retirement benefits payable ("SRB") (Note (ii))	18,900	19,730
Other long-term staff welfare payable (Note (iii))	2,360	3,470
	390,071	504,481

Notes:

(i) Social pension schemes payable

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution plan for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement plan at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions by the Group for the defined contribution plan above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution plan. The only obligation of the Group with respect to such defined contribution plan is to make the specified contributions. During the year ended December 31, 2022 and 2021, there was no forfeited contributions under the defined contribution plan. Accordingly, no forfeited contribution was utilised during the year, and there was no forfeited contribution available as at December 31, 2022 and 2021 to reduce level of contributions.

(ii) SRB payable:

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America). There was no assets under the defined benefit plans as at December 31, 2022 and 2021.

The balances of SRB of the Group are as follows:

	2022 RMB'000	2021 RMB'000
Present value of SRB obligation	18,900	19,730

Movements of SRB of the Group are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	19,730	17,310
Service cost	1,240	1,010
Interest cost	550	540
Past service cost	(820)	1,040
Actuarial losses	190	1,520
Payment made	(1,990)	(1,690)
At the end of the year	18,900	19,730

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(ii) SRB payable: (Continued)

Principal actuarial assumptions of the Group are as follow:

	2022	2021
Discount rate	3.00%	3.00%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on SRB 2022	2021
	RMB'000	RMB'000
Discount rate (increase by 1%)	(2,330)	(2,340)
Discount rate (decrease by 1%)	3,430	3,400

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(iii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary (a member of Society of Actuaries in America) of Wills Towers Watson. There was no assets under the defined benefit plans as at December 31, 2022 and 2021.

The balances of other long-term staff welfare payable of the Group are as follows:

	2022	2021
	RMB'000	RMB'000
Present value of other long-term staff welfare payable obligation	2,360	3,470

Movements of other long-term staff welfare payable of the Group are as follows:

	2022	2021
	RMB'000	RMB'000
At the beginning of the year	3,470	5,180
Service cost	(40)	(370)
Payment made	(1,070)	(1,340)
At the end of the year	2,360	3,470

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(iii) Other long-term staff welfare payable (Continued)

Principal actuarial assumptions of the Group are as follow:

	2022	2021
Discount rate	2.25%	2.5%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on long-term staff welfare payable	
	2022	2021
	RMB'000	RMB'000
Discount rate (increase by 1%)	(50)	(70)
Discount rate (decrease by 1%)	50	70

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

38. DEBT SECURITIES ISSUED

	2022	2021
	RMB'000	RMB'000 (Restated)
Fixed rates financial bonds (Note (i))	–	999,913
Interbank deposits (Note (ii))	26,039,053	27,883,400
	26,039,053	28,883,313
Accrued interest	–	35,616
	26,039,053	28,918,929

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

38. DEBT SECURITIES ISSUED (Continued)

Notes:

(i) Fixed rates financial bonds

- (a) Fixed rate financial bonds at a face value of RMB1,000,000,000 with a term of five years were issued on 19 April 2017. The coupon rate was 5.00%. The effective interest rate per annum on the Group's fixed rate financial bonds issued was 5.02%. As at December 31, 2021, the outstanding balance of this fixed rate financial bonds issued was approximately RMB999,913,000. The fixed rate financial bonds were fully settled during the year ended December 31, 2022.

(ii) Interbank deposits

- (a) During the year ended December 31, 2022, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB56,190,000,000 and duration between 1 month to 1 year. As at December 31, 2022, the outstanding balance of interbank deposits issued is approximately RMB26,039,053,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 1.65% to 2.90%.
- (b) During the year ended December 31, 2021, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB63,040,000,000 and duration between 1 month to 1 year. As at December 31, 2021, the outstanding balance of interbank deposits issued was approximately RMB27,883,400,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued were 2.40% to 3.60%. The interbank deposits were fully settled during the year ended December 31, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

39. OTHER LIABILITIES

	2022 RMB'000	2021 RMB'000
Other payables and accrued expenses	482,249	516,841
Clearance of inter-bank accounts	35,037	1,669,904
Agency business liabilities	35,206	37,130
Dividend payable	23,656	24,158
Other tax payables	41,264	101,927
Fiscal deposits	5,927	10,116
Provision for bank acceptances and letters of guarantees (Note (i))	53,044	37,344
Others (Note (ii))	413,741	34,168
	1,090,124	2,431,588

Notes:

(i) Movement of provision for bank acceptances and letters of guarantees:

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit – impaired RMB'000	Total RMB'000
Provision for bank acceptances and letters of guarantees at January 1, 2021	34,818	–	–	34,818
Changes in the provision for impairment losses – Charge to profit or loss	2,526	–	–	2,526
Provision for bank acceptances and letters of guarantees at December 31, 2021 and January 1, 2022	37,344	–	–	37,344
Changes in the provision for impairment losses – Charge to profit or loss	15,700	–	–	15,700
Provision for bank acceptances and letters of guarantees at December 31, 2022	53,044	–	–	53,044

(ii) As at December 31, 2022, amounts of approximately RMB397 million represented the associated liability of the transfer of non-performing financial assets disclosed in Note 53.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

40. SHARE CAPITAL

Share capital as at December 31, 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
–Ordinary shares	15,069,791	15,069,791

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	2022	2021
Domestic shareholders	11,275,991	11,275,991
H shareholders	3,793,800	3,793,800
At end of the year	15,069,791	15,069,791

41. RESERVES

(a) Capital reserve

	2022 RMB'000	2021 RMB'000
Share premium	5,633,746	5,633,746
Shareholders' injection (Note)	322,314	322,122
Changes in ownership in a subsidiary without change in control	554	554
	5,956,614	5,956,422

Note:

The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. During the year, net proceed of approximately RMB192,000 (2021: approximately RMB939,000) were received as shareholders' injection. As at December 31, 2022, approximately RMB322,314,000 has been recorded as capital reserve (2021: approximately RMB322,122,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

41. RESERVES (Continued)

(b) Surplus reserve

The surplus reserve at December 31, 2022 and 2021 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at December 31, 2022 were approximately RMB1,397,093,000 (2021: approximately RMB1,337,505,000). The other surplus reserve fund of the Group as at December 31, 2022 were approximately RMB447,247,000 (2021: approximately RMB390,398,000).

The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(c) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

42. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Bank during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

43. STRUCTURED ENTITIES

Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans, asset-back securities and wealth management products issued by other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2022 and 2021:

	As at December 31, 2022			
	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	1,520,045	14,339,745	15,859,790	15,859,790
Asset management plans	8,483,962	8,501,587	16,985,549	16,985,549
Asset-backed securities issued by bank and other financial institutions	-	154,827	154,827	154,827
Investment funds	18,596,448	-	18,596,448	18,596,448
	28,600,455	22,996,159	51,596,614	51,596,614

Notes to the Consolidated Financial Statements

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43. STRUCTURED ENTITIES (Continued)

Unconsolidated structured entities (Continued)

(i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	As at December 31, 2021 (Restated)			
	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	1,444,643	16,184,745	17,629,388	17,629,388
Asset management plans	8,851,892	10,549,687	19,401,579	19,401,579
Asset-backed securities issued by bank and other financial institutions	-	224,000	224,000	224,000
Investment funds	15,136,757	-	15,136,757	15,136,757
	25,433,292	26,958,432	52,391,724	52,391,724

(ii) Structured entities sponsored by the Group which the Group do not consolidate but holds an interest in as at December 31, 2022 and 2021:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed 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 units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2022 and 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the consolidated statements of financial positions.

As at December 31, 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB24,075,569,000 (2021: approximately RMB24,299,993,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

43. STRUCTURED ENTITIES (Continued)

Unconsolidated structured entities (Continued)

(iii) Unconsolidated structured entities sponsored by the Group during the year in which the Group do not have an interest in as at December 31, 2022 and 2021:

During the year ended December 31, 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2022 but matured before December 31, 2022 amounted to RMB2,823,595,000.

During the year ended December 31, 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2021 but matured before December 31, 2021 amounted to RMB21,511,538,000.

44. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBIRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2022 and 2021 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50% for the years ended December 31, 2022 and 2021, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

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44. CAPITAL MANAGEMENT (Continued)

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the years ended December 31, 2022 and 2021 the Group has complied with all its externally imposed capital requirements.

The Group's overall strategies towards the capital management remain unchanged from prior years.

The Group's capital adequacy ratios as at December 31, 2022 and 2021 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC are as follows:

	2022 RMB'000	2021 RMB'000
Total core tier-one capital		
Share capital	15,069,791	15,069,791
Qualifying portion of capital reserve	5,956,614	5,956,422
Defined benefit plan reserve	(4,045)	(3,902)
Investment revaluation reserve	102,093	157,057
Surplus reserve	1,844,340	1,727,903
General reserve	5,343,087	4,955,881
Retained earnings	4,252,792	4,155,725
Qualifying portions of non-controlling interests	23,903	23,394
Core tier-one capital deductions (Note)	(254,403)	(254,303)
Net core tier-one capital	32,334,172	31,787,968
Eligible portion of non-controlling interests	3,187	3,119
Net tier-one capital	32,337,359	31,791,087
Tier-two capital		
Surplus provision for loan impairment	1,444,941	1,299,356
Eligible portion of non-controlling interests	6,374	6,238
Net capital base	33,788,674	33,096,681
Total risk weighted assets	275,010,612	266,085,134
Core tier-one capital adequacy ratio	11.76%	11.95%
Tier-one capital adequacy ratio	11.76%	11.95%
Capital adequacy ratio	12.29%	12.44%

Note: Core tier-one capital deductions primarily include computer software included in line item "property and equipment" and intangible assets included in line item "other assets".

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45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2022 RMB'000	2021 RMB'000
Cash on hand (Note 17)	405,081	422,799
Deposits with the central bank (Note 17)	5,384,158	4,405,469
Deposits with banks (Note 18)	1,140,397	4,889,320
Placements with other financial institutions (Note 19)	1,500,000	3,890,000
Financial assets held under resale agreements (Note 20)	6,989,163	13,092,054
Total	15,418,799	26,699,642

46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2022	2021
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	17.63%	17.63%
Gansu State-owned Assets Investment Co., Ltd.	12.67%	12.67%
Gansu Financial Holding Group Co., Ltd.	8.29%	8.29%
Mengshang Bank Co., Ltd.	5.61%	5.61%
Jiuquan Iron & Steel (Group) Co., Ltd.	6.53%	6.53%
Jinchuan Group Co., Ltd.	6.53%	6.53%

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 46(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(Continued)

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and its subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and major shareholders

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	230,508	201,023
Interest expense	61,037	114,898

	2022 RMB'000	2021 RMB'000 (Restated)
Balances at end of the year		
Loans and advances to customers	6,571,000	5,173,000
Deposits from customers	4,537,098	2,958,636

(iii) Transactions between the Group and other related parties:

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	670,790	378,656
Interest expense	237,525	209,348

	2022 RMB'000	2021 RMB'000 (Restated)
Balances at end of the year		
Loans and advances to customers	16,659,831	10,110,603
Deposits from customers	6,698,348	9,631,006
Deposits from banks and other financial institutions	3,854	141,800
Financial assets at amortised cost	944,082	-

During the year ended December 31, 2022, the Group entered into creditor's rights asset transfer agreements with the related party as disclosed in the announcements dated on July 3, 2022 and December 21, 2022 respectively.

Notes to the Consolidated Financial Statements

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46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(Continued)

(c) Key management personnel

The key management personnel are those people who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(i) Transactions between the Group and key management personnel

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	59	–
Interest expense	168	65

	2022 RMB'000	2021 RMB'000 (Restated)
Balances at end of the year		
Loans and advances to customers	751	1,651
Deposits from customers	5,979	4,431

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	2,722	2,207
Retirement benefits scheme contributions	1,361	1,404
Discretionary bonuses	2,744	3,716
	6,827	7,327

(d) Loans and advances to directors, supervisors and officers

During the year ended December 31, 2022, there are loans and advances to directors, supervisors and officers of the Group amounting to approximately RMB276,000 (2021: RMB1,657,000).

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For the year ended December 31, 2022

47. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment and intangible assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

47. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended December 31, 2022				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expense)	5,877,872	(2,917,231)	2,107,282	-	5,067,923
Internal net interest (expense)/ income	(3,486,781)	5,092,089	(1,605,308)	-	-
Net interest income	2,391,091	2,174,858	501,974	-	5,067,923
Net fee and commission income	266,383	81,538	11,677	40,380	399,978
Net trading gains	-	-	762,136	-	762,136
Net gains arising from investment securities	-	-	51,907	-	51,907
Net exchange gains	-	-	-	209,590	209,590
Other operating income, net	-	-	-	35,262	35,262
Operating income	2,657,474	2,256,396	1,327,694	285,232	6,526,796
Operating expenses	(951,897)	(808,233)	(475,574)	(102,169)	(2,337,873)
Impairment losses on assets, net of reversals	(1,791,714)	(732,670)	(925,801)	(168,184)	(3,618,369)
Operating (loss)/profit	(86,137)	715,493	(73,681)	14,879	570,554
Share of result of an associate	-	-	-	(140)	(140)
(Loss)/profit before tax	(86,137)	715,493	(73,681)	14,739	570,414
Segment assets	140,570,207	50,516,313	183,152,546	1,095,581	375,334,647
Deferred tax assets	-	-	-	1,867,816	1,867,816
Total assets	140,570,207	50,516,313	183,152,546	2,963,397	377,202,463
Segment liabilities	79,893,999	191,612,210	72,813,459	220,257	344,539,925
Deferred tax liabilities	-	-	-	33,830	33,830
Dividend payable	-	-	-	23,656	23,656
Total liabilities	79,893,999	191,612,210	72,813,459	277,743	344,597,411
Other segment information					
- Depreciation and amortisation	162,221	58,297	211,362	3,420	435,300
- Capital expenditure	90,015	32,348	117,282	1,898	241,543

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For the year ended December 31, 2022

47. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended December 31, 2021				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	4,958,949	(2,264,437)	2,229,744	-	4,924,256
Internal net interest (expense)/income	(2,544,484)	4,581,934	(2,037,450)	-	-
Net interest income	2,414,465	2,317,497	192,294	-	4,924,256
Net fee and commission income	136,979	31,010	116,316	66,498	350,803
Net trading gains	-	-	953,119	-	953,119
Net losses arising from investment securities	-	-	192,094	-	192,094
Net exchange losses	-	-	-	(148,509)	(148,509)
Other operating income, net	-	-	-	5,865	5,865
Operating income/(expense)	2,551,444	2,348,507	1,453,823	(76,146)	6,277,628
Operating expenses	(930,321)	(856,324)	(530,100)	27,765	(2,288,980)
Impairment losses on assets, net of reversals	(810,730)	(661,236)	(1,968,159)	1,737	(3,438,388)
Operating profit/(loss)	810,393	830,947	(1,044,436)	(46,644)	550,260
Share of result of an associate	-	-	-	88	88
Profit/(loss) before tax	810,393	830,947	(1,044,436)	(46,556)	550,348
Segment assets	131,424,492	48,567,636	175,970,305	680,011	356,642,444
Deferred tax assets	-	-	-	1,862,158	1,862,158
Total assets	131,424,492	48,567,636	175,970,305	2,542,169	358,504,602
Segment liabilities	83,565,419	171,409,808	71,171,347	244,507	326,391,081
Deferred tax liabilities	-	-	-	32,972	32,972
Dividend payable	-	-	-	24,158	24,158
Total liabilities	83,565,419	171,409,808	71,171,347	301,637	326,448,211
Other segment information					
- Depreciation and amortisation	146,882	54,280	196,668	2,841	400,671
- Capital expenditure	118,225	43,690	158,298	2,287	322,500

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

47. SEGMENT REPORTING (Continued)

(b) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

(c) Information about major customers

During the years ended December 31, 2022 and 2021, no operating income from a customer contributes over 10% of the total operating income of the Group.

48. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios.

As at December 31, 2022 and 2021, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

Loans and advances to customers and financial assets at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Debt instruments at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Deposits with banks

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Deposits with the central bank

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with central banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Financial assets held under resale agreements

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Placements with other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Credit commitments

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of credit commitments is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Other financial assets

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of other financial assets is at Stage 1 of which the loss allowance is measured at 12-month ECL.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other financial assets (Continued)

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data provided by the major rating agencies that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The five categories classifications in which the Group classifies major financial assets, including loans and advances to customers at amortised cost and trust beneficiary rights and asset management plans measured at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL Lifetime ECL – not credit – impaired (Only if more than 30 days past due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	12-month ECL Lifetime ECL – not credit – impaired (Only if more than 30 days past due) Lifetime ECL – credit – impaired (Only if more than 90 days past due)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL – credit – impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL – credit – impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL – credit – impaired

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other financial assets (Continued)

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 23 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge and risk officers of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies and authorisation proposals for credit business. Legal and Compliance Department is responsible for formulating the authorisation proposals for credit business. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Business Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to overdue loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the listed debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at December 31, 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Neither overdue nor impaired		
Ratings		
– AAA– to AAA+	38,529,696	25,635,310
– AA– to AA+	1,884,921	1,746,635
– Unrated (Note)	39,785,536	33,127,242
	80,200,153	60,509,187

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit rating (Continued)

The following tables represent an analysis of the carrying value of listed debt securities by credit or issuer rating and credit risk characteristic:

	As at December 31, 2022			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
- AAA- to AAA+	38,538,933	-	-	38,538,933
- AA- to AA+	1,886,706	-	-	1,886,706
- Unrated (Note)	37,953,394	1,700,817	208,311	39,862,522
	78,379,033	1,700,817	208,311	80,288,161
Provision for impairment loss	(12,870)	(27,893)	(47,245)	(88,008)
	78,366,163	1,672,924	161,066	80,200,153

	As at December 31, 2021 (Restated)			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
- AAA- to AAA+	25,642,964	-	-	25,642,964
- AA- to AA+	1,747,825	-	-	1,747,825
- Unrated (Note)	31,486,403	1,501,036	190,664	33,178,103
	58,877,192	1,501,036	190,664	60,568,892
Provision for impairment loss	(9,964)	(24,917)	(24,824)	(59,705)
	58,867,228	1,476,119	165,840	60,509,187

Note: Debt securities held by the Group mainly issued by the Mainland China government and policy banks and corporations issuers in the market, but not rated by independent rating agencies.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial market operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by the board of the Bank. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The planning and finance department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury’s investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31, 2022 and 2021 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At December 31, 2022					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	20,034,555	412,854	19,621,701	-	-	-
Deposits with banks	1,224,947	11,432	1,140,397	73,118	-	-
Placements with other financial institutions	1,500,503	503	1,500,000	-	-	-
Financial assets held under resale agreement	6,992,510	3,347	6,989,163	-	-	-
Loans and advances to customers	208,623,170	7,877,022	54,040,186	52,349,914	69,118,837	25,237,211
Investments (Note)	131,295,491	18,007,818	16,159,175	14,276,248	42,691,893	40,160,357
Others	7,531,287	7,531,287	-	-	-	-
	377,202,463	33,844,263	99,450,622	66,699,280	111,810,730	65,397,568
Liabilities						
Borrowings from the central bank	7,631,672	11,203	2,117,220	5,503,249	-	-
Deposits from banks and other financial institutions	24,039,651	137,478	8,402,173	15,500,000	-	-
Placements from banks	2,822,806	189	800,000	2,022,617	-	-
Financial assets sold under repurchase agreements	3,328,758	3,791	3,324,967	-	-	-
Deposits from customers	279,039,186	7,532,487	139,232,339	52,100,124	80,174,236	-
Debt securities issued	26,039,053	-	10,382,107	15,656,946	-	-
Others	1,696,285	1,515,436	-	86,056	82,607	12,186
	344,597,411	9,200,584	164,258,806	90,868,992	80,256,843	12,186
Asset-liability gap	32,605,052	24,643,679	(64,808,184)	(24,169,712)	31,553,887	65,385,382

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31, 2022 and 2021 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At December 31, 2021 (Restated)					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	20,669,319	431,558	20,237,761	-	-	-
Deposits with banks	4,890,986	1,666	4,889,320	-	-	-
Placements with other financial institutions	3,890,739	739	3,890,000	-	-	-
Financial assets held under resale agreement	13,096,287	4,233	13,092,054	-	-	-
Loans and advances to customers	195,999,551	6,209,864	55,410,465	61,208,122	50,470,959	22,700,141
Investments (Note)	113,102,034	11,971,408	25,231,508	12,716,288	30,754,045	32,428,785
Others	6,855,686	6,855,686	-	-	-	-
	358,504,602	25,475,154	122,751,108	73,924,410	81,225,004	55,128,926
Liabilities						
Borrowings from the central bank	7,075,867	20,776	2,433,244	4,621,847	-	-
Deposits from banks and other financial institutions	17,995,736	201,907	11,503,829	6,290,000	-	-
Financial assets sold under repurchase agreements	6,055,161	3,681	6,051,480	-	-	-
Deposits from customers	263,233,437	7,245,517	124,609,228	38,468,566	92,910,126	-
Debt securities issued	28,918,929	35,616	13,145,896	14,523,917	1,213,500	-
Others	3,169,081	2,971,424	-	85,410	111,080	1,167
	326,448,211	10,478,921	157,743,677	63,989,740	94,234,706	1,167
Asset-liability gap	32,056,391	14,996,233	(34,992,569)	9,934,670	(13,009,702)	55,127,759

Note:

Investments include financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity.

The following tables demonstrate the sensitivity as at December 31, 2022 and 2021, assuming other variables remain unchanged, an increase in estimated interest rate, of the Group's net profit and equity.

	Effect on net profit	
	2022	2021
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(127,720)	(80,174)
Decrease 100 basis points	127,720	80,174

	Effect on equity	
	2022	2021
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(1,942,944)	(2,170,568)
Decrease 100 basis points	1,942,944	2,170,568

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) *Interest rate sensitivity analysis* (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at December 31, 2022 and 2021 apply to non-derivative financial instruments of the Group.
- At December 31, 2022 and 2021, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2022 and 2021 are as follows:

	At December 31, 2022			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	20,033,454	1,101	-	20,034,555
Deposits with banks	985,694	186,295	52,958	1,224,947
Placements with other financial institutions	1,500,503	-	-	1,500,503
Financial assets held under resale agreements	6,992,510	-	-	6,992,510
Financial assets at fair value through profit or loss	35,706,115	-	-	35,706,115
Loans and advances to customers	208,623,170	-	-	208,623,170
Financial assets at fair value through other comprehensive income	10,220,773	-	-	10,220,773
Financial assets at amortised cost	83,033,817	2,173,720	161,066	85,368,603
Others	7,531,287	-	-	7,531,287
	374,627,323	2,361,116	214,024	377,202,463
Liabilities				
Borrowing from the central bank	7,631,672	-	-	7,631,672
Deposits from banks and other financial institutions	23,988,004	-	51,647	24,039,651
Placements from banks	2,800,189	22,617	-	2,822,806
Financial assets sold under repurchase agreements	3,328,758	-	-	3,328,758
Deposits from customers	279,000,324	38,860	2	279,039,186
Debt securities issued	26,039,053	-	-	26,039,053
Others	1,695,638	647	-	1,696,285
	344,483,638	62,124	51,649	344,597,411
Net position	30,143,685	2,298,992	162,375	32,605,052
Off-balance sheet credit commitments	27,180,647	337,505	-	27,518,152

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2022 and 2021 are as follows: (Continued)

	At December 31, 2021 (Restated)			Total (RMB'000 equivalent)
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	
Assets				
Cash and deposits with the central bank	20,669,312	-	7	20,669,319
Deposits with banks	1,267,274	100,548	3,523,164	4,890,986
Placements with other financial institutions	3,890,739	-	-	3,890,739
Financial assets held under resale agreements	13,096,287	-	-	13,096,287
Financial assets at fair value through profit or loss	30,175,815	-	-	30,175,815
Loans and advances to customers	195,998,528	1,023	-	195,999,551
Financial assets at fair value through other comprehensive income	9,897,414	-	-	9,897,414
Financial assets at amortised cost	72,238,617	688,778	101,410	73,028,805
Others	6,855,686	-	-	6,855,686
	354,089,672	790,349	3,624,581	358,504,602
Liabilities				
Borrowing from the central bank	7,075,867	-	-	7,075,867
Deposits from banks and other financial institutions	17,945,503	-	50,233	17,995,736
Financial assets sold under repurchase agreements	6,055,161	-	-	6,055,161
Deposits from customers	263,229,437	3,998	2	263,233,437
Debt securities issued	28,918,929	-	-	28,918,929
Others	3,168,475	606	-	3,169,081
	326,393,372	4,604	50,235	326,448,211
Net position	27,696,300	785,745	3,574,346	32,056,391
Off-balance sheet credit commitments	27,177,523	326,415	-	27,503,938

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of 100 basis points appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit based on the assumption of foreign currency exchange rate movements over the next 12 months.

	Effect on net profit	
	2022 RMB'000	2021 RMB'000 (Restated)
Change in basis points		
Increase 100 basis points	18,460	32,701
Decrease 100 basis points	(18,460)	(32,701)

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of each reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The planning and finance department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The planning and finance department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2022 and 2021:

	At December 31, 2022							Total RMB'000
	Indefinite (Note) RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000		
	Assets							
Cash and deposits with the central bank	14,244,557	5,789,998	-	-	-	-	20,034,555	
Deposits with banks	-	1,150,912	-	74,035	-	-	1,224,947	
Placements with other financial institutions	-	-	1,500,503	-	-	-	1,500,503	
Financial assets held under resale agreements	-	-	6,992,510	-	-	-	6,992,510	
Financial assets at fair value through profit or loss	15,276,448	1,348,577	1,491,581	6,412,092	6,519,949	4,657,468	35,706,115	
Loans and advances to customers	3,116,796	1,068,039	26,180,381	55,233,407	72,563,769	50,460,778	208,623,170	
Financial assets at fair value through other comprehensive income	-	-	929,195	2,739,372	3,800,506	2,751,700	10,220,773	
Financial assets at amortised cost	1,973,477	10,675,175	1,983,246	5,357,487	33,239,886	32,139,332	85,368,603	
Others	5,961,368	-	2,173	-	1,025,252	542,494	7,531,287	
	40,572,646	20,032,701	39,079,589	69,816,393	117,149,362	90,551,772	377,202,463	
Liabilities								
Borrowings from the central bank	-	-	2,126,317	5,505,355	-	-	7,631,672	
Deposits from banks and other financial institutions	-	811,077	7,705,930	15,522,644	-	-	24,039,651	
Placements from banks	-	-	800,189	2,022,617	-	-	2,822,806	
Financial assets sold under repurchase agreements	-	-	3,328,758	-	-	-	3,328,758	
Deposits from customers	-	102,786,576	40,393,404	53,219,468	82,639,738	-	279,039,186	
Debt securities issued	-	-	10,382,107	15,656,946	-	-	26,039,053	
Others	783	685,356	433,529	86,056	479,158	11,403	1,696,285	
	783	104,283,009	65,170,234	92,013,086	83,118,896	11,403	344,597,411	
Long/(short) position	40,571,863	(84,250,308)	(26,090,645)	(22,196,693)	34,030,466	90,540,369	32,605,052	

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2022 and 2021: (Continued)

	At December 31, 2021 (Restated)							Total RMB'000
	Indefinite (Note) RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000		
Assets								
Cash and deposits with the central bank	15,832,292	4,837,027	-	-	-	-	-	20,669,319
Deposits with banks	-	4,702,227	188,759	-	-	-	-	4,890,986
Placements with other financial institutions	-	3,890,739	-	-	-	-	-	3,890,739
Financial assets held under resale agreements	-	-	13,096,287	-	-	-	-	13,096,287
Financial assets at fair value through profit or loss	9,134,029	1,128,249	2,709,215	2,516,821	1,835,339	12,852,162	-	30,175,815
Loans and advances to customers	3,344,703	408,029	29,397,352	62,772,009	54,207,772	45,869,686	-	195,999,551
Financial assets at fair value through other comprehensive income	-	-	205,778	916,595	6,284,322	2,490,719	-	9,897,414
Financial assets at amortised cost	2,649,453	15,324,500	5,427,529	10,395,861	22,912,436	16,319,026	-	73,028,805
Others	5,655,022	785,114	-	-	415,550	-	-	6,855,686
	36,615,499	31,075,885	51,024,920	76,601,286	85,655,419	77,531,593	-	358,504,602
Liabilities								
Borrowings from the central bank	-	-	2,450,203	4,625,664	-	-	-	7,075,867
Deposits from banks and other financial institutions	-	1,667,301	9,995,211	6,333,224	-	-	-	17,995,736
Financial assets sold under repurchase agreements	-	-	6,055,161	-	-	-	-	6,055,161
Deposits from customers	-	99,050,076	30,447,000	39,263,457	94,472,904	-	-	263,233,437
Debt securities issued	-	-	13,181,512	14,523,917	1,213,500	-	-	28,918,929
Others	-	2,362,634	608,790	85,410	111,080	1,167	-	3,169,081
	-	103,080,011	62,737,877	64,831,672	95,797,484	1,167	-	326,448,211
Long/(short) position	36,615,499	(72,004,126)	(11,712,957)	11,769,614	(10,142,065)	77,530,426	-	32,056,391

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2022 and 2021: (Continued)

Note: Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial assets at amortised cost represents impaired investments or those overdue more than one month. Indefinite amount of financial assets at fair value through profit or loss represents net-asset-value wealth management products without fixed maturity date.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2022 and 2021:

	At December 31, 2022						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	7,631,672	7,702,326	-	2,132,471	5,569,855	-	-
Deposits from banks and other financial institutions	24,039,651	24,290,160	811,077	7,729,316	15,749,767	-	-
Placements from banks	2,822,806	2,834,003	-	803,919	2,030,084	-	-
Financial assets sold under repurchase agreements	3,328,758	3,345,411	-	3,345,411	-	-	-
Deposits from customers	279,039,186	279,525,785	102,786,576	40,413,034	53,382,386	82,943,789	-
Debts securities issued	26,039,053	26,288,159	-	10,421,439	15,866,720	-	-
Other liabilities	1,631,508	1,651,926	620,579	433,529	94,424	489,398	13,996
	344,532,634	345,637,770	104,218,232	65,279,119	92,693,236	83,433,187	13,996
Off-balance sheet credit commitments	27,518,152	27,518,152	9,643,951	3,698,486	12,441,743	1,446,814	287,158

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48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2022 and 2021: (Continued)

	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	At December 31, 2021 (Restated)				
			Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years and indefinite RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	7,075,867	7,133,186	-	2,456,815	4,676,371	-	-
Deposits from banks and other financial institutions	17,995,736	18,131,047	1,649,916	10,035,631	6,445,500	-	-
Financial assets sold under repurchase agreements	6,055,161	6,057,878	-	6,057,878	-	-	-
Deposits from customers	263,233,437	264,412,057	99,050,059	30,467,388	39,388,818	95,505,792	-
Debts securities issued	28,918,929	28,883,313	-	13,145,896	14,523,917	1,213,500	-
Other liabilities	3,114,205	3,122,562	2,306,571	605,406	86,841	122,558	1,186
	326,393,335	327,740,043	103,006,546	62,769,014	65,121,447	96,841,850	1,186
Off-balance sheet credit commitments	27,503,938	27,503,938	8,305,407	5,727,030	12,190,425	993,918	287,158

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

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For the year ended December 31, 2022

48. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk (Continued)

- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Unlisted equity investments

Fair values of unlisted equity investments are determined with reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate.

(iii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at December 31, 2022 and December 31, 2021.

(iv) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at December 31, 2022 and December 31, 2021. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at December 31, 2022 and December 31, 2021.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks, placements with other financial institutions, financial assets held under resale agreements, interest receivables, loans and advances to customers, financial assets at amortised cost, financial assets at FVTPL and, financial assets at FVTOCI.

Deposits with the central bank, deposits with banks, placements with other financial institutions and financial assets held under resale agreement are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

The carrying amount and fair value of financial assets at amortised cost is disclosed in Note 21.

The fair value of financial assets at FVTPL and FVTOCI are disclosed in Note 23 and Note 24 respectively.

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement (Continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central banks, deposits from banks and other financial institutions, placements from banks, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs and debts securities issued.

The financial liabilities recorded at amortised cost are disclosed in Note 32, Note 33, Note 34, Note 35, Note 36, Note 37 and Note 38 respectively. Accordingly, the carrying amounts approximate the fair values.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At December 31, 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	7,105,660	–	7,105,660
– trust plans	–	1,520,045	–	1,520,045
– asset management plans	–	8,483,962	–	8,483,962
– investment funds	–	18,596,448	–	18,596,448
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	9,895,177	–	9,895,177
– Unlisted equity investments measured at FVTOCI	–	–	325,596	325,596
	–	45,601,292	325,596	45,926,888

	At December 31, 2021 (Restated)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	4,742,523	–	4,742,523
– trust plans	–	1,444,643	–	1,444,643
– asset management plans	–	8,851,892	–	8,851,892
– investment funds	–	15,136,757	–	15,136,757
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	9,568,609	–	9,568,609
– Unlisted equity investments measured at FVTOCI	–	–	328,805	328,805
	–	39,744,424	328,805	40,073,229

During the year ended December 31, 2022, there were no significant transfers among each level (2021: nil).

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	Relationship of key inputs and significant unobservable inputs to fair value
	December 31, 2022	December 31, 2021 (Restated)					
	RMB'000	RMB'000					
Financial assets at FVTPL							
Debt securities – listed	7,105,660	4,742,523	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Trust plans	1,520,045	1,444,643	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Asset management plans	8,483,962	8,851,892	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Investment funds	18,596,448	15,136,757	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	December 31, 2022	December 31, 2021 (Restated)				
	RMB'000	RMB'000				
Financial assets at FVTOCI						
Debt securities – listed	9,668,778	9,346,764	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTOCI	325,596	328,805	Level 3	Income approach – By reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate	The Weighted average cost of capital (“WACC”) 5.05% (2021: 5.05%).	The higher the weighted average cost of capital, the lower the fair value (Note)

Note:

A 5% increase in weighted average cost of capital used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB34,590,000 and vice versa (2021: RMB10,604,000 and vice versa).

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments designated at financial assets at FVTOCI RMB'000
At January 1, 2021	321,578
Change in fair value recognised in investment revaluation reserve	7,227
At December 31, 2021 and January 1, 2022	328,805
Change in fair value recognised in investment revaluation reserve	(3,209)
At December 31, 2022	325,596

The above fair value losses of approximately RMB3,209,000 (2021: fair value gains of approximately RMB7,227,000) respectively are included in investment revaluation reserve for the year ended December 31, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

50. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statement of financial position. Surplus funding is accounted for as deposits from customers.

	2022 RMB'000	2021 RMB'000
Entrusted loans	15,889,854	5,407,069
Entrusted funds	15,889,854	5,407,069

51. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and guarantees and unused credit card commitment.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2022 RMB'000	2021 RMB'000
Bank acceptances	13,074,145	16,140,969
Letters of guarantees	2,650,461	1,926,096
Unused credit card commitment	9,306,446	7,978,992
Letters of credit	2,487,100	1,457,881
	27,518,152	27,503,938

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

51. COMMITMENTS (Continued)

(b) Capital commitments

At December 31, 2022 and 2021, the Group's authorised capital commitments are as follows:

The Group

	2022 RMB'000	2021 RMB'000
Purchase of property and equipment – Contracted for but not provided	39,765	61,071

52. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2022, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

53. TRANSFER OF NON-PERFORMING FINANCIAL ASSETS

The Group enters into transactions in the normal course of business that transfer non-performing financial assets to third parties.

During the year ended December 31, 2022, the Group transferred non-performing financial assets to the third parties with consideration amounted to approximately RMB737 million (total principal and interest amounted to approximately RMB2,615 million) (2021: nil). Financial assets related to the aforementioned transfer amounted to approximately RMB397 million (2021: nil) are included in other assets (see Note 30). The associated liability of approximately RMB397 million (2021: nil) are included in other liabilities (see Note 39).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

54. 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 flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	January 1, 2022 RMB'000	Financing cash flows RMB'000	Non-cash changes		December 31, 2022 RMB'000
			New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	
Liabilities					
Debts securities issued (Note 38)	28,918,929	(3,691,511)	-	811,635	26,039,053
Lease liabilities (Note 28)	197,657	(162,306)	139,348	5,367	180,066
Dividend payable (Note 39)	24,158	(502)	-	-	23,656
	29,140,744	(3,854,319)	139,348	817,002	26,242,775

	January 1, 2021 (Restated) RMB'000	Financing cash flows RMB'000	Non-cash changes			December 31, 2021 (Restated) RMB'000
			New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	Dividend declared to non- controlling interests RMB'000	
Liabilities						
Debts securities issued (Note 38)	23,630,981	4,419,350	-	868,598	-	28,918,929
Lease liabilities (Note 28)	282,817	(156,981)	67,429	4,392	-	197,657
Dividend payable (Note 39)	23,716	(863)	-	-	1,305	24,158
	23,937,514	4,261,506	67,429	872,990	1,305	29,140,744

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Note	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Assets				
Cash and deposits with the central bank		19,881,199	20,564,362	26,525,786
Deposits with banks		1,198,857	4,702,227	3,717,476
Placements with other financial institutions		1,500,503	3,890,739	–
Financial assets held under resale agreements		6,992,510	13,096,287	19,161,579
Financial assets at amortised cost		85,368,603	73,028,805	70,625,942
Loans and advances to customers		207,654,913	195,051,039	176,949,742
Financial assets at fair value through profit or loss		35,706,115	30,175,815	26,407,960
Financial assets at fair value through other comprehensive income		10,220,773	9,897,414	11,491,983
Interest in an associate		10,172	10,312	10,224
Investment in a subsidiary	26	29,250	29,250	29,250
Property and equipment		2,981,299	3,036,728	2,952,453
Right-of-use assets		245,213	244,514	338,438
Deferred tax assets		1,859,950	1,855,111	1,827,734
Other assets		2,385,501	1,689,838	1,306,647
Total assets		376,034,858	357,272,441	341,345,214

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	Note	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Liabilities and equity				
Liabilities				
Borrowings from the central bank		7,571,542	6,996,267	6,586,851
Deposits from banks and other financial institutions		24,624,901	18,384,659	12,201,023
Placements from banks		2,822,806	–	–
Financial assets sold under repurchase agreements		3,328,758	6,055,161	8,736,315
Deposits from customers		277,434,799	261,768,233	255,735,065
Accrued staff costs		388,579	503,759	550,922
Debts securities issued		26,039,053	28,918,929	23,630,981
Deferred tax liabilities		33,830	32,972	23,698
Lease liabilities		180,066	197,657	282,817
Other liabilities		1,084,874	2,430,124	2,201,043
Total liabilities		343,509,208	325,287,761	309,948,715
Equity				
Share capital		15,069,791	15,069,791	15,069,791
Capital reserve	(i)	5,956,060	5,955,868	5,954,929
Defined benefit plan reserve	(i)	(4,045)	(3,902)	(2,762)
Investment revaluation reserve	(i)	102,093	157,057	137,157
Surplus reserve	(i)	1,844,340	1,727,903	1,615,945
General reserve	(i)	5,309,340	4,922,134	4,511,832
Retained earnings	(i)	4,248,071	4,155,829	4,109,607
Total equity		32,525,650	31,984,680	31,396,499
Total liabilities and equity		376,034,858	357,272,441	341,345,214

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

(i) Reserve of the Bank

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2022	5,955,868	(3,902)	157,057	1,727,903	4,922,134	4,155,829	16,914,889
Profit for the year	-	-	-	-	-	595,885	595,885
Other comprehensive expense for the year	-	(143)	(54,964)	-	-	-	(55,107)
Total comprehensive (expense)/ income for the year	-	(143)	(54,964)	-	-	595,885	540,778
Shareholders' injection (Note 41)	192	-	-	-	-	-	192
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	116,437	-	(116,437)	-
- Appropriation to general reserve	-	-	-	-	387,206	(387,206)	-
At December 31, 2022	5,956,060	(4,045)	102,093	1,844,340	5,309,340	4,248,071	17,455,859

Note:

The amount represented share premium and shareholders' injection included in Note 41.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

(i) Reserve of the Bank (Continued)

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2021	5,954,929	(2,762)	137,157	1,615,945	4,511,832	4,109,607	16,326,708
Profit for the year	-	-	-	-	-	568,482	568,482
Other comprehensive (expense)/ income for the year	-	(1,140)	19,900	-	-	-	18,760
Total comprehensive (expense)/ income for the year	-	(1,140)	19,900	-	-	568,482	587,242
Shareholders' injection (Note 41)	939	-	-	-	-	-	939
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	111,958	-	(111,958)	-
- Appropriation to general reserve	-	-	-	-	410,302	(410,302)	-
At December 31, 2021	5,955,868	(3,902)	157,057	1,727,903	4,922,134	4,155,829	16,914,889

56. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended December 31, 2022, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB139,348,000 were recognised respectively at the commencement of the leases (2021: RMB67,429,000).
- (ii) During the year ended December 31, 2022, the Group transferred the land use rights of approximately RMB14,209,000 and RMB7,986,000 from construction in progress on the completion of construction and repossessed assets by the management decision respectively.

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (%)

	At December 31, 2022	Average for the year ended December 31, 2022
Liquidity coverage ratio (RMB and foreign currency)	148.83%	172.40%

	At December 31, 2021	Average for the year ended December 31, 2021
Liquidity coverage ratio (RMB and foreign currency)	215.95%	254.92%

Leverage Ratio

	At December 31, 2022
Leverage Ratio (RMB and foreign currency)	8.21%

Pursuant to the Measures for the Administration of the Leverage Ratio of Commercial Banks issued by the China Banking Regulatory Commission ("CBRC") with effect from April 1, 2015, a minimum leverage ratio of 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the requirements promulgated by the CBIRC and based on the financial information prepared in accordance with the Generally Accepted Accounting Principles of the People's Republic of China (the "PRC GAAP"), with the specific computational formulas as follows:

- (1) Liquidity coverage ratio = high-quality liquid assets/net capital outflow in the next 30 days × 100%
- (2) Leverage ratio = (core tier 1 capital – corresponding capital deductions)/on and off-balance sheet assets after adjustment × 100%

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. CURRENCY CONCENTRATIONS

	At December 31, 2022		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,389,799.9	261,275.4	2,651,075.3
Spot liabilities	(61,853.2)	(51,648.9)	(113,502.1)
Net position	2,327,946.7	209,626.5	2,537,573.2

	At December 31, 2021		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,061,783.7	669,098.6	2,730,882.3
Spot liabilities	(28,574.6)	(50,234.9)	(78,809.5)
Net position	2,033,209.1	618,863.7	2,652,072.8

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structured position as at December 31, 2022 and 2021.

3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within People's Republic of China (the "PRC"), and regards all claims on third parties outside the PRC as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it accounts for 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer occurs only 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 December 31,	
	2022	2021
Deposits with banks		
Asia Pacific	53,284.10	17,850.07
Europe	-	-
Total	53,284.10	17,850.07

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS BY GEOGRAPHICAL SEGMENT

	At December 31,	
	2022	2021
Gansu Province	2,909,437	3,096,521
Others	419,258	300,701
Total	3,328,695	3,397,222

5. GROSS AMOUNT OF LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS

	At December 31,	
	2022	2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	499,662	423,548
– Between six months and one year (inclusive)	460,092	710,842
– Between one year (inclusive) and three years	1,459,712	1,825,738
– Over three years	909,229	437,094
Total	3,328,695	3,397,222
As a percentage of total loans and advances		
– Between three months and six months (inclusive)	0.24%	0.21%
– Between six months and one year (inclusive)	0.22%	0.36%
– Between one year (inclusive) and three years	0.69%	0.92%
– Over three years	0.43%	0.22%
Total	1.58%	1.71%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At December 31, 2022 and 2021, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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