中国建设银行
China Construction Bank

China Construction Bank Corporation

Annual Report 2022

CCB | BUILT A BETTER LIFE TOGETHER

IMPORTANT NOTICE

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this report is truthful, accurate and complete and contains no false records, misleading statements or material omissions, and they assume several and joint legal liability for such contents.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 29 March 2023. A total of 13 directors of the Bank attended the meeting in person. Due to business schedule arrangement, Mr. Tian Guoli appointed Mr. Zhang Jinliang as his proxy to attend and vote on his behalf.

The Board proposed a cash dividend of RMB0.389 per share (including tax) for 2022 to all shareholders.

The financial statements of the Group prepared in accordance with PRC GAAP for the year of 2022 have been audited by Ernst & Young Hua Ming LLP, and the financial statements prepared in accordance with IFRS have been audited by Ernst & Young. Both auditors have provided audit report with unqualified audit opinion.

Mr. Zhang Jinliang, the vice chairman, executive director and president of the Bank, Mr. Kenneth Patrick Chung, the independent non-executive director of the Bank, and Mr. Tian Bo, the non-executive director of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk, country risk, IT risk and strategic risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion and Analysis".

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

CONTENTS

DEFINITIONS

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

Abbreviations of organisations

"ABC"	Agricultural Bank of China Limited
"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"BOC"	Bank of China Limited
"CBIRC"	China Banking and Insurance Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Consulting"	CCB Engineering Consulting Co., Ltd.
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB FinTech"	CCB FinTech Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Housing"	CCB Housing Services Co., Ltd.
"CCB Housing Rental"	CCB Housing Rental Private Fund Management Co., Ltd.
"CCB Housing Rental Fund"	CCB Housing Rental Fund (Limited Partnership)
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Private Equity"	CCB Private Equity Investment Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.
"CSRC"	China Securities Regulatory Commission
"Group" or "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"ICBC"	Industrial and Commercial Bank of China Limited

DEFINITIONS

"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	The People's Bank of China
"SAFE"	State Administration of Foreign Exchange
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"Yangtze Power"	China Yangtze Power Co., Limited
Platforms, products and services	
"Blockchain Trade (BCTrade) Finance Platform"	An online platform integrating technologies such as blockchain, artificial intelligence, Internet of Things with trade finance to provide diversified trade finance services for market players such as financial institutions and corporate customers
"CCB Huidongni"	An integrated ecological service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
"CCB Match Plus"	An open platform leveraging FinTech to provide corporate customers with cross-border smart matchmaking services and comprehensive financial solutions in cross-border transaction scenarios
"CCB Start-up Station"	A one-stop online and offline comprehensive service platform featuring "Finance + Incubation + Industry + Education" for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital investment companies, core enterprises, research institutions and incubators with internal and external high-quality resources
"Cross-border Quick Loan"	An online unsecured trade financing service provided by the Bank for small and micro cross-border trade enterprises
"FITS e+"	A sub-brand of FITS® (Financial Total Solutions) that provides multi-dimensional services including all round investment and financing matchmaking and specialised think tanks for various types of customers based on CCB's strength as a group
"Long Pay"	An internet-based enterprise-wide mobile digital payment brand of the Bank, which includes a group of comprehensive integrated payment and settlement products and services
"Yunongtong"	A comprehensive service brand for rural revitalisation by implementing New Finance through offline inclusive finance service outlets and online comprehensive service platform of the Bank
"Yunong Quick Loan"	An online loan product provided by the Bank, based on agriculture production and operation data mainly for farmers and corporate customers
Others	
"AML"	Anti-money laundering
"Company Law"	The Company Law of the People's Republic of China
"ESG"	Environment, society and governance
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New financial instruments standard"	International Financial Reporting Standard No. 9 – Financial Instruments issued by International Accounting Standards Board, which came into effect on 1 January 2018
"PRC GAAP"	Accounting Standards for Business Enterprises and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards
"WMPs"	Wealth management products

CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, People's Construction Bank of China, was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2022, the Bank's market capitalisation approximated US$158,541 million, ranking fourth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services, including corporate finance business, personal finance business and treasury and asset management business. With 14,356 banking outlets and 352,588 staff members, the Bank serves 739 million personal and 9.35 million corporate customers. The Bank has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, with 24,094 staff members, and has nearly 200 overseas entities covering 31 countries and regions.

The Group implements the new development concept fully, accurately and comprehensively and supports the fostering of a new development pattern to promote high-quality development. It consciously practices finance activities in a politically oriented and people-centred manner, focuses on the "Three Major Tasks", continuously enhances the "Three Capabilities", and further advanced New Finance initiatives with the "Three Major Strategies" of housing rental, inclusive finance and FinTech. It deeply cultivates key areas of national economy and people's livelihood, such as smart government affairs, rural revitalisation, green development, elderly care and healthcare, consumer finance, mega wealth management, FinTech, and county-level business expansion, so as to maximise values to stakeholders, including customers, shareholders, employees and society, and create more magnificent chapters for New Finance through the Chinese path to modernisation.

Vision

Build a world class banking group with top value creation capability

Missions

Provide better services to our customers, create higher value to our shareholders, build up broader career path for our associates, and assume full social responsibilities as a corporate citizen

Core Values

Integrity, impartiality, prudence, and creation

Philosophy

Business concept: Market-oriented, customer-centric

Service concept: Customer first, detail-focused

Compliance concept: Proactive compliance by all employees, and value creation through compliance

Risk concept: Steady, prudent, comprehensive, and proactive

Innovation concept: Encouraging, open, inclusive, and prudent

Talent concept: Respect talents, make a good use of talents, and retain talents

Style of work

Diligent, disciplined, truthful, and practical

CORPORATE INTRODUCTION

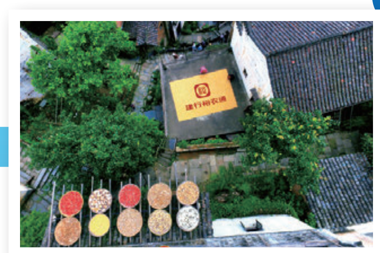
Inheritance and Development of Corporate Culture

CCB was born for and thrives on infrastructure construction. Since its establishment in 1954, CCB has actively implemented its mission as a major state-owned bank, followed the principle of integrity and innovation, vigorously supported economic and social development, and accumulated a profound cultural heritage. In the new era, CCB implemented the new development concept fully, accurately and comprehensively, carried out "Three Major Strategies", further promoted New Finance initiatives, helped realise people's aspirations for a better life, boosted high-quality development of the real economy, and blazed a New Finance trail with Chinese characteristics.

Milestones of New Finance Initiatives

In August 2017, the Bank implemented housing rental strategy to provide CCB solutions to people's housing needs.

In December 2019, the Bank launched the cross-border smart matchmaking platform "CCB Match Plus" to solve problems in cross-border transactions.



In November 2019, the Bank set up the Rural Revitalisation Finance Department in the head office to benefit the vast countryside with financial services.

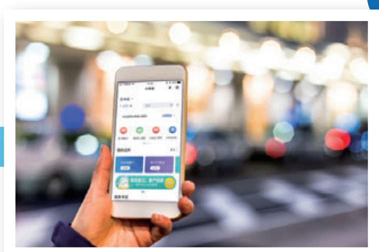
In February 2021, the Bank's leading team for poverty alleviation and the poverty alleviation special task force to Ankang received the accolade of "China's Outstanding Group in Eradicating Poverty".

In July 2021, the Bank launched the nationwide promotion of "CCB Lifestyle" app, which forms a "binary star" customer business model with mobile banking.

CORPORATE INTRODUCTION

In April 2018, the Bank set up CCB FinTech to promote FinTech strategy to build an open platform for sharing.

In May 2018, the Bank implemented inclusive finance strategy to provide funds to support people's entrepreneurial efforts.



In January 2019, the Bank launched the "All in a Mobile Phone" app with the government of Yunnan Province to help build a digital government.

In December 2018, the Bank established CCB Learning Centre to advance the integration of industry and education and empower society.

In July 2018, the Bank opened its first "Workers' Harbour" to provide considerate services to outdoor workers.

In January 2022, the Bank approved the *Strategic Plan for Green Finance Development (2022-2025) of CCB,* and the development of green finance stepped into the fast lane.

In October 2022, the Bank established CCB Housing Rental Fund (Limited Partnership) to explore a new pattern of real estate development that encourages both housing rentals and purchases.

Today's CCB
Official News Platform

CCB Culture
Corporate Culture
Communication Platform

CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司(abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Tian Guoli
Authorised representatives	Zhang Jinliang Qiu Jicheng
Secretary to the Board	Hu Changmiao
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Joint company secretaries	Qiu Jicheng and Chiu Ming King
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address and office address	No. 25, Financial Street, Xicheng District, Beijing Postcode:100033 Telephone: 86-10-67597114
Websites	www.ccb.cn www.ccb.com
Hotline for customer service and complaints	95533
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Media and websites for information disclosure	China Securities Journal, www.cs.com.cn Shanghai Securities News, www.cnstock.com Securities Times, www.stcn.com Securities Daily, www.zqrb.cn
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
HKEXnews website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030
Certified public accountants	Ernst & Young Hua Ming LLP Address: 17/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Jiang Changzheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 12-14/F, China World Office 2, No.1 Jianguomenwai Avenue, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Rating information	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook ESG rating of MSCI: A

RANKINGS AND AWARDS

UK magazine The Banker

Second in Top 1000 World Banks Ranking

US magazine FORTUNE

24th in Fortune Global 500 2022

Singapore magazine THE ASIAN BANKER

Best Retail Bank in Asian-Pacific Region 2022

Best Retail Bank in China 2022

Best Mega Retail Bank in China 2022

Hong Kong magazine ASIAMONEY

Best Social Responsibility Bank in China 2022

US magazine GLOBAL FINANCE

World's Best Sub-custodian Bank 2022 – Chinese Market

China Enterprise Confederation

Sixth in Top 500 Chinese Enterprises Ranking 2022

International Finance Forum

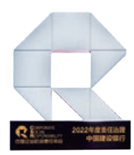
Global Green Finance Award

The Chinese Banker magazine

Best Financial Innovation Award

21st Century Annual Finance Summit of Asia

2022 Annual Risk Management Bank



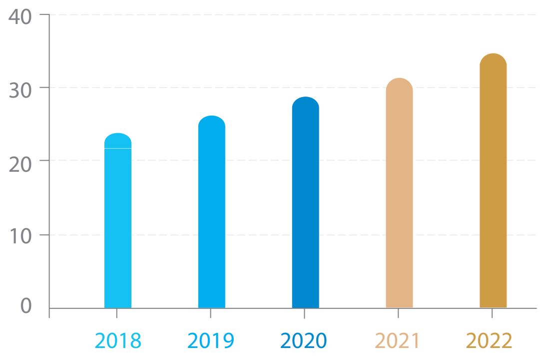
Southern Weekly

Responsibility Model Enterprise in the 14th Annual Meeting for Chinese Enterprise Social Responsibility

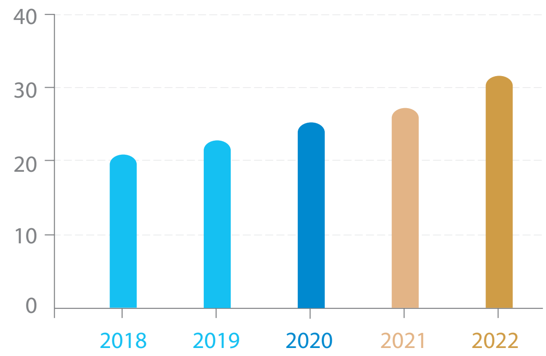
FINANCIAL AND BUSINESS HIGHLIGHTS

Maintaining Solid Operating Performance with Stable and Balanced Core Indicators

Assets (in trillions of RMB)



Liabilities (in trillions of RMB)



ROA
1.00%

ROE
12.27%

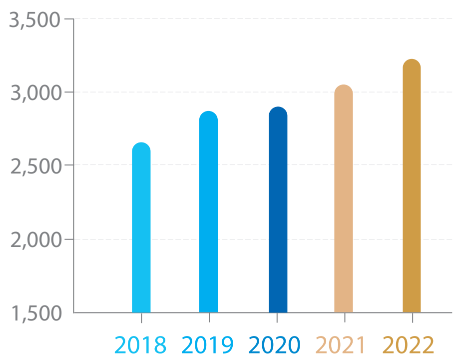
Total capital ratio
18.42%

Cost-to-income Ratio
28.25%

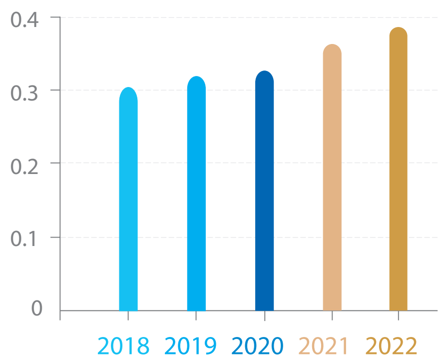
NPL Ratio
1.38%

Allowances to NPLs
241.53%

Net profit (in hundred million of RMB)



Dividends (RMB/share)



ESG rating of MSCI

Rated "A" for three consecutive years

The First and Second Curves Integrated and Advanced Together and New Finance Practices Yielded Fruitful Results

FINANCIAL SUMMARY

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2022	2021	Change (%)	2020	2019	2018
For the year						
Operating income	758,155	764,706	(0.86)	714,224	678,001	633,772
Net interest income	643,064	605,420	6.22	575,909	537,066	508,842
Net fee and commission income	116,085	121,492	(4.45)	114,582	110,898	100,471
Other net non-interest income	(994)	37,794	(102.63)	23,733	30,037	24,459
Operating expenses	(222,314)	(219,182)	1.43	(188,574)	(188,132)	(174,764)
Credit impairment losses	(154,539)	(167,949)	(7.98)	(193,491)	(163,000)	(151,109)
Other impairment losses	(479)	(766)	(37.47)	3,562	(521)	121
Profit before tax	382,017	378,412	0.95	336,616	326,597	308,160
Net profit	323,166	303,928	6.33	273,579	269,222	255,626
Net profit attributable to equity shareholders of the Bank	323,861	302,513	7.06	271,050	266,733	254,655
Net profit attributable to common shareholders of the Bank	319,323	297,975	7.16	265,426	262,771	250,719
As at 31 December						
Total assets	34,601,917	30,253,979	14.37	28,132,254	25,436,261	23,222,693
Net loans and advances to customers	20,495,117	18,170,492	12.79	16,231,369	14,542,001	13,366,492
Total liabilities	31,723,157	27,639,857	14.77	25,742,901	23,201,134	21,231,099
Deposits from customers	25,020,807	22,378,814	11.81	20,614,976	18,366,293	17,108,678
Total equity	2,878,760	2,614,122	10.12	2,389,353	2,235,127	1,991,594
Total equity attributable to equity shareholders of the Bank	2,856,733	2,588,231	10.37	2,364,808	2,216,257	1,976,463
Share capital	250,011	250,011	–	250,011	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments[1]	2,706,459	2,475,462	9.33	2,261,449	2,089,976	1,889,390
Additional Tier 1 capital after regulatory adjustments[1]	140,074	100,066	39.98	100,068	119,716	79,720
Tier 2 capital after regulatory adjustments[1]	793,905	676,754	17.31	471,164	427,896	379,536
Total capital after regulatory adjustments[1]	3,640,438	3,252,282	11.93	2,832,681	2,637,588	2,348,646
Risk-weighted assets[1]	19,767,834	18,215,893	8.52	16,604,591	15,053,291	13,659,497
Per share (In RMB)						
Basic and diluted earnings per share	1.28	1.19	7.56	1.06	1.05	1.00
Final cash dividend proposed after the reporting period	0.389	0.364	6.87	0.326	0.320	0.306
Net assets per share attributable to ordinary shareholders of the Bank	10.87	9.95	9.25	9.06	8.39	7.59

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

	2022	2021	Change +/(-)	2020	2019	2018
Profitability indicators (%)						
Return on average assets[1]	1.00	1.04	(0.04)	1.02	1.11	1.13
Return on average equity	12.27	12.55	(0.28)	12.12	13.18	14.04
Net interest spread	1.82	1.94	(0.12)	2.04	2.16	2.22
Net interest margin	2.02	2.13	(0.11)	2.19	2.32	2.36
Net fee and commission income to operating income	15.31	15.89	(0.58)	16.04	16.36	15.85
Cost-to-income ratio[2]	28.25	27.64	0.61	25.38	26.75	26.61
Capital adequacy indicators (%)						
Common Equity Tier 1 ratio[3]	13.69	13.59	0.10	13.62	13.88	13.83
Tier 1 ratio[3]	14.40	14.14	0.26	14.22	14.68	14.42
Total capital ratio[3]	18.42	17.85	0.57	17.06	17.52	17.19
Total equity to total assets	8.32	8.64	(0.32)	8.49	8.79	8.58
Asset quality indicators (%)						
Non-performing loan (NPL) ratio	1.38	1.42	(0.04)	1.56	1.42	1.46
Allowances to NPLs[4]	241.53	239.96	1.57	213.59	227.69	208.37
Allowances to total loans[4]	3.34	3.40	(0.06)	3.33	3.23	3.04

1. Net profit divided by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
3. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
4. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and neither total loans nor NPLs include the accrued interest.

The following table sets forth the main quarterly financial indicators of the Group during the respective periods.

	2022				2021			
(In millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	200,229	190,132	186,604	181,190	195,350	185,557	191,632	192,167
Net profit attributable to equity shareholders of the Bank	88,741	72,901	85,640	76,579	83,115	70,185	78,853	70,360
Net cash from/(used in) operating activities	479,940	335,561	8,764	154,154	253,365	(81,206)	301,066	(36,507)

CHAIRMAN'S STATEMENT

Tian Guoli Chairman

Dear shareholders,

The year 2022 was an extraordinary year. The 20th CPC National Congress was successfully concluded, unveiling the blueprint for advancing the rejuvenation of the Chinese nation on all fronts through a Chinese path to modernisation. CCB, always following the guiding principle of enhancing "three capabilities", has fully and faithfully applied the new development philosophy on all fronts in every respect of the New Finance initiatives, striving to achieve high-quality development, while serving the real economy and meeting people's aspiration for a better life. At the end of 2022, the Group's total assets stood at RMB34.60 trillion, up 14.37% over the previous year. Net profit was RMB323,166 million, up 6.33% over the previous year. ROA and ROE were 1.00% and 12.27%, respectively, ranking among the top of its peers. NPL ratio was 1.38%, indicating a steady improvement in asset quality. The Board proposed to pay a cash dividend of RMB0.389 per share (before tax) for the year, which will be submitted to the Annual General Meeting for consideration. Behind these inspiring achievements are the hard work of 380 thousand fellow workers at CCB, the unwavering support from hundreds of millions of customers and the warm companionship of shareholders.

Just after the Spring Festival of 2023, we launched the "CCB Cloud" brand in Beijing. "CCB Cloud" is not just a technological innovation, nor simply a FinTech platform. It is actually a move to embrace the revolutionary transition to digital production in a digital era. We define "CCB Cloud" as "new infrastructure" and "digital new infrastructure building". In collaboration with stakeholders, we have made heavy investments on "cloud computing" and kept its constant upgrading for five years in a row. The strong "cloud computing" capacity has been exported to provide technological services for more than 200 financial institutions and government agencies, in an effort to build the Group into the most tech-savvy financial group. "Cloud" helps finance go beyond skyscrapers to reach communities. The ubiquitous and readily available cloud services cater to the financial needs of modern social development and everyday life. It is becoming an industry consensus that the future of banking is on the cloud.

We firmly implemented the guiding line of the CPC Central Committee and the State Council that "housing is for living in and not for speculation" and the decision to establish a housing system that encourages both housing rentals and purchases. In September 2022, with strong support from regulatory authorities, we established the first housing rental fund, which is a milestone in the fifth year of implementing the housing rental strategy. At the end of 2022, corporate loans related to housing rental exceeded RMB240 billion, and the comprehensive housing rental service platform covered 96% of the country's prefectures and higher-level administrative areas. More than 200 "CCB Home" long-term rental projects have been opened for operation, the first batch of government-subsidised rental housing REITs were publicly traded on a pilot scale, and government-subsidised rental housing app went live in 215 cities. We continued to explore new models of serving real estate development and help people gain affordable access to safe housing or shelters.

In 2022, the inclusive finance strategy made gratifying progress. "CCB Huidongni" 3.0 was launched to provide one-stop integrated services for micro, small and medium-sized enterprises and foster an inclusive finance ecosystem "knowing you better". The Village Chain Project connected 440,000 Yunongtong service sites with the online app, extending modern financial services to numerous households in rural areas. After years of hard work, the Bank granted inclusive finance loans to 2.53 million customers, and the balance of inclusive finance loans exceeded RMB2.35 trillion. Since the onset of the COVID-19 pandemic, a total of RMB8.4 trillion of inclusive finance loans have been delivered to micro and small enterprises, with the NPL ratio stood at around 1%. We have taken a new path of "big bank" serving small businesses. CCB has become the world's largest financial institution in terms of total supply of inclusive finance, and achieved balanced development between "large industries, large enterprises" and "small industries, small enterprises".

Digitalisation has not only enabled the explosive growth of inclusive finance loans, but also greatly boosted the development of retail banking. We strived to build a "binary star" online ecosystem. The mobile banking in constant iteration makes financial services more accessible, and the newly launched "CCB Lifestyle" makes everyday life more convenient. The two complement each other, linking financial and non-financial scenarios to create a "non-linear growth curve" in the digital era. At present, CCB has over 500 million online users. Mobile banking has 440 million users, leading the industry by number of active users and becoming our real "outlets". In less than two years since its launch, "CCB Lifestyle" has attracted 100 million customers, providing free online shop services to 350,000 merchants and stores, and distributed more than RMB3 billion worth of consumption vouchers for local governments of over 220 cities. These services helped stimulate nearly RMB10 billion of consumer spending to boost domestic demand and revive consumption.

In addition, we also innovated the technology evaluation system, providing loan services to 77,000 sci-tech firms pursuant to the principle of "valuing patents over bricks". We engaged in the digital government building and processed 4 billion transactions of smart government affairs, with the inter-provincial government affairs provided in our outlets covering 31 provinces, municipalities and autonomous regions. More than 14,000 outlets have functioned as "government service centres in the vicinity of local people". The "CCB Startup Station" has provided consulting and financing services for more than 23,000 enterprises. CCB Learning Centre has painted a shared picture of financial education available to everyone, everywhere. Meanwhile, the "Financial Literacy Promotion" education and training programme has benefited millions of ordinary people. "CCB Match Plus" has organised more than 210 cross-border match-making events and digital exhibitions for more than 17,000 companies in 35 countries and regions...

In the past year, we continued to consolidate our traditional strengths in infrastructure, and stepped up our support and services for key areas such as manufacturing, strategic emerging industries, high-tech industries and rural revitalisation, as well as in key regions including the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Greater Bay Area and the Chengdu-Chongqing economic zone. The green and low-carbon transformation of industries was promoted in an orderly way. The balance of green loans exceeded RMB2.75 trillion, with traditional credit business generating value in new "green" scenarios. Our MSCI ESG Rating remained A for three consecutive years. The "CCB Long Wealth" brand was upgraded across the board and the development in pension finance was planned and piloted. The panoramic personal wealth view was creatively developed first in business, to help customers with dynamic and fine-grained wealth management. Relying on the Group's full license strengths, we continued to improve the capability of comprehensive financial services and meet customers' comprehensive demand for wealth management and direct financing. At the end of 2022, the scale of assets under management reached RMB5.79 trillion, the assets of private banking customers reached RMB2.25 trillion, and the profit before tax from personal finance business accounted for 56.65% of total. We firmly established the concept of comprehensive risk management and continued to strengthen the prediction, monitoring and analysis of important risk types and key risk areas. Our asset quality withstood the stress tests of internal and external unforeseen circumstances. We adhered to a prudent risk appetite, always maintained capital adequacy levels higher than the regulatory requirements, and ensured reasonable and adequate liquidity. We kept reinforcing the "three lines of defence" of business operation, risk compliance and audit, strengthened consumer protection and lived up to the trust of all stakeholders as a professional, disciplined and responsible large bank.

There were many moving stories in 2022. "CCB Home" provided new immigrants in Beijing with access to affordable and friendly shelters. "Rider's Home" provided battery exchange stations for delivery workers. "CCB Lifestyle" helped sell over 200 thousand kg of watermelons in just ten days for farmers in Nanhui District, Shanghai. "CCB Huidongni" app provided heart-warming financial support to roadside small shop owners in Qingyuan City, Guangdong Province in their pursuit of becoming time-honoured brands. The "Workers' Harbours" provided genial refreshment venues for medical workers on the frontline of the battle against COVID-19. From bustling cities to peaceful villages, we contributed our part step by step in breaking the credit barrier and warming the life of the public with considerate services. On the road to New Finance, we have become more determined than ever. With the general public on our mind as always, we are making small changes one after another, and we do believe that the positive and friendly light of finance brought by the small changes will light up our glorious future of serving the society.

Looking back, we persistently explored the evolution of traditional commercial banking in the light of social needs. We broke new ground for expansion and upgrading on the road to New Finance, and delivered achievements in digitalisation, inclusive finance and mitigation of real estate risks. We have prepared ourselves well for market shocks and environmental changes, laying a solid foundation for sustainable and high-quality development in the new era. Looking ahead, we will put people first, adhere to the mission of serving the real economy and continue to rationalise the customer mix and business structure leveraging on technology and data. We will pursue a transition to capital-light, asset-light development and create new financial products and service models, so that each round of New Finance evolution will put a foundation under high-quality development and the aspiration for a better life, and help make the first year of Chinese modernisation a luxuriant spring.

Let us forge ahead hand in hand, with sincerity and unwavering faith, to live each day to the fullest and turn our small steps into giant strides.

Tian Guoli
Chairman
29 March 2023

PRESIDENT'S REPORT

Zhang Jinliang President

Dear shareholders,

Amid accelerated global shifts unseen in a century, we have experienced profound and extensive changes in our world, times and history.

Looking back to 2022, the international landscape has undergone great changes, with intensified geopolitical conflicts, high inflation in major economies, rapid liquidity tightening and increased economic downside risks. China's economy faced continuously evolving triple pressures of demand contraction, supply disruption and weakening prospects, due to multiple factors beyond expectation. Under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, we deeply understood the nature of financial work and practiced it on a politically-oriented and people-centred basis, while enhancing our professionalism. We resolutely implemented macro-control policies, worked hand in hand with all sectors of society to overcome difficulties, and achieved fruitful business results in serving China's high-quality development. **The Group saw steady and balanced growth in assets and liabilities, infusing new financial momentum into the real economy**. At the end of 2022, the Group's total assets reached RMB34.60 trillion, an increase of 14.37% over 2021, of which net loans and advances to customers were RMB20.50 trillion, an increase of 12.79%; bond investment totalled RMB8.31 trillion, an increase of 12.70%. Total liabilities amounted to RMB31.72 trillion, an increase of 14.77%, of which deposits from customers totalled RMB25.02 trillion, an increase of 11.81%. **The Group maintained leading business profit in the market, creating stable and reliable value returns for customers and shareholders**. In 2022, the Group achieved net profit of RMB323,166 million, an increase of 6.33%. Net interest margin was 2.02%, return on average assets was 1.00%, return on average equity was 12.27%, and total capital ratio was 18.42%. **The Group achieved remarkable results in asset quality control, making solid and effective contributions to financial stability as a large bank**. NPL ratio was 1.38%, while allowance to NPLs was 241.53%, with substantial improvement in the quality and quantity of risk disposal.

PRESIDENT'S REPORT

"An eagle cannot stir its wings with just one feather". These hard-earned achievements were the result of our profound thinking about people's aspiration for a better life in a new era and the laws of economic and financial development, our active exploration of new models and new forms of business in financial services and risk prevention and control, and continued efforts of our 380 thousand employees in sticking to strategic resolves and original aspirations.

Adhering to strategic guidance and serving the new development pattern with New Finance initiatives. We pressed ahead with inclusive finance to support entrepreneurship. As the largest financial institution in terms of credit supply, CCB's inclusive finance loans increased by RMB477,676 million, and the number of customers receiving credit through "CCB Huidongni" increased by 57.60%. We advanced rural revitalisation to support common prosperity. The Bank rolled out the "Yunongtong" service system in rural areas and realised leapfrog growth in agriculture-related loans. We further promoted green finance to support the initiative of lucid waters and lush mountains. Green loans increased by RMB786,976 million, RMB green bond investment increased by more than 110%, and the Bank got A in ESG rating of MSCI for three consecutive years. We continued to boost housing rental business to meet the housing needs of the public, by building closed-loop financial services of "investment, financing, management and withdrawal". We advanced FinTech to build a bank of the future, by keeping FinTech moving forward, pressing ahead with the construction of digital infrastructure and comprehensive cloud-native oriented transformation, and building a new distributed technology system based on independent and controllable capabilities.

Adhering to common prosperity and supporting the real economy with financial strength. We are committed to the new development concept, and strive to attain great goals by addressing small matters, depicting a vivid picture of serving the people. We introduced 23 policies and measures in the first place to help stabilise economic performance, increased the gross loans and advances to customers by RMB2.39 trillion, and outperformed peers in the underwriting volume of government bonds. We adopted targeted measures to support key areas and regions. The growth of loans related to sci-tech innovation, manufacturing and other areas was significantly higher than that of other loans. The proportion of loans in key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing Economic Circle rose, and loans to Northeast, Central and Western regions realised a year-on-year growth. We built a new foreign trade platform that can reach every corner of the world. "CCB Match Plus" has released more than 180,000 business opportunities. We actively supported steady and healthy development of the real estate market, increased credit support for high-quality real estate enterprises, and provided supportive financial services to ensure housing project delivery. We effectively advanced fee reduction to surrender part of profit to enterprises and the public. The interest rate of new non-discount corporate loans and inclusive loans dropped significantly from 2021, helping market entities sustain their development.

Sticking to financial services for the people, and serving customers with expertise. Customers are the foundation of our survival and the source of our development. We kept pace with national development and grew together with our customers. On the demand side, we tracked, understood, guided and created customer demands, taking customer demands as the market driving force for continuous improvement of financial services and innovative service systems. On the supply side, we broke geographical boundaries to extend our service chain, and increased efforts to retain existing customers, explore new customers and build deeper relationships with our customers. In 2022, we completed the integration and optimisation of our three business segments – corporate finance, personal finance, and treasury and asset management, so as to better serve hundreds of millions of customers with professionalism and dedication. We built an operational service system for corporate customers with leading scale and convenient service, serving 9.35 million corporate customers, with a record increase in corporate loans. We continuously deepened a "layered, sub-group and graded" personal customer operation and management system, and the total number of personal customers reached 739 million. Personal financial assets under management of the Bank totalled nearly RMB17 trillion. For treasury and asset management segment, assets under management reached RMB5.79 trillion. The asset size of financial market business exceeded RMB9 trillion and the size of pension WMPs ranked top among peers.

Keeping pace with the times and enabling a better life with IT and channel service. We accelerated the integration of business and technology and the connection of operations through various channels, and built a digital, intelligent, and platform-based financial service network featuring extensiveness, openness and sharing. "CCB Cloud" has built a bridge for technology interconnection. The size of new computing power was leading in the industry, which effectively supported internal and external empowerment with safe, compliant and reliable cloud services. We improved the quality and efficiency of R&D and formed an agile and collaborative FinTech synergy at the group level. We built an intelligent information security protection system to achieve full coverage of remote disaster recovery of important systems. Focusing on online channels, physical channels and remote smart banking channels, we promoted complementary advantages, scenario interaction and traffic exchange among channels. The "binary star" of mobile banking and "CCB Lifestyle" helped serve people's aspiration for a better life. The number of mobile banking users in 2022 reached 440 million, and the number of "CCB Lifestyle" registered users reached 100 million. We undertook the distribution of government consumption coupons in more than 220 cities and stimulated consumption of nearly RMB10 billion.

Adhering to bottom line thinking in strengthening risk compliance management in a comprehensive, proactive and intelligent manner. Focusing on the "six principles" of serving strategy, creating value, integrating processes, agility and intelligence, refined management, and collaborative governance, we had built an organisational structure of risk management at the group level with clear responsibilities and powers, scientific checks and balances. We optimised a three-dimensional risk governance structure with "three lines of defence", innovatively upgraded the intelligent risk control tool platform, and promoted Basel III compliance in an orderly manner. We coordinated the management of ECL approach implementation and strengthened forward-looking proactive management of risks in key areas, with stable and controllable indicators such as overdue ratio, proportion of special mention loans and default ratio, and solid performance in market risk, liquidity risk and operational risk. We advanced development of a digital compliance management system, and effectively managed related party transactions, and risks of money laundering and sanctions.

The year 2023 is a ground-breaking time when we will fully implement the guiding principles of the 20th CPC National Congress. China's economy is resilient, with great potential and vitality. With the gradual improvement in demand, the vitality of various market players will notably increase. In addition to this, as the supportive macroeconomic policies gradually take effect, China's economic performance will pick up in general, creating vast opportunities and space for us to promote continuous high-quality development. We will strengthen confidence, seize opportunities, focus on serving the real economy, advance implementation of strategies, consolidate our customer base, enhance refined management, improve the quality and efficiency of operations, and tighten risk management. Moreover, we will seize the strategic opportunities in the process of the high-quality development in China, consolidate our advantages, and achieve a prosperous future.

"Those who aspire to travel far will not stop walking halfway". The east wind for the new era is mighty, and the spring tide is surging, we will continue to ride the wind and waves of progress, and pass on the wonder of finance to our family of customers.

Zhang Jinliang
President
29 March 2023

REPORT OF CHAIRMAN OF THE BOARD OF SUPERVISORS

Wang Yongqing Chairman of the board of supervisors

Dear shareholders:

2022 was a very important year in the history of the CPC and our country. During the year, CCB thoroughly studied the guiding principles of the 20th CPC National Congress, resolutely implemented decisions and arrangements of the CPC Central Committee and the State Council, took coordinated efforts to support COVID-19 response and economic and social development, and implemented the new development concept with New Finance initiatives, to continuously promote high-quality development. In 2022, the board of supervisors, in accordance with laws and regulations and the Bank's Articles of Association, standardised work procedures, diligently performed its duties, adhered to the concept that finance work should be politically oriented and people-centred, and continued to develop the Bank's expertise. The board of supervisors focused on key areas, such as serving the real economy, preventing and controlling financial risks and deepening financial reforms, effectively carried out supervision work, and promoted the Bank's governance efficiency together with all parties charged with corporate governance involved to form concerted forces.

Taking serving the real economy as the top priority in our supervision work. Focusing on major regional strategies and coordinated regional development strategies, we proposed to take serving the nation's "14th Five-Year Plan" as the guidance, support strategy implementation with region-specific arrangements, optimise service plans on a timely basis, and continue to improve the Bank's financial supply capacity. We attached great importance to the implementation of inclusive finance strategy, and proposed to promote value creation through platform-based operation by improving operation and maintenance efficiency, promoting collaboration between platforms, and releasing efficiency of digitalised operation. We focused on supporting rural revitalisation with financial services, and proposed to fully understand that the key to rural revitalisation is industrial revitalisation and create a virtuous circulation of industrial chain by giving full play to advantages of supply chain finance through core enterprises and service platforms.

Promoting New Finance initiatives to better serve people's aspirations for a better life. We paid attention to the overall digital transformation, studied and discussed integrated IT construction across the group, and proposed to strengthen overall planning to support business collaboration and management collaboration and continuously enhance customer service capabilities. Focusing on national strategic decisions of carbon peaking and neutrality, we paid attention to the progress of ESG-related work, and proposed to improve credit management of the energy industry in a well-planned and phased way in line with the principle of building a new model gradually before discarding the old one and preventing risks, so as to help achieve carbon peak and neutrality goals. We urged the Bank to proactively serve the country's goal of common prosperity, and proposed to steadily promote mega wealth management, strengthen product innovation and IT system building, and serve more customers in the constant practice of new development concept.

Assisting the Bank to avoid systemic risks. We focused on major risk areas such as credit risk, market risk, and liquidity risk, further fulfilled the duties of supervision, and promoted the upgrading of modern risk governance system. We took the initiative in risk supervision in emerging areas and continued to monitor model risk, data risk and green transformation risk. We supervised business areas such as real estate enterprises and small and medium-sized financial institutions to ensure sound and sustainable development of relevant businesses. We paid attention to key areas of compliance management, issued supervisory opinions on the construction of anti-gambling and anti-fraud system, anti-money laundering and financial sanctions management, employee behaviour management and case prevention and control, and promoted coordination of "three lines of defence" and co-governance of compliance and risks.

Striving to solve problems in implementing new development concept. In order to foster a new development pattern with effective financial services, we launched special research on serving sci-tech enterprises with financial services, fundamental management and mechanism construction. The supervisors and I visited grass-roots bank outlets and market entities, and interviewed more than 60 internal and external institutions. We asked for their needs, ideas and suggestions, and discussed ways and approaches to solve problems and promote development. Based on research and analysis, we proposed to strengthen top-level design and innovate financial instrument system to better support sci-tech enterprises and develop sci-tech finance; improve the Bank's internal coordination mechanisms with a systematic thinking, strengthen integrated management and control across the group, and effectively improve the efficiency to serve the real economy.

Continuing to improve corporate governance supervision mechanism. We further instilled the leadership of the Party in our supervision of corporate governance and took the implementation of the central government's decisions and arrangements as a priority. Considering regulatory requirements and the Bank's facts and circumstances, we continued to improve the quality and efficiency of our meetings through selected topics, in-depth discussion and effective transmission. We constantly strengthened the linkage between the board of supervisors and internal and external supervisory entities to safeguard the Bank's development. We strengthened communication with the Board and senior management, and encouraged effective collaboration in strategic decision-making, risk prevention and control and business development, so as to constantly improve the Bank's corporate governance.

A good chess player always makes a grand plan, and a good planner can achieve lofty aspirations. Traditional financial rules and basic financial logics are subject to shocks and challenges from accelerated changes unseen in a century. We will continue to uphold the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, take a holistic perspective to make our work more scientific, prospective, proactive and creative. We will unite in a concerted effort and rise to the challenges, continue to explore the road of financial development with Chinese characteristics, and create more magnificent chapters for China's modernisation.

Wang Yongqing
Chairman of the board of supervisors
29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2022, the momentum of world economic recovery weakened with complicated international economic and financial landscapes, and uncertainties increased in the environment for development. Meanwhile, aggravated Russia-Ukraine geopolitical conflicts, together with rising prices of energy, food and other commodities, pushed global inflation to historic highs. Major developed economies continued with interest rate hikes, with labor supply recovering slowly and economic growth decelerating remarkably. Certain emerging market economies repeatedly raised interest rates in response to domestic inflationary pressures and spillover effects from tighter monetary policies of developed economies, with dropping economic growth rates to varying degrees. The global financial market experienced shocks, and the major stock markets, bond markets and foreign exchange markets fluctuated and diverged. US dollar index and US bond yields rose sharply, cross-border capital accelerated the backflow to the US, and the capital outflow pressures for emerging market economies increased.

In the face of complex and challenging domestic and international situations and multiple unexpected factors, the Chinese government effectively coordinated COVID-19 response and economic and social development, and stepped up macro-control efforts. China's financial markets were overall stable in 2022. Benchmark rates in the money market declined, with rising trading volumes. The rates of bond issued were generally stable, with active trading of spot bonds in the bond market. Stock market indices oscillated downward, with declining trading volume and proceeds from 2021. The consumer price index (CPI) rose moderately by 2.0%, and the rise of producer price eased. Agricultural production remained stable, industrial production grew continuously, and the service sector continued to recover. The annual GDP increased by 3.0% over 2021, ranking second in the world.

China reinforced macro-controls and regulatory policies to channel more financial resources to key areas and encourage financial institutions to make interest concessions to the real economy. Regulations and policies had been issued to guide the financial industry to better serve the real economy and improve quality and efficiency of services, including the *Implementation Opinions on Promoting the High-quality Development of Inclusive Finance*, *Opinions on Effectively Carrying out the Key Tasks for Comprehensively Advancing Rural Revitalisation in 2022*, and *Circular on Further Promoting Financial Services for the High-quality Development of Manufacturing Sector*. China's banking industry made targeted efforts and proactive deployment in inclusive finance, rural revitalisation, green finance and in ensuring people's wellbeing, and delivered strong operating results. In 2022, the banking industry saw a steady growth in total assets and overall stable credit asset quality. Commercial banks kept sound liquidity, and adequate risk offsetting capacity on the whole, and continued to report growth in profits. Meanwhile, the foundation of domestic economic recovery was not yet solid, and market players needed time to restore confidence. The downward impact of real estate and other industries weighted on risk control of banks, and the banks faced higher performance pressure as their net interest margin and return on assets continued to decline.

In 2022, the Group enhanced the quality and efficiency in serving the real economy and made new progress in its high-quality development. The assets and liabilities both achieved relatively fast growth. Total assets reached RMB34.60 trillion, an increase of 14.37%, of which net loans and advances to customers were RMB20.50 trillion, an increase of 12.79%. Total liabilities amounted to RMB31.72 trillion, an increase of 14.77%, of which deposits from customers totalled RMB25.02 trillion, an increase of 11.81%. The Group maintained a leading operating efficiency in the industry. It achieved net profit of RMB323,166 million, an increase of 6.33%, and net interest income of RMB643,064 million. Net interest margin was 2.02%, return on average assets was 1.00%, return on average equity was 12.27%, and total capital ratio was 18.42%. Asset quality was stable on the whole. NPL ratio was 1.38%, remaining stable with a slight dip; allowances to NPLs was 241.53%, representing good risk mitigation capability.

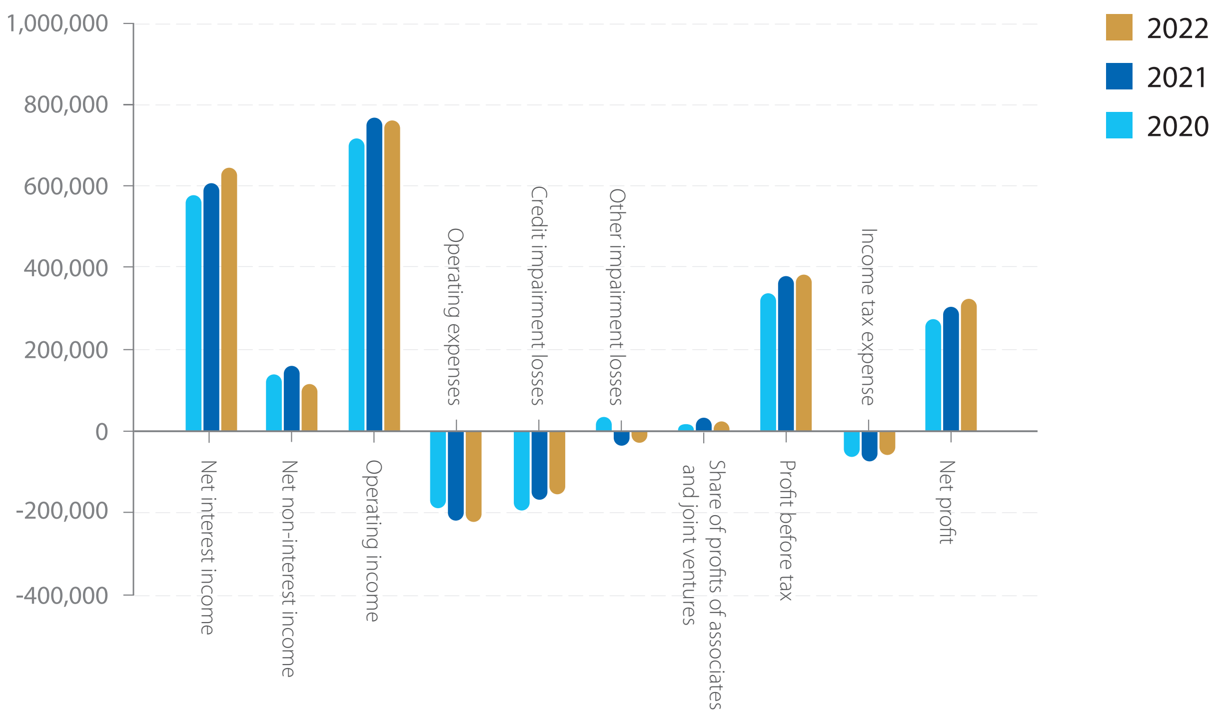
STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2022, the Group made coordinated efforts in enhancing the effectiveness of its comprehensive operations, and its profitability achieved steady growth with profit before tax of RMB382,017 million, an increase of 0.95% over 2021, and net profit of RMB323,166 million, an increase of 6.33% over 2021. Key factors affecting the Group's profitability are as follows. Firstly, interest-earning assets achieved a positive growth momentum, driving an increase in net interest income of RMB37,644 million, or 6.22% over 2021. Secondly, due to changes in external business environment and other factors, net fee and commission income decreased by RMB5,407 million, or 4.45% from 2021. Thirdly, due to the strengthened comprehensive cost management, operating expenses increased by 1.43% over 2021. Cost-to-income ratio was 28.25%, 0.61 percentage points higher than that in 2021, staying at a sound level. Fourthly, provisions for impairment losses on assets including loans and advances to customers were made according to substantive risk judgement mainly, with total impairment losses of RMB155,018 million, a decrease of 8.12% from 2021.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)	2020
Net interest income	643,064	605,420	6.22	575,909
Net non-interest income	115,091	159,286	(27.75)	138,315
– Net fee and commission income	116,085	121,492	(4.45)	114,582
Operating income	758,155	764,706	(0.86)	714,224
Operating expenses	(222,314)	(219,182)	1.43	(188,574)
Credit impairment losses	(154,539)	(167,949)	(7.98)	(193,491)
Other impairment losses	(479)	(766)	(37.47)	3,562
Share of profits of associates and joint ventures	1,194	1,603	(25.51)	895
Profit before tax	382,017	378,412	0.95	336,616
Income tax expense	(58,851)	(74,484)	(20.99)	(63,037)
Net profit	323,166	303,928	6.33	273,579

Compositions and Changes of Comprehensive Income (In millions of RMB)



FINANCIAL REVIEW

Net interest income

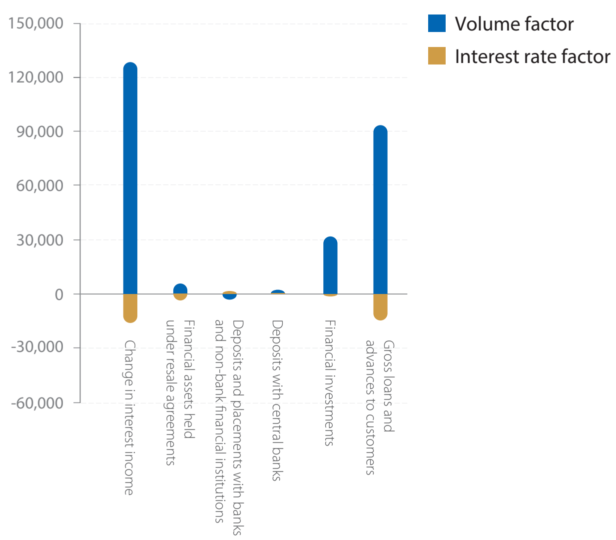
In 2022, the Group's net interest income amounted to RMB643,064 million, an increase of RMB37,644 million, or 6.22% over 2021. The net interest income accounted for 84.82% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

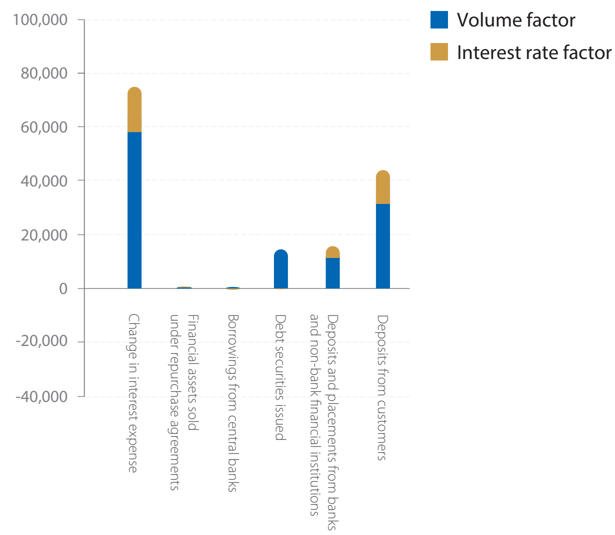
(In millions of RMB, except percentages)	2022 Average balance	2022 Interest income/ expense	2022 Average yield/cost (%)	2021 Average balance	2021 Interest income/ expense	2021 Average yield/cost (%)
Assets						
Gross loans and advances to customers	20,269,772	846,017	4.17	18,028,304	767,061	4.25
Financial investments	7,553,945	256,237	3.39	6,609,659	225,706	3.41
Deposits with central banks	2,567,571	39,177	1.53	2,530,647	36,775	1.45
Deposits and placements with banks and non-bank financial institutions	585,453	13,445	2.30	726,819	14,898	2.05
Financial assets held under resale agreements	897,833	15,024	1.67	587,768	12,894	2.19
Total interest-earning assets	31,874,574	1,169,900	3.67	28,483,197	1,057,334	3.71
Total allowances for impairment losses	(713,041)			(626,618)		
Non-interest-earning assets	1,954,332			1,757,377		
Total assets	33,115,865	1,169,900		29,613,956	1,057,334	
Liabilities						
Deposits from customers	23,315,100	402,250	1.73	21,397,697	358,241	1.67
Deposits and placements from banks and non-bank financial institutions	2,915,798	56,739	1.95	2,313,948	40,989	1.77
Debt securities issued	1,530,476	45,857	3.00	1,043,395	31,483	3.02
Borrowings from central banks	726,731	20,470	2.82	708,601	20,384	2.88
Financial assets sold under repurchase agreements	52,721	1,520	2.88	40,121	817	2.04
Total interest-bearing liabilities	28,540,826	526,836	1.85	25,503,762	451,914	1.77
Non-interest-bearing liabilities	1,807,944			1,653,036		
Total liabilities	30,348,770	526,836		27,156,798	451,914	
Net interest income		643,064			605,420	
Net interest spread			1.82			1.94
Net interest margin			2.02			2.13

In 2022, the Group adhered to its customer-centric concept, dynamically tracked market trends, reasonably allocated assets and liabilities, and increased its support for the real economy. Loan yield dropped due to factors including the conversion of pricing basis to loan prime rate upon loan repricing and continuous efforts in interest concession to support the real economy. The yield of bond investment was lower than that of 2021 due to market interest rates decline, and the cost of deposits was higher due to more intense market competition. As a result , net interest spread fell to 1.82%, down by 12 basis points; net interest margin was 2.02%, down by 11 basis points from 2021.

Change in interest income (In millions of RMB)



Change in interest expense (In millions of RMB)



The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2022 versus 2021.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	93,627	(14,671)	78,956
Financial investments	31,867	(1,336)	30,531
Deposits with central banks	502	1,900	2,402
Deposits and placements with banks and non-bank financial institutions	(3,127)	1,674	(1,453)
Financial assets held under resale agreements	5,684	(3,554)	2,130
Change in interest income	128,553	(15,987)	112,566
Liabilities			
Deposits from customers	31,414	12,595	44,009
Deposits and placements from banks and non-bank financial institutions	11,323	4,427	15,750
Debt securities issued	14,584	(210)	14,374
Borrowings from central banks	516	(430)	86
Financial assets sold under repurchase agreements	304	399	703
Change in interest expense	58,141	16,781	74,922
Change in net interest income	70,412	(32,768)	37,644

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

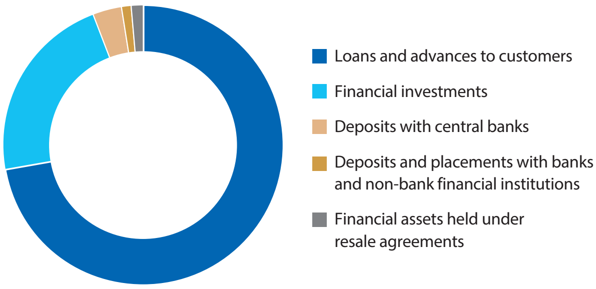
Net interest income increased by RMB37,644 million over 2021. In this amount, an increase of RMB70,412 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB32,768 million was due to the movements of average interest rates.

FINANCIAL REVIEW

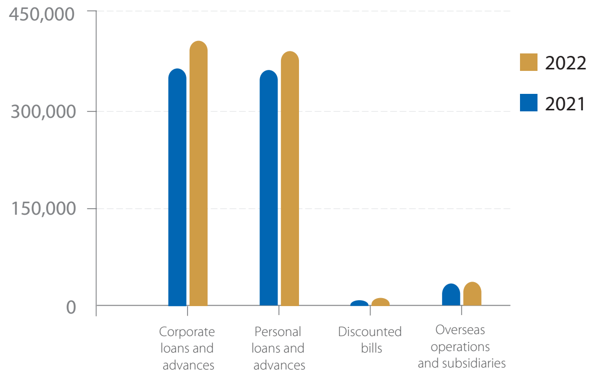
Interest income

In 2022, the Group realised interest income of RMB1.17 trillion, an increase of RMB112,566 million or 10.65% over 2021. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 72.32%, 21.90%, 3.35%, 1.15% and 1.28%, respectively.

Percentage of interest income



Structure of interest income (In millions of RMB)



The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

	2022			2021		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	10,436,109	408,425	3.91	9,162,756	365,293	3.99
Short-term loans	2,994,263	103,023	3.44	2,743,696	97,861	3.57
Medium to long-term loans	7,441,846	305,402	4.10	6,419,060	267,432	4.17
Personal loans and advances	8,069,630	392,190	4.86	7,547,245	362,742	4.81
Short-term loans	1,415,450	68,072	4.81	1,253,168	56,424	4.50
Medium to long-term loans	6,654,180	324,118	4.87	6,294,077	306,318	4.87
Discounted bills	698,593	10,216	1.46	250,861	6,424	2.56
Overseas operations and subsidiaries	1,065,440	35,186	3.30	1,067,442	32,602	3.05
Gross loans and advances to customers	20,269,772	846,017	4.17	18,028,304	767,061	4.25

Interest income from loans and advances to customers amounted to RMB846,017 million, an increase of RMB78,956 million or 10.29% over 2021, mainly driven by the 12.43% increase in the average balance of loans and advances to customers over 2021 as a result of stronger support for the real economy.

Interest income from financial investments amounted to RMB256,237 million, an increase of RMB30,531 million or 13.53% over 2021, mainly due to the 14.29% increase in the average balance of financial investments over 2021.

Interest income from deposits with central banks amounted to RMB39,177 million, an increase of RMB2,402 million or 6.53% over 2021, mainly due to the 1.46% increase in the average balance of deposits with central banks and the eight basis points increase in the average yield over 2021.

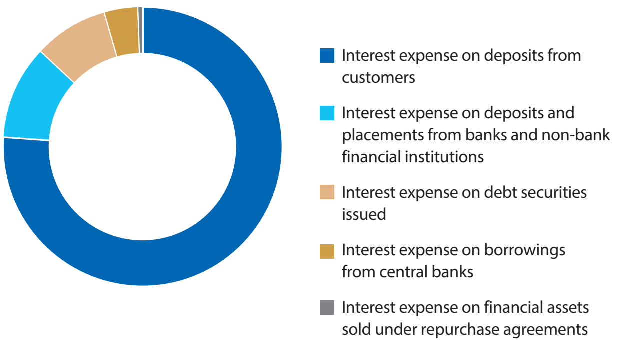
Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB13,445 million, a decrease of RMB1,453 million or 9.75% from 2021, mainly due to the 19.45% decrease in the average balance of deposits and placements with banks and non-bank financial institutions from 2021.

Interest income from financial assets held under resale agreements amounted to RMB15,024 million, an increase of RMB2,130 million or 16.52% over 2021, mainly due to the 52.75% increase in the average balance of financial assets held under resale agreements over 2021.

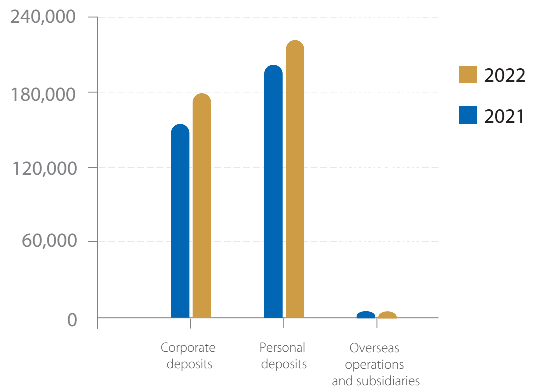
Interest expense

In 2022, the Group's interest expense reached RMB526,836 million, an increase of RMB74,922 million or 16.58% over 2021. In this amount, interest expense on deposits from customers accounted for 76.35%, that on deposits and placements from banks and non-bank financial institutions accounted for 10.77%, that on debt securities issued accounted for 8.70%, that on borrowings from central banks accounted for 3.89%, and that on financial assets sold under repurchase agreements accounted for 0.29% of the total.

Percentage of interest expense



Structure of interest expense (In millions of RMB)



The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

	2022			2021		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	10,712,344	178,003	1.66	10,153,188	153,660	1.51
Demand deposits	6,435,783	59,886	0.93	6,356,409	55,117	0.87
Time deposits	4,276,561	118,117	2.76	3,796,779	98,543	2.60
Personal deposits	12,102,090	220,913	1.83	10,816,186	201,090	1.86
Demand deposits	4,929,204	14,302	0.29	4,643,984	14,505	0.31
Time deposits	7,172,886	206,611	2.88	6,172,202	186,585	3.02
Overseas operations and subsidiaries	500,666	3,334	0.67	428,323	3,491	0.82
Total deposits from customers	23,315,100	402,250	1.73	21,397,697	358,241	1.67

Interest expense on deposits from customers was RMB402,250 million, an increase of RMB44,009 million or 12.28% over 2021, mainly because the average balance of deposits from customers increased by 8.96% and the average cost rose by six basis points over 2021 as a result of stable and balanced growth in deposits.

Interest expense on deposits and placements from banks and non-bank financial institutions increased by RMB15,750 million or 38.42% over 2021 to RMB56,739 million, mainly because the average balance of deposits and placements from banks and non-bank financial institutions increased by 26.01%, and the average cost rose by 18 basis points over 2021.

Interest expense on debt securities issued increased by RMB14,374 million or 45.66% over 2021 to RMB45,857 million, mainly because the average balance of debt securities issued increased by 46.68% over 2021.

Interest expense on borrowings from central banks increased by RMB86 million or 0.42% to RMB20,470 million over 2021, mainly because the average balance of borrowings from central banks increased by 2.56% over 2021.

Interest expense on financial assets sold under repurchase agreements increased by RMB703 million or 86.05% over 2021 to RMB1,520 million, mainly because the average balance of financial assets sold under repurchase agreements increased by 31.40%, and the average cost rose by 84 basis points over 2021.

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Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)
Fee and commission income	130,830	138,637	(5.63)
Fee and commission expense	(14,745)	(17,145)	(14.00)
Net fee and commission income	116,085	121,492	(4.45)
Other net non-interest income	(994)	37,794	(102.63)
Total net non-interest income	115,091	159,286	(27.75)

In 2022, the Group's net non-interest income was RMB115,091 million, a decrease of RMB44,195 million or 27.75% from 2021, mainly driven by the decrease of net fee and commission income and other net non-interest income. Net non-interest income accounted for 15.18% of operating income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)	2020
Fee and commission income	130,830	138,637	(5.63)	131,512
Settlement and clearing fees	36,567	37,265	(1.87)	36,557
Agency service fees	19,231	19,283	(0.27)	17,366
Commission on trust and fiduciary activities	17,738	17,284	2.63	15,593
Bank card fees	17,098	21,148	(19.15)	21,374
Income from asset management business	16,185	18,550	(12.75)	13,398
Consultancy and advisory fees	10,731	11,658	(7.95)	11,577
Others	13,280	13,449	(1.26)	15,647
Fee and commission expense	(14,745)	(17,145)	(14.00)	(16,930)
Net fee and commission income	116,085	121,492	(4.45)	114,582

In 2022, affected by changes in external business environment and other factors, the Group's net fee and commission income was RMB116,085 million, a decrease of RMB5,407 million or 4.45% from 2021. The ratio of net fee and commission income to operating income was 15.31%, down 0.58 percentage points from 2021.

Specifically, settlement and clearing service fees totalled RMB36,567 million, a decrease of RMB698 million or 1.87% from 2021. This was mainly due to a slight reduction in income from online payment and international settlement with the weak consumption and external demands, while the income from corporate RMB settlement service rose moderately as the Bank proactively accelerated product and service innovation. Agency service fees totalled RMB19,231 million, a decrease of RMB52 million or 0.27% from 2021. This was mainly due to a year-on-year decrease in income from agency fund sales amid capital market fluctuations, while the income from agency insurance service grew relatively fast, playing a positive role in business performance, as the Bank enhanced asset allocation and actively met customers' demand for insurance products. Commission on trust and fiduciary activities totalled RMB17,738 million, an increase of RMB454 million or 2.63% over 2021. This was mainly due to a continuous growth in custody income brought by a new high of assets under custody as the Bank expanded custody business in key areas, and a steady growth in income from the housing reform finance as the Bank continued to strengthen customer services and consolidate its market competitiveness in advantageous fields such as housing fund service. Bank card fees totalled RMB17,098 million, a decrease of RMB4,050 million or 19.15% from 2021, mainly due to the decline in consumption commission income with a lower offline consumption transaction volume, which resulted from the overall weak consumer market. Income from asset management business was RMB16,185 million, a decrease of RMB2,365 million or 12.75% from 2021. Consultancy and advisory fees totalled RMB10,731 million, a decrease of RMB927 million or 7.95% from 2021, mainly due to the decline in income from businesses such as cost consulting.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)	2020
Dividend income	6,135	5,921	3.61	3,182
Net trading gain	4,531	7,816	(42.03)	4,313
Net gain on derecognition of financial assets measured at amortised cost	322	4,634	(93.05)	4,649
Net (loss)/gain arising from investment securities	(9,189)	10,498	(187.53)	5,765
Other net operating (loss)/income	(2,793)	8,925	(131.29)	5,824
Other net non-interest income	(994)	37,794	(102.63)	23,733

Other net non-interest income of the Group was negative RMB994 million, a decrease of RMB38,788 million, or 102.63% from 2021. In this amount, dividend income was RMB6,135 million, an increase of RMB214 million from 2021. Net trading gain was RMB4,531 million, a decrease of RMB3,285 million from 2021, mainly due to the reduction in gains from trading debt securities with the decrease in entrusted investments. Net gain on derecognition of financial assets measured at amortised cost was RMB322 million, a decrease of RMB4,312 million from 2021, mainly due to the reduction in asset securitisation which led to less income from related transfers. Net loss arising from investment securities was RMB9,189 million, with the net gain down by RMB19,687 from 2021, mainly due to the decrease in gains on revaluation and disposal of shares held by domestic branches through debt-equity swap, equity investments held by certain subsidiaries and certain bond investments measured at fair value through profit or loss amid fluctuations in the stock market and bond market. Other net operating loss was RMB2,793 million, with the income down by RMB11,718 million from 2021. This was mainly because the exchange gains fell as a result of revaluation losses arising from foreign exchange business amid exchange rate fluctuations, and the net income from insurance business of subsidiaries fell with changes in business size and market interest rates.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)	2020
Staff costs	126,594	118,238	7.07	104,353
Premises and equipment expenses	33,864	35,542	(4.72)	34,929
Taxes and surcharges	8,154	7,791	4.66	7,325
Others	53,702	57,611	(6.79)	41,967
Total operating expenses	222,314	219,182	1.43	188,574
Cost-to-income ratio (%)	28.25	27.64	0.61	25.38

In 2022, the Group strengthened comprehensive cost management and optimised expenses structure. Cost-to-income ratio was 28.25%, up 0.61 percentage points over 2021, staying at a sound level. Operating expenses were RMB222,314 million, an increase of RMB3,132 million or 1.43% over 2021. Specifically, staff costs were RMB126,594 million, an increase of RMB8,356 million or 7.07% over 2021; premises and equipment expenses were RMB33,864 million, a decrease of RMB1,678 million or 4.72% from 2021, mainly due to the year-on-year decrease in depreciation charges with strengthened intensive asset management; taxes and surcharges were RMB8,154 million, an increase of RMB363 million or 4.66% over 2021; other operating expenses were RMB53,702 million, a decrease of RMB3,909 million or 6.79% from 2021, mainly due to the decrease in general expenses with the strengthened cost management.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during the respective periods.

(In millions of RMB, except percentages)	2022	2021	Change (%)	2020
Loans and advances to customers	139,741	160,324	(12.84)	167,139
Financial investments	4,026	16,298	(75.30)	7,675
Financial assets measured at amortised cost	1,883	15,830	(88.10)	7,919
Financial assets measured at fair value through other comprehensive income	2,143	468	357.91	(244)
Others	11,251	(7,907)	N/A	15,115
Total impairment losses	155,018	168,715	(8.12)	189,929

FINANCIAL REVIEW

In 2022, the Group's impairment losses were RMB155,018 million, a decrease of RMB13,697 million or 8.12% from 2021. This was mainly because impairment losses on loans and advances to customers decreased by RMB20,583 million, while other impairment losses increased by RMB19,158 million over 2021. Impairment losses on financial investments decreased by RMB12,272 million. Specifically, impairment losses on financial assets measured at amortised cost decreased by RMB13,947 million from 2021. Impairment losses on financial assets measured at fair value through other comprehensive income increased by RMB1,675 million over 2021.

Income tax expense

In 2022, the Group's income tax expense was RMB58,851 million, a decrease of RMB15,633 million from 2021. The effective income tax rate was 15.41%, lower than the statutory rate of 25%. This was mainly because interest income from PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

Analysed by geographical segment

The following table sets forth, for the periods indicated, the distribution of the Group's operating income by geographical segment.

	2022		2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	122,001	16.09	116,450	15.23
Pearl River Delta	122,823	16.20	117,935	15.42
Bohai Rim	117,777	15.53	116,427	15.22
Central	128,242	16.92	118,747	15.53
Western	125,872	16.60	130,918	17.12
Northeastern	30,204	3.99	29,967	3.92
Head Office	92,707	12.23	115,005	15.04
Overseas	18,529	2.44	19,257	2.52
Operating income	758,155	100.00	764,706	100.00

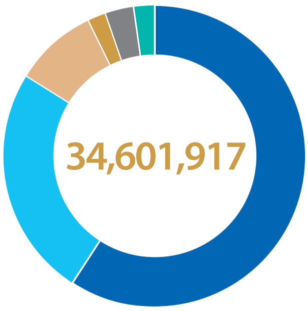
1. Classification of geographical segments has been adjusted, mainly including the reclassification of Guangxi Zhuang Autonomous Region from Central China to Western China, and the figures of the comparative period have been adjusted accordingly.

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment.

	2022		2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	63,329	16.58	60,469	15.98
Pearl River Delta	67,336	17.63	59,231	15.65
Bohai Rim	62,860	16.45	64,594	17.07
Central	68,327	17.88	57,143	15.10
Western	63,553	16.64	65,980	17.44
Northeastern	11,985	3.14	3,806	1.01
Head Office	38,677	10.12	68,394	18.07
Overseas	5,950	1.56	(1,205)	(0.32)
Profit before tax	382,017	100.00	378,412	100.00

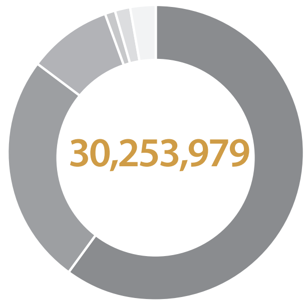
STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets



Total assets of the Group at the end of the reporting period
(In millions of RMB)

2022		2021
59.23%	Loans and advances to customers	60.06%
24.68%	Financial investments	25.26%
9.13%	Cash and deposits with central banks	9.14%
1.78%	Deposits and placements with banks and non-bank financial institutions	1.13%
3.01%	Financial assets held under resale agreements	1.81%
2.17%	Others	2.60%



The following table sets forth the composition of the Group's total assets as at the dates indicated.

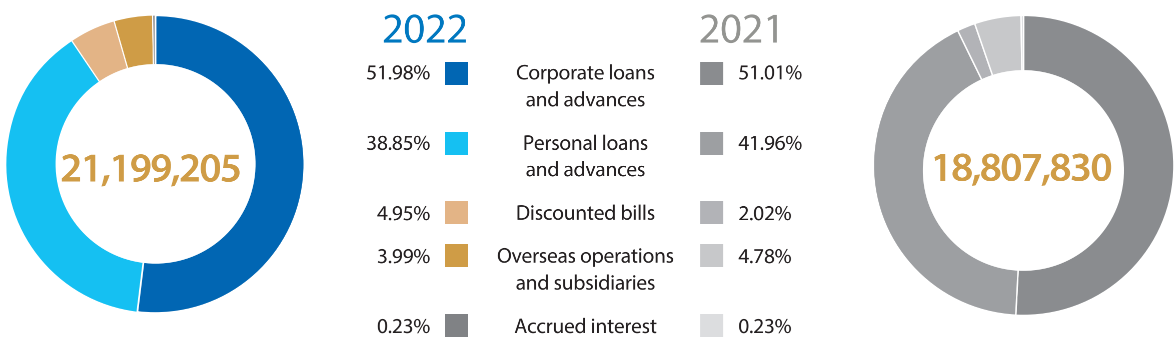
	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers	20,495,117	59.23	18,170,492	60.06	16,231,369	57.70
Loans and advances to customers measured at amortised cost	20,101,516	58.09	18,380,916	60.76	16,476,817	58.57
Allowances for impairment losses on loans	(704,088)	(2.03)	(637,338)	(2.11)	(556,063)	(1.98)
Book values of loans and advances to customers at fair value through other comprehensive income	1,048,651	3.03	379,469	1.25	259,061	0.92
Book values of loans and advances to customers at fair value through profit or loss	–	–	3,761	0.01	9,890	0.04
Accrued interest	49,038	0.14	43,684	0.15	41,664	0.15
Financial investments	8,540,149	24.68	7,641,919	25.26	6,950,653	24.71
Cash and deposits with central banks	3,159,296	9.13	2,763,892	9.14	2,816,164	10.01
Deposits and placements with banks and non-bank financial institutions	615,056	1.78	343,269	1.13	821,637	2.92
Financial assets held under resale agreements	1,040,847	3.01	549,078	1.81	602,239	2.14
Others[1]	751,452	2.17	785,329	2.60	710,192	2.52
Total assets	34,601,917	100.00	30,253,979	100.00	28,132,254	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, construction in progress, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2022, the Group's total assets stood at RMB34.60 trillion, an increase of RMB4.35 trillion or 14.37% over 2021. Net loans and advances to customers increased by RMB2.32 trillion or 12.79% over 2021 as the Group actively promoted high-quality development of the real economy, and increased credit supply to areas such as green finance, inclusive finance, advanced manufacturing and strategic emerging industries. The Group supported the implementation of proactive fiscal policies, and increased purchase of government bonds such as treasury bonds and local government bonds and investment in green bonds. Financial investments increased by RMB898,230 million or 11.75% over 2021. Considering large market fund movements towards the end of 2022, the Group raised fund reserve as appropriate, increased its cash and deposits with central banks by RMB395,404 million or 14.31% over 2021, to ensure liquidity safety at the end of the year. In line with the demand of funding sources and fund deployment, the Group increased the use of short-term funds. Deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements increased by RMB271,787 million and RMB491,769 million, with an increase rate of 79.18% and 89.56% respectively, as compared to 2021. In the total assets, the proportion of net loans and advances to customers decreased by 0.83 percentage points to 59.23%, that of financial investments decreased by 0.58 percentage points to 24.68%, that of cash and deposits with central banks decreased by 0.01 percentage points to 9.13%, that of deposits and placements with banks and non-bank financial institutions increased by 0.65 percentage points to 1.78%, and that of financial assets held under resale agreements increased by 1.20 percentage points to 3.01%.

FINANCIAL REVIEW

Gross loans and advances to customers



Gross loans and advances to customers of the Group at the end of the reporting period (In millions of RMB)

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	11,020,150	51.98	9,593,526	51.01	8,360,221	49.80
Short-term loans	2,927,713	13.81	2,683,402	14.27	2,593,677	15.45
Medium to long-term loans	8,092,437	38.17	6,910,124	36.74	5,766,544	34.35
Personal loans and advances	8,236,768	38.85	7,891,928	41.96	7,233,869	43.09
Residential mortgages	6,479,609	30.57	6,386,583	33.96	5,830,859	34.73
Credit card loans	924,873	4.36	896,222	4.76	825,710	4.92
Personal consumer loans	295,443	1.39	232,979	1.24	264,581	1.58
Personal business loans[1]	415,344	1.96	226,463	1.20	138,481	0.82
Other loans[2]	121,499	0.57	149,681	0.80	174,238	1.04
Discounted bills	1,048,651	4.95	379,469	2.02	259,061	1.54
Overseas operations and subsidiaries	844,598	3.99	899,223	4.78	892,617	5.32
Accrued interest	49,038	0.23	43,684	0.23	41,664	0.25
Gross loans and advances to customers	21,199,205	100.00	18,807,830	100.00	16,787,432	100.00

1. These mainly include loans for production and operation and online business loans.
2. These mainly include commercial property mortgage loans and home equity loans.

At the end of 2022, the Group's gross loans and advances to customers stood at RMB21.20 trillion, an increase of RMB2.39 trillion or 12.71% over 2021, mainly due to the increase in domestic loans of the Bank.

Domestic corporate loans and advances of the Bank reached RMB11.02 trillion, an increase of RMB1.43 trillion or 14.87% over 2021, mainly extended to sectors such as infrastructure, wholesale and retail trade and manufacturing. In this amount, short-term loans were RMB2.93 trillion, and medium to long-term loans were RMB8.09 trillion respectively.

Domestic personal loans and advances of the Bank reached RMB8.24 trillion, an increase of RMB344,840 million or 4.37% over 2021. In this amount, residential mortgages increased by RMB93,026 million or 1.46% to RMB6.48 trillion; credit card loans were RMB924,873 million, an increase of RMB28,651 million or 3.20%; personal consumer loans increased by RMB62,464 million or 26.81% to RMB295,443 million; personal business loans were RMB415,344 million, an increase of RMB188,881 million or 83.40%.

Discounted bills amounted to RMB1,048,651 million, an increase of RMB669,182 million over 2021.

Loans and advances made by overseas operations and subsidiaries were RMB844,598 million, a decrease of RMB54,625 million or 6.07% from 2021.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	8,053,048	37.99	6,295,609	33.47
Guaranteed loans	2,584,435	12.19	2,361,221	12.56
Loans secured by property and other immovable assets	8,972,422	42.32	8,589,061	45.67
Other pledged loans	1,540,262	7.27	1,518,255	8.07
Accrued interest	49,038	0.23	43,684	0.23
Gross loans and advances to customers	21,199,205	100.00	18,807,830	100.00

Allowances for impairment losses on loans and advances to customers

	2022			
(In millions of RMB)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	310,207	154,465	172,666	637,338
Transfers:				
Transfers in/(out) to Stage 1	16,596	(16,120)	(476)	–
Transfers in/(out) to Stage 2	(8,324)	14,805	(6,481)	–
Transfers in/(out) to Stage 3	(4,035)	(22,533)	26,568	–
Newly originated or purchased financial assets	154,797	–	–	154,797
Transfer out/repayment	(120,384)	(29,647)	(52,014)	(202,045)
Remeasurements	(9,300)	75,171	84,033	149,904
Write-offs	–	–	(51,434)	(51,434)
Recoveries of loans and advances written off	–	–	15,528	15,528
As at 31 December 2022	339,557	176,141	188,390	704,088

The Group made provisions for impairment losses on loans in line with factors including macro economy and credit asset quality as required by the new financial instruments standard. At the end of 2022, the allowances for impairment losses on loans and advances measured at amortised cost were RMB704,088 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB3,163 million. The Group's allowances to NPLs and allowances to total loans were 241.53% and 3.34%, respectively.

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For Stage 1, financial instruments with no significant increase in credit risk since initial recognition, impairment losses are measured as ECL for the next 12 months. For Stage 2, financial instruments with a significant increase in credit risk since initial recognition, but not yet credit impaired, impairment losses are measured as lifetime ECL. For Stage 3, financial instruments that are credit impaired on the balance sheet date, impairment losses are measured as lifetime ECL. The Group adhered to substantive risk judgement and sufficiently considered all reasonable and supportable information when assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity. The measurement of expected credit losses requires consideration of forward-looking information. The Group developed specific scenarios for ECL measurement by reference to forecast of authoritative institutions at home and abroad and leveraging the capability of internal experts. The Group calculates ECL as weighted average of the products of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios, having considered the discount factor. Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans.

Financial investments

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets measured at fair value through profit or loss	567,716	6.65	545,273	7.13
Financial assets measured at amortised cost	5,992,582	70.17	5,155,168	67.46
Financial assets measured at fair value through other comprehensive income	1,979,851	23.18	1,941,478	25.41
Total financial investments	8,540,149	100.00	7,641,919	100.00

For further details on the financial instruments measured at fair value, please refer to Note "Risk Management - Fair Value of Financial Instruments" to the financial statements.

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities	8,305,018	97.25	7,369,446	96.43
Equity instruments and funds	235,131	2.75	272,473	3.57
Total financial investments	8,540,149	100.00	7,641,919	100.00

At the end of 2022, the Group's financial investments totalled RMB8.54 trillion, an increase of RMB898,230 million or 11.75% over 2021. In this amount, debt securities increased by RMB935,572 million or 12.70%, and accounted for 97.25% of total financial investments, up 0.82 percentage points over 2021; equity instruments and funds decreased by RMB37,342 million, and accounted for 2.75% of total financial investments, down 0.82 percentage points from 2021.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	8,017,659	96.54	7,133,288	96.80
USD	171,897	2.07	139,793	1.90
HKD	46,104	0.56	31,730	0.43
Other foreign currencies	69,358	0.83	64,635	0.87
Total debt securities	8,305,018	100.00	7,369,446	100.00

At the end of 2022, total investments in RMB denominated debt securities were RMB8.02 trillion, an increase of RMB884,371 million or 12.40% over 2021. Total investments in foreign currency denominated debt securities were RMB287,359 million, an increase of RMB51,201 million or 21.68% over 2021.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2022 Amount	% of total	As at 31 December 2021 Amount	% of total
Government	6,524,341	78.56	5,763,166	78.20
Central banks	47,370	0.57	43,088	0.58
Policy banks	819,607	9.87	774,286	10.51
Banks and non-bank financial institutions	493,783	5.94	404,472	5.49
Others	419,917	5.06	384,434	5.22
Total debt securities	8,305,018	100.00	7,369,446	100.00

At the end of 2022, government bonds held by the Group increased by RMB761,175 million or 13.21% over 2021 to RMB6.52 trillion. Central bank bonds increased by RMB4,282 million or 9.94% over 2021 to RMB47,370 million. Financial debt securities increased by RMB134,632 million or 11.42% over 2021 to RMB1.31 trillion. Specifically, bonds of RMB819,607 million were issued by policy banks and bonds of RMB493,783 million were issued by banks and non-bank financial institutions, accounting for 62.40% and 37.60% of the total, respectively.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses[1]
Policy bank bond issued in 2019	17,440	3.75	2029-01-25	–
Policy bank bond issued in 2020	16,400	3.74	2030-11-16	–
Policy bank bond issued in 2019	16,120	3.86	2029-05-20	–
Policy bank bond issued in 2020	15,980	3.23	2030-03-23	–
Policy bank bond issued in 2020	15,510	2.96	2030-04-17	–
Policy bank bond issued in 2021	14,270	3.52	2031-05-24	–
Policy bank bond issued in 2021	13,780	3.48	2028-02-04	–
Policy bank bond issued in 2019	13,100	3.48	2029-01-08	–
Policy bank bond issued in 2021	13,080	3.38	2031-07-16	–
Policy bank bond issued in 2018	12,850	4.00	2025-11-12	–

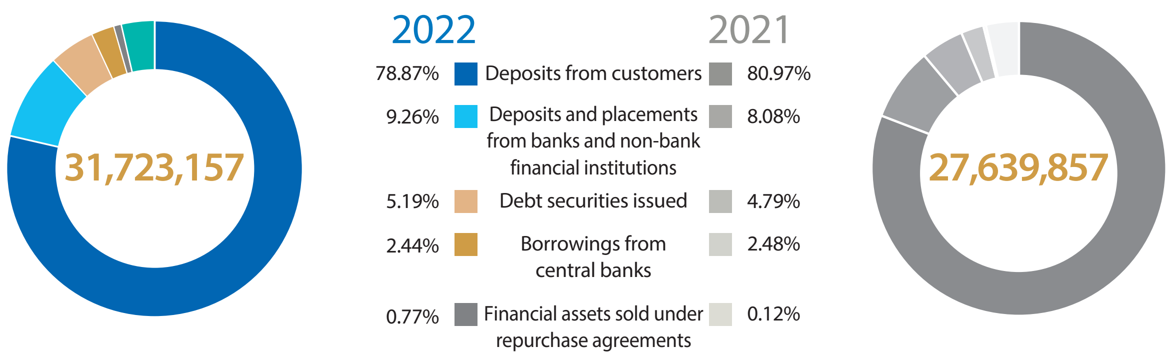
1. Excluding Stage 1 allowances for impairment losses made in accordance with the ECL model.

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2022, the Group's repossessed assets were RMB1,444 million, and the impairment allowances for repossessed assets were RMB891 million. Please refer to Note "Other assets" to the financial statements for details.

FINANCIAL REVIEW

Liabilities



Total liabilities of the Group at the end of the reporting period (In millions of RMB)

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	25,020,807	78.87	22,378,814	80.97	20,614,976	80.08
Deposits and placements from banks and non-bank financial institutions	2,935,999	9.26	2,232,201	8.08	2,293,272	8.91
Debt securities issued	1,646,870	5.19	1,323,377	4.79	940,197	3.65
Borrowings from central banks	774,779	2.44	685,033	2.48	781,170	3.04
Financial assets sold under repurchase agreements	242,676	0.77	33,900	0.12	56,725	0.22
Other liabilities[1]	1,102,026	3.47	986,532	3.56	1,056,561	4.10
Total liabilities	31,723,157	100.00	27,639,857	100.00	25,742,901	100.00

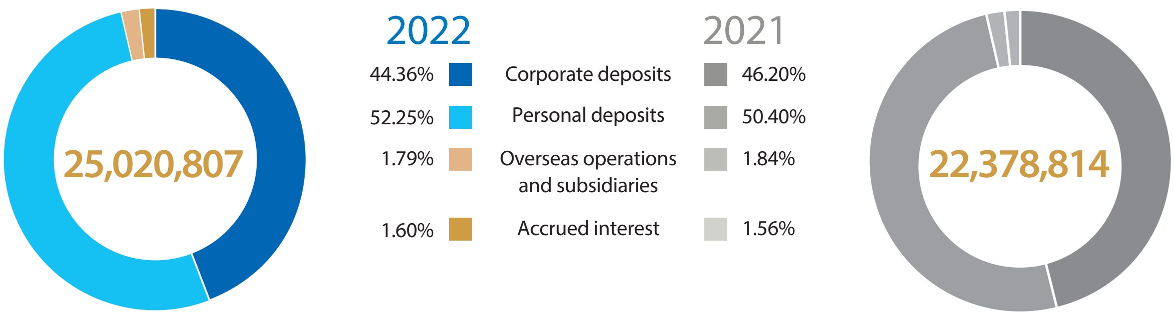
1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group established a liability quality management system commensurate with the size and complexity of its liabilities, clarified the governance system and organisational structure for liability quality management, and formulated and implemented whole-process liability quality management strategies and rules covering planning, monitoring, measurement, assessment, control, and reporting. It applied a matrix of liability management indicators that met regulatory requirements and the Group's risk appetite, to continuously improve its liability quality management.

In 2022, the Group adhered to the principle of prudent operation, continued to consolidate the foundation for business development, and promoted high-quality development of liability business. It paid close attention to changes in the form of customer funds, achieved sound and steady development of core liability business by consolidating the foundation for deposit development, and maintained stable sources of liabilities. It continued to optimise liability structure by establishing diversified financing channels and a decentralised and balanced customer structure, and increased the diversity of liability structure. It adhered to the system concept, made overall arrangements for total amount and structure of the source and use of funds, and implemented sound and prudent liquidity management strategy, to achieve steady and coordinated development of assets and liabilities. It actively cultivated the ability to proactively assume liabilities, and reasonably arranged the size and timing of issuance of various debt instruments based on the strategic arrangement of assets and liabilities and market price trends, to continuously improve market-oriented financing capabilities. It adhered to the principle of balanced development of volume and pricing, dynamically adjusted the internal and external fund pricing mechanism, effectively used the market-based adjustment mechanism for deposit rate, and continued to optimise maturity structure of liabilities, to reasonably control the cost of liabilities. It adhered to the concept of compliance, and strengthened management and supervision of liability transactions, accounting and statistics, to ensure that liability businesses comply with related regulatory requirements. During the reporting period, the Group's regulatory indicators, including liquidity coverage ratio, net stable funding ratio and liquidity ratio, constantly met regulatory requirements. For details of the indicators, please refer to "Management Discussion and Analysis – Risk Management – Liquidity Risk Management". Indicators related to the quality of liabilities were stable on the whole, with steady improvement in the Group's liability quality management.

At the end of 2022, the Group's total liabilities were RMB31.72 trillion, an increase of RMB4.08 trillion or 14.77% over 2021, with more diversified funding sources and better liability structure. Deposits from customers amounted to RMB25.02 trillion, an increase of RMB2.64 trillion or 11.81% over 2021. Deposits and placements from banks and non-bank financial institutions amounted to RMB2.94 trillion, an increase of RMB703,798 million or 31.53% over 2021, mainly due to the Bank's increased efforts in expanding demand deposits from banks and non-bank financial institutions with the reasonable and sufficient liquidity in the market. Debt securities issued totalled RMB1.65 trillion, an increase of RMB323,493 million or 24.44% over 2021, mainly because the Bank seized market opportunities to issue various financing instruments including interbank certificates of deposit and capital instruments. Borrowings from central banks were RMB774,779 million, an increase of 13.10% over 2021. In the Group's total liabilities, deposits from customers accounted for 78.87% of total liabilities, down 2.10 percentage points from 2021. Deposits and placements from banks and non-bank financial institutions accounted for 9.26% of total liabilities, up 1.18 percentage points over 2021. Debt securities issued accounted for 5.19% of total liabilities, up 0.40 percentage points over 2021. Borrowings from central banks accounted for 2.44% of total liabilities, down 0.04 percentage points from 2021.

Deposits from customers



Total deposits from customers of the Group at the end of the reporting period (In millions of RMB)

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	11,099,805	44.36	10,338,734	46.20	9,699,733	47.05
Demand deposits	6,641,755	26.54	6,549,329	29.27	6,274,658	30.44
Time deposits	4,458,050	17.82	3,789,405	16.93	3,425,075	16.61
Personal deposits	13,074,250	52.25	11,278,207	50.40	10,184,904	49.41
Demand deposits	5,407,599	21.61	4,873,992	21.78	4,665,424	22.63
Time deposits	7,666,651	30.64	6,404,215	28.62	5,519,480	26.78
Overseas operations and subsidiaries	447,188	1.79	411,682	1.84	453,991	2.20
Accrued interest	399,564	1.60	350,191	1.56	276,348	1.34
Total deposits from customers	25,020,807	100.00	22,378,814	100.00	20,614,976	100.00

The Group gave full play to its service advantages, extensively used network-based systematic methods to expand customer base and increase deposits, improved its capacity of achieving stable deposit growth, and promoted high-quality development of liability business. At the end of 2022, domestic corporate deposits of the Bank were RMB11.10 trillion, an increase of RMB761,071 million or 7.36% over 2021, and accounted for 45.92% of domestic deposits from customers, down 1.91 percentage points from 2021; domestic personal deposits of the Bank were RMB13.07 trillion, an increase of RMB1.80 trillion or 15.92% over 2021, and accounted for 54.08% of domestic deposits from customers, up 1.91 percentage points over 2021; deposits from overseas operations and subsidiaries were RMB447,188 million, an increase of RMB35,506 million, and accounted for 1.79% of total deposits from customers. Domestic demand deposits were RMB12.05 trillion, an increase of RMB626,033 million or 5.48% over 2021, and accounted for 49.84% of domestic deposits from customers, down 3.00 percentage points from 2021; domestic time deposits were RMB12.12 trillion, an increase of RMB1.93 trillion or 18.94% over 2021, and accounted for 50.16% of domestic deposits, up 3.00 percentage points over 2021.

FINANCIAL REVIEW

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	4,692,062	18.75	4,057,991	18.13
Pearl River Delta	3,909,449	15.62	3,518,912	15.73
Bohai Rim	4,546,577	18.17	4,192,162	18.73
Central	4,530,522	18.11	4,024,722	17.99
Western	4,852,032	19.39	4,356,877	19.47
Northeastern	1,651,621	6.60	1,473,206	6.58
Head Office	19,399	0.08	18,209	0.08
Overseas	419,581	1.68	386,544	1.73
Accrued interest	399,564	1.60	350,191	1.56
Total deposits from customers	25,020,807	100.00	22,378,814	100.00

Total equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 31 December 2022	As at 31 December 2021
Share capital	250,011	250,011
Other equity instruments	139,968	99,968
– preference shares	59,977	59,977
– perpetual bond	79,991	39,991
Capital reserve	135,653	134,925
Other comprehensive income	20,793	21,338
Surplus reserve	337,527	305,571
General reserve	444,786	381,621
Retained earnings	1,527,995	1,394,797
Total equity attributable to equity shareholders of the Bank	2,856,733	2,588,231
Non-controlling interests	22,027	25,891
Total equity	2,878,760	2,614,122

At the end of 2022, the Group's equity was RMB2.88 trillion, an increase of RMB264,638 million or 10.12% over 2021, primarily driven by the increase of RMB133,198 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group was 8.32%, down 0.32 percentage points from 2021.

Off-balance sheet items

The Group's off-balance sheet items include agency investment and financing services, intermediary services, derivatives, commitments and contingent liabilities. Agency investment and financing services mainly include asset management products and entrusted loans. For details of entrusted loans, please refer to Note "Entrusted loan business" to financial statements. Intermediary services mainly include assets under custody and agency services. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. For details on the nominal amounts and fair value of derivatives, please refer to Note "Derivatives and hedge accounting" to financial statements. Commitments and contingent liabilities mainly include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. In this category, credit commitments were the largest component, including undrawn loan facilities which were approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2022, the balance of credit commitments was RMB3.69 trillion, an increase of RMB316,633 million or 9.40% over 2021. Please refer to Note "Commitments and contingent liabilities" to financial statements for details.

In 2022, the Group adhered to the principle of prudent operation to continuously consolidate the foundation for off-balance sheet business development, which was matched with the business positioning and management capabilities. It refined off-balance sheet management, diversified related products, and strengthened the linkage of on and off-balance sheet products to better meet customers' comprehensive service needs. It strengthened management of off-balance sheet business by upgrading management systems and processes, improved relevant information management systems related to off-balance sheet business, and consolidated data base. It clarified off-balance sheet development objectives, formulated and implemented whole-process management strategies covering planning, monitoring, measurement, assessment and reporting. Based on the nature of different off-balance sheet businesses, it implemented categorised management, and tilted resources towards capital-light and high-return products to enhance comprehensive contribution of business. According to regulatory requirements, the Group accurately calculated regulatory capital for off-balance sheet business and continuously enhanced the intensified use of capital.

Analysed by geographical segment

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	5,922,144	17.12	5,445,665	18.00
Pearl River Delta	4,772,288	13.79	4,291,896	14.19
Bohai Rim	7,692,628	22.23	6,960,553	23.01
Central	4,884,770	14.12	4,376,770	14.47
Western	5,174,224	14.95	4,636,347	15.32
Northeastern	1,716,962	4.96	1,530,966	5.06
Head Office	12,413,395	35.87	10,691,168	35.34
Overseas	1,550,019	4.48	1,408,594	4.65
Deferred tax assets and elimination	(9,524,513)	(27.52)	(9,087,980)	(30.04)
Total assets	34,601,917	100.00	30,253,979	100.00

ANALYSIS ON CASH FLOW STATEMENTS

Cash from operating activities

Net cash received from operating activities was RMB978,419 million, an increase of RMB541,701 million over 2021, mainly due to a large increase in net increase in deposits from customers and from banks and non-bank financial institutions.

Cash used in investing activities

Net cash used in investing activities was RMB651,668 million, an increase of RMB133,120 million over 2021, mainly due to a large decrease in proceeds from sales and redemption of financial investments.

Cash used in financing activities

Net cash used in financing activities was RMB6,425 million, an increase of RMB22,548 million over 2021, mainly due to a large decrease in cash proceeds from issue of bonds.

OTHER FINANCIAL INFORMATION

Significant accounting policies and accounting estimates

Please refer to Note "Significant accounting policies and accounting estimates" to financial statements for details of the Group's significant accounting estimates and judgements; please refer to Note "Statement of compliance" to financial statements for details of the significant changes in accounting policies.

Differences between the financial statements prepared under PRC GAAP and those prepared under IFRS

There is no difference in net profit for 2022 or total equity as at 31 December 2022 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

The Group's major business segments are corporate finance business, personal finance business, treasury and asset management business, and others including overseas business.

The following table sets forth, for the periods indicated, the operating income, impairment losses, and profit before tax of each major business segment.

	Operating income		Impairment losses		Profit before tax	
(In millions of RMB)	2022	2021	2022	2021	2022	2021
Corporate finance business	325,628	323,039	(100,395)	(116,689)	139,378	119,052
Personal finance business	371,821	355,506	(41,635)	(33,907)	216,404	214,299
Treasury and asset management business	43,368	63,924	(3,854)	(13,525)	25,502	35,010
Others	17,338	22,237	(9,134)	(4,594)	733	10,051
Total	758,155	764,706	(155,018)	(168,715)	382,017	378,412

1. The Group optimised and adjusted business segments in 2022 for the purpose of internal management. Since the preparation of 2022 financial statements, the Group has reclassified asset custody services from corporate finance business to treasury and asset management business, investment banking business from treasury and asset management business to corporate finance business, and reclassified business segments of business of subsidiaries. The Group also adjusted comparative figures of the prior year accordingly.

In 2022, operating income of the Group's corporate finance business reached RMB325,628 million, up 0.80%; impairment losses were RMB100,395 million, down 13.96%; profit before tax was RMB139,378 million, up 17.07%, accounting for 36.48% of the Group's profit before tax, up 5.02 percentage points over 2021. Operating income of personal finance business reached RMB371,821 million, up 4.59%; impairment losses were RMB41,635 million, up 22.79%; profit before tax totalled RMB216,404 million, up 0.98%, accounting for 56.65% of the Group's total profit before tax, up 0.02 percentage points over 2021. Operating income of treasury and asset management business totalled RMB43,368 million; impairment losses were RMB3,854 million; profit before tax totalled RMB25,502 million, accounting for 6.68% of the Group's total profit before tax, down 2.57 percentage points from 2021. Operating income of others totalled RMB17,338 million, impairment losses were RMB9,134 million, and profit before tax totalled RMB733 million.

Note: "CCB Home" offers comfortable homes for new urban residents in Shanghai.

HOUSING RENTAL

The housing rental strategy has been implemented, offering CCB housing solution.

BUSINESS REVIEW

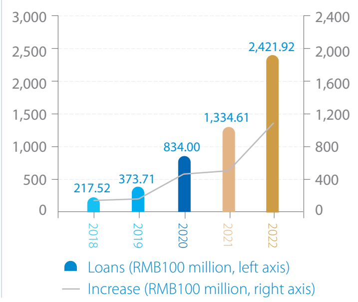
The Bank's loans for corporate housing rental business were

RMB**242,192** million

An increase of

81.47%

A glimpse of the growth in loans for corporate housing rental business



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New Finance Initiatives

HOUSING RENTAL

The Group steadily pressed ahead with its housing rental strategy. It continuously improved its financial service system for housing rental, which covered both "housing rentals and purchases", promoted transformation and upgrade of existing services, and relied on both indirect and direct financing, thus forming a closed loop of services of "investment, financing, management and withdrawal" integrating equity investment, financing support, management and operation, and listing of REITs.

As for equity investment, upon approval of relevant regulators, the Group set up a pilot CCB Housing Rental Fund for acquiring existing assets such as residential buildings owned by real estate enterprises, commercial properties and low-cost rental land projects and transforming such assets into rental housing. As for financing support, based on characteristics of financing needs of the housing rental industry, the Group established a loan system that supports multiple entities, covers the whole cycle, and ensures that risks are under control. At the end of 2022, the Bank's loans for corporate housing rental business were RMB242,192 million, an increase of RMB108,731 million or 81.47% over 2021. It supported more than 1,000 housing rental enterprises and provided loan services for more than 600 government-subsidised rental housing projects. As for management and operation, the Group enhanced accessibility for customers and financial service capabilities relying on market services and government affairs services. As for market, the "CCB Home" platform established by CCB Housing had 16,000 enterprise users and more than 43 million personal users. CCB Housing managed more than 160,000 apartments and operated more than 200 "CCB Home" long-term rental communities. As for government affairs, the Group provided system services for housing and development departments at all levels and launched its government-subsidised rental housing app in 215 cities and public rental housing app in 107 cities. The Group had attracted more than 12 million new personal customers from market scenarios and government affairs scenarios. As for withdrawal, the Group proactively participated in the pilot of public Real Estate Investment Trusts (REITs) for government-subsidised rental housing projects. In the first batch of three REITs, the Bank and the integrated operation subsidiaries within the Group acted as custodian, strategic investors and other various roles. The pilot REITs not only extensively introduced private funds to support the development of housing rental, but also provided more diversified investment options for the market, creating a broader space for the transformation and development of the Group's housing finance asset management business, and had long-term significance in reactivating existing assets and increasing the supply of rental housing.

Feature article No. 1:

Housing rental fund pilot, helping to explore a new model of real estate development

To thoroughly implement national policy guidance and help to explore a new model of real estate development that encourages both housing rentals and purchases, the Group sponsored the establishment of CCB Housing Rental Fund to invest in existing assets of real estate enterprises and increase the supply of rental housing. It is a limited partnership fund filed for establishment in October 2022, and the Fund has raised a total of RMB30 billion. As an important extension of the Group's housing rental strategy, the Fund operates in a market-oriented, law-based, and specialised manner, using a comprehensive package of financial instruments such as equity investment, bank credit and REITs to acquire and reactivate existing assets of real estate enterprises and transform such assets into market-based long-term rental housing and government-subsidised rental housing. The Group provided loan support for investment and M&A, project construction and transformation, and rental operation of the Fund, while CCB Housing provided services such as operation and supervision of rental projects for the Fund. With projects becoming mature and stable, the Group can exit from the projects through the issuance of REITs or market-based transfers in line with national policy. In addition, the Fund can set up sub-funds together with market-oriented entities such as local state-owned enterprises to guide and attract long-term private capital to participate in investment in the housing rental market. In 2022, the Fund has signed sub-fund intention agreements with various entities in regions such as Beijing, Chongqing, Nanjing, and Guangzhou, and has signed acquisition agreements with more than ten projects in the first batch.

Next, the Group will strengthen cooperation with various market-oriented entities and investment institutions, give full play to synergies of the Group, proactively and steadily advance the work of the Fund on an orderly basis, thus providing strong financial support for the development of a housing system that ensures multi-entity supply and multi-channel availability, and encourages both housing rentals and purchases.

Case story No. 1:

Cases of housing rental

Housing rental protecting medical workers

Medical workers take tremendous efforts to protect people's physical health, but many young medical workers and exchange experts are facing the problem of accommodation. Together with CCB Housing, the Bank played its role in resource integration, reactivated existing assets such as commercial property, office buildings and industrial plants to provide housing rental services, so as to guard the dream of "living comfortably" for the angel in white.

In order to satisfy the housing needs for trainee medical workers of a hospital in Shandong Province, jointly with CCB Housing, the Bank provided "customised" services, reactivated the stock asset to transform it into a staff dormitory, and developed the "Quan Ying • Expert Apartment" project, rapidly accommodating more than 200 doctors and trainee doctors. It transformed 140 properties that will soon be put into operations in the long-term rental communities "CCB Home • Youmi Apartment" of CCB Housing to quarantine facilities, which met the temporary needs of closed-loop management of medical workers in key wards of the hospital on a timely basis in the special period. By vigorously promoting housing rental and further strengthening the cooperative relationship between the banking and medical industry, the hospital has become the largest contributor among the medical and health institution customers of Shandong Branch.

Graph: The Bank supported CCB Housing in the rebuilding of "CCB Home • Youmi Apartment", catering to the closed-loop management needs of nurses.

Case story No. 1:

Cases of housing rental

Housing rental facilitating "talents to live comfortably" in the ancient city

Graph: Exterior and interior of "CCB Home • Funlive Apartment", rebuilt by CCB Housing which got support from the Bank.

The Group gave full play to its advantages in comprehensive services, actively explored the practice of "housing rental + historical cultural city protection" and reactivated existing assets to incubate high-quality housing rental projects, building digitalised long-term rental communities.

In September 2022, with equity investment from CCB Housing and credit support from the Bank's Suzhou Branch, the Group completed the acquisition of property rights of a project in Suzhou, greatly improved the quality and efficiency of project transformation through industrial alliance, and leveraged "CCB Home" platform to improve the quality and grade of the project. This project is located in the Suzhou National Historical and Cultural City Protection Area, with a total of 1,338 apartments, consisting mainly of small units below 40 square metres, which can provide high-quality rental housing for nearly 2,000 new urban residents and young people. It is the first project in Suzhou recognised as an eligible government-subsidised rental housing project and is listed as the "Project for Talents Living Comfortably" by the local government. It not only increases the relatively scarce rental housing supply in the ancient city, but also explores a feasible path of reactivating existing assets by linking equity and debts. After incubation, this project is expected to provide qualified assets for the government-subsidised rental housing REITs and create an innovative service model of asset management.

INCLUSIVE FINANCE

The Group continued to develop the model of digitalised inclusive finance featuring "batched customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services", and pressed ahead with high-quality capacity and development of inclusive finance services.

At the end of 2022, the Bank's inclusive finance loans under regulatory classification requirements increased by RMB477,676 million or 25.49% over 2021 to RMB2.35 trillion. The number of inclusive finance loan borrowers increased by 589.2 thousand over 2021 to 2.53 million. The Bank increased efforts in surrendering profits to support the real economy, and the interest rate of inclusive loans newly granted to small and micro businesses in 2022 was 4.00%, down 0.16 percentage points from 2021. The Group continuously upgraded the "digital, whole-process, standardised" intelligent risk control and management system for inclusive finance to ensure stable credit asset quality.

The Group upgraded and built "CCB Huidongni" 3.0 integrated ecological service platform. Based on accomplishing the three major tasks of "financing, growth and ecology", and strengthening core credit functions, it further expanded and enriched financial and public services, formed a functional layout covering three sectors of credit, wealth management and operation, and created an open, shared and sustainable comprehensive service ecological system, so as to promote the improvement of comprehensive customer service capability and the long-term development of inclusive finance services, and won the "19th People's Ingenuity Service Award". By the end of 2022, the "CCB Huidongni" app had attracted 210 million visits, been downloaded more than 26.50 million times. There were 17.73 million registered individual users, and 8.97 million certified enterprise users with an increase of 2.57 million over 2021. It had provided credit lines of RMB1.64 trillion to 1.99 million customers, up RMB646,271 million and 726.2 thousand customers respectively from the previous year, hitting another record high.

The Group focused on data features and differentiated needs of small and micro businesses, individual business owners, agriculture-related customers, as well as upstream and downstream customers in the supply chain, and diversified the supply of online digital services. The Group constructed an exclusive credit service system for personal business customers and increased financial support for inclusive finance customers such as individual business owners. The Group extended loans granted through products with new pattern such as "Quick Loan for Small and Micro Businesses" to 3.52 million customers, cumulatively providing credit support totalling RMB8.83 trillion. Specifically, in 2022, it granted "Quick Loan for Personal Business" to over 770,000 customers with a cumulative amount of over RMB510 billion. The Group supported medium, small and micro sci-tech innovation businesses with "CCB Startup Station". The platform granted RMB42 billion loans to over 23,000 member enterprises. The Group gave full play to advantages of outlets and channels and integrated readily accessible online support with warm and high-quality offline services. At the end of 2022, the Bank had nearly 14,000 outlets that can provide inclusive finance services, and nearly 20,000 inclusive finance business managers. The Bank also established more than 250 inclusive finance service centres, as well as over 2,500 featured inclusive finance outlets.

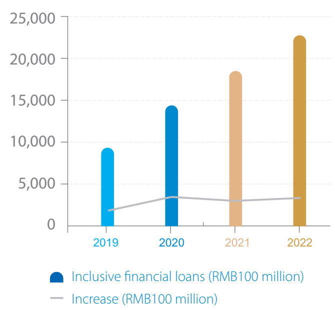
The balance of the Bank's inclusive finance loans under regulatory requirements reached

RMB2.35 trillion

An increase of

25.49%

A glimpse of the growth in inclusive finance loans



Note: The Bank continued to promote the "enhancement in quantity, coverage and quality" of its inclusive finance business to serve the real economy development. The Bank have been extending services to cover more small and micro businesses and individual business owners to realise their aspirations.

INCLUSIVE FINANCE

The inclusive finance opened up new horizon, injecting momentum for people's entrepreneurial efforts.

Case story No. 2:

Cases of inclusive finance

Gathering benefits for the market and prospering all industries

The Bank provides financial reliefs to small and micro businesses and benefits all industries for prosperity. Small and micro businesses and individual business owners are the "main force" to increase employment, and also the "new force" to stimulate innovation and promote consumption. They are the foundation and sources of resilience to stabilise the economic fundamentals. The Bank organised and carried out the special action of "Benefiting Markets and Enterprises" nationwide, focusing on small and micro businesses, individual business owners and other inclusive customer groups, gathering resources from all sides, and launched innovative products such as "Merchant Cloud Loan", "Shangyeyundai", "Shandandai", "Shanyingdai", "Quick Mortgage Loan for Individual Business Owners" and "Quick Loan for the First-time Borrowers", so as to promote inclusive financial services to benefit more market entities.

"In the past, only large taxpayers, CCB POS payers and corporate customers can get loans. Now I can get a loan by submitting my business license and settlement flow, and there is a special account manager who provides door-to-door service. CCB's service is too attentive." After successfully using the province's first "Shanyingdai - Nanjing Zhongcai Cloud Loan" on "CCB Huidongni" app, Mr. Yang, a major retailer of Nanjing Agricultural and Sideline Products Logistics Centre, was full of praise. Through a new model of customised cluster credit that integrates online and offline, Jiangsu Branch of the Bank launched personalised and customised credit services for the "Jiangsu Vegetable Basket" - Nanjing Agricultural and Sideline Products Logistics Centre, which received enthusiastic responses.

The special operation of "Benefiting Markets and Enterprises" provides more market entities with powerful, warm and fast financial services, gathers the wisdom and strength of the crowd, supports small and micro businesses, individual business owners and other inclusive customer groups to survive, overcome difficulties, and rise hopes, so that the financial source of vitality warms the hard-working dreamers.

Case story No. 2:

Cases of inclusive finance

"Merchant Cloud Loan", driving the prosperity of thousands of families

Recent years have witnessed popular check-in phenomena of Internet famous shops. The Bank focused on merchants and promoted an innovative product "Merchant Cloud Loan" to empower the "small shop economy". "Merchant Cloud Loan" is an online self-service unsecured loan exclusively launched for special acquiring merchants. The product can support financing needs of various types of merchants, connecting merchant offerings with consumers' demands, and supporting small but real entrepreneurial dreams. At the end of 2022, the number of Merchant Cloud Loan borrowers reached nearly 80,000.

Chen, the owner of a small shop in Dongguashan, a famous night market in Changsha, Hunan Province, said: "It is very convenient to apply for CCB's 'Merchant Cloud Loan'. You can submit required information and complete the whole application process via mobile phone. Just a few minutes, you will know how much money you can borrow, with maximum credit amount of RMB3 million. Once the Bank approves the loan, you can use it whenever you want. Moreover, the loan has a preferential interest rate and will not charge interest if you don't use it. It saves your time and efforts. We are very grateful to CCB for granting us the money to help us survive the most difficult time." As he spoke, he showed the page of receiving the loan after applying for it via "CCB Huidongni" app. In Changsha, "CCB Huidongni" billboard lighted up the centre of Changsha pedestrian street, accompanying owners of small shops every morning and evening. "Merchant Cloud Loan" supports the hustle and bustle of the city and drives the prosperity of thousands of families.

Note: The Bank supported the development of featured industries in rural areas according to local conditions by increasing agriculture-related loans. This graph shows the joy of a farmer from a good harvest.

RURAL REVITALISATION

Fully implementing rural revitalisation, "Yunong" service system spreaded out over the rural areas for "farmer enrichment".

The balance of the Bank's agriculture-related loans exceeded

RMB3.00 trillion

An increase of

21.85%

Scan for more

RURAL REVITALISATION

In 2022, following its own resources endowment, the Group gave full play to its advantages in FinTech, highlighted digitalised operation and ecosystem building with CCB characteristics, and created the "1211" comprehensive service system for rural revitalisation.

Building a platform: "Yunongtong" rural revitalisation comprehensive service platform. On the one hand, the Group built offline "Yunongtong" inclusive finance service sites. It set up 440,000 offline "Yunongtong" inclusive finance service sites, covering most towns and administrative villages across the country. By the end of 2022, "Yunongtong" service sites have served 52 million farmers. On the other hand, it created an online "Yunongtong" service platform. Relying on mobile app, smart screen and other e-channels, it provided farmers with smart village affairs services, e-commerce services, convenience affairs services and basic financial services, with more than 5 million registered users and granting nearly RMB20 billion credit support for farmers.

Creating two agriculture-related credit product portfolios. For rural customers, the Group focused on rolling out the "Yunong Quick Loan" (including "Yunong Loan") portfolios, with loan balance exceeding RMB100 billion. Loans for farmers' production and operation increased rapidly by RMB92,699 million or 83. 55% to RMB203,654 million at the end of 2022, and the number of borrowers increased by 63.37% over 2021 to 660 thousand. For agriculture-related enterprises and organisations, it rolled out the "Rural Revitalisation Loan" portfolios. The Group offered innovative products designed for rural industry and rural construction such as "High-standard Farmland Loan" and "Agricultural Facility Loan". At the end of 2022, the Bank's agriculture-related loans exceeded RMB3.00 trillion, an increase of RMB538,708 million or 21.85% over the previous year. The number of agriculture-related loan borrowers was 3,169.5 thousand. Agriculture-related inclusive loans totalled RMB404,590 million, an increase of RMB109,163 million or 36.95% over the previous year.

Creating a series of agriculture-related specialised ecological scenarios. The first scenario refers to featured agricultural industry chain. The Group created service models such as "Yunong Market", "Yunong Cooperation" and "Yunong Custody" to serve agricultural production, distribution and sales. The second scenario refers to rural government affairs. The Group innovated a featured platform known as "Disclosure of Village Affairs, Party Affairs and Financial Affairs" of Liaoning Province and created a demonstration model of cooperation that benefits the people and strengthens the foundation. Other key scenarios are as follows. The Group built the "Yunong Moments" and "Yunong Superior Products", respectively focusing on promoting farmers' social contact and rural consumption. It organised over 3,000 "Yunong Sessions" to provide farmers with activities such as financial knowledge popularisation and agricultural technology training.

Building a digital risk control system for agriculture-related financial services. The Group applied digital tools to promote the construction of an offline grid-based and online intelligent risk control system for service sites. The Group optimised post-lending management system and digital risk control platform, and deployed monitoring models, so as to enhance farmers' loan risk management and control capabilities, thus making the asset quality of agriculture-related loans maintain a good level.

Case story No. 3:

Cases of rural revitalisation

Creating a showcase of rural finance in Hunan Province

Graph: The Bank's Miluo Sub-branch in Yueyang, Hunan Province, with the "Shared Loans for Rural Revitalisation", greatly supported the transformation of "field acreage increase, low yield to high yield, labour to machinery" in Gaofeng County of Taolinsi Town of Miluo City.

The Bank's Hunan Branch is committed to building a complete rural finance ecosystem consisting of two major service systems of personal and corporate finance. With full coverage of villages and village committees by "Yunongtong" service sites, Hunan Branch used FinTech across multiple dimensions to deliver services at fields, forming an integrated pattern of "platform interconnection, mutual scenario, data interoperability, product superposition, and mutual assistance for customers", and creating values in both social and commercial aspects. At the end of 2022, it had 40.7 thousand "Yunongtong" service sites with an active user ratio of 100% and an annual transaction volume of 24.06 million. It provided over 68 million person-time services for villagers in rural areas in recent years, with deposited fund of RMB46,504 million. "Shared Loans for Rural Revitalisation" were approved for 24,894 rural collective economic organisations with a pre-approved credit of RMB78,060 million and a loan balance of RMB1,898 million. Due to sound customer experience and higher satisfaction, the rural financial services at Hunan Branch, as the Bank's showcase for rural finance, have been listed by the PBC as a typical case of supporting rural revitalisation.

Case story No. 3:

Cases of rural revitalisation

"Digital Animal Husbandry", creating a new model of supporting agriculture in Heilongjiang Province

The Bank's Heilongjiang Branch has innovatively launched an industrial service platform "Digital Animal Husbandry" across the province to build an Internet industrial ecosystem covering animal husbandry, transportation, and sales. The Branch cooperated with the Department of Agriculture and Rural Affairs of Heilongjiang Province to launch an innovative product, "Longmu Loan", for pig breeding. The product had made several innovative breakthroughs. It is an advanced, practical and convenient product supported by big data credit enhancement, Internet of Things risk control and artificial intelligence identification, effectively solving the problems of credit approval and mortgage in the animal husbandry industry. By the end of 2022, the Branch had granted "Longmu Loans" to more than 400 borrowers across over 90 counties (cities and districts) in the province, with a credit line of RMB186 million.

BUSINESS REVIEW

Case story No. 3: Cases of rural revitalisation

Small potatoes shoring up a large industry

The planting area and yield of potatoes in Gansu Province are among the top in China. In order to effectively address the difficulties of the local potato industry, such as a large number of farmers and a low level of digitalisation of enterprises, the Bank's Gansu Branch has innovatively built the "Blue Sky Potato" agricultural industry chain platform, which focuses on key processes of "Production, Supply, Storage, Processing and Sales", and makes use of computers, WeChat applet, Smart POS, "Yunongtong" app terminal and Data Cockpit intelligent data display terminal to achieve interaction among governments, enterprises, cooperatives (farmers) and the Bank, thus creating an all-win situation. For governments, the platform enabled industrial planning, market supervision, policy transmission, skills training, land transfer and other regulatory management. For enterprises, it enabled integrated and onestop management of "Purchase, Sales and Inventory". For cooperatives, it enabled online acquisition, bookkeeping, settlement and statistics. For the Bank, it built a new financial service model of "1+N" agricultural industry chain, which is based on core enterprises and aimed at cooperatives, extending financial services to farmers and empowering the agricultural industry through data analysis and product innovation.

Graph: The Bank's "Blue Sky Potato" agricultural industry chain platform empowered farmers in Dingxi County.

The balance of green loans was

RMB**2.75** trillion

An increase of

RMB **786,976** million

GREEN FINANCE

With the goal of becoming a world-leading sustainable development bank, the Group proactively implemented the strategic plan for green finance development, advanced the carbon peaking and carbon neutrality action plan, and integrated the concept of green and sustainable development into operation management and strategic decision-making, so as to create a diversified service system covering various types of businesses such as green loans, green bonds, green funds and green leasing.

The Group took "green" as the defining feature of the New Finance initiatives and promoted the development of green finance to a new level. At the end of 2022, the Bank's green loans amounted to RMB2.75 trillion, an increase of RMB786,976 million over the previous year, hitting a record high. RMB green bonds and foreign currency green bonds held by the Bank increased by more than 110% and 10% respectively over 2021. In 2022, the Bank underwrote 87 batches of domestic and overseas green bonds and sustainable development bonds, with an underwriting volume of RMB156,067 million, an increase of 25.79% over 2021. It also issued multiple batches of green bonds, with an amount equivalent to more than RMB17 billion. The Group enriched the composition of green finance and promoted coordinated development of green funds, green leasing, green trusts, green wealth management and other businesses. It was committed to implementing national strategy of carbon peaking and carbon neutrality, proactively adjusted business model and credit structure, actively explored new products, models, ideas and scenarios, and pressed ahead with the goal of realising carbon peaking and carbon neutrality at the group level. It tapped into energy conservation potential, promoted green office and green procurement, enhanced energy efficiency and emission reduction through intelligent operation, and practiced green and low-carbon management.

Case story No. 4:

Green finance playing the rural revitalisation concerto of "Fishery and PV industry complementation"

Aquaculture is a traditional industry for villagers living in Ma'an Community, Nan'an Street, Gaoyao District, Zhaoqing City, Guangdong Province. The photovoltaic industry has gradually taken root here due to the supply of one green loan. The project of "Fishery and PV industry complementation" has scored tremendous achievements both economically and ecologically.

Meng Liqiang is the first farmer in Ma'an Community who signed the contract for the "Fishery and PV industry complementation" project. In his fishpond, shimmering photovoltaic panels line up in orderly rows, beneath which a school of fish were swimming. It is a new landscape of "generating electricity above the water and raising fish in the water" in villagers' daily life. The 4-meter-high photovoltaic "umbrellas" cast shadows in hot weather, which greatly improves the survival rate of fish and ducks. Meng Liqiang calculated that the profit per mu of the fishpond increased from RMB1,000 to RMB2,000 or even RMB3,000.

New energy generation projects generally feature high costs and long cycles, which require long-term financial support from financial institutions. "Green finance is one of CCB's established development strategies. Although it is a low-yield loan, we still can make the 'plate' of green finance bigger and bigger as long as we manage our projects and customers well," a member of the Corporate Client Department of Zhaoqing Sub-branch of the Bank's Guangdong Branch recalled. After taking over the project, the Bank's Guangdong Branch quickly set up a service team covering three levels of province, municipality and district, to carry out field research on the performance and development of enterprises, shortening the time required for making credit scheme to one week. With the help of the PBC's carbon emission reduction supporting tool, the Bank's Zhaoqing Sub-branch has issued green loans totaling RMB260 million for the project, saving more than RMB20 million in fund costs for enterprises. After the completion of the project, it is expected to provide 110 million kWh of clean electricity every year, meeting the annual electricity need of more than 30,000 households. New concepts, projects and initiatives are promoting the green development transition of financial institutions.

Graph: "Fishery and PV industry complementation" model in Ma'an Community featured "generating electricity above the water and raising fish in the water", financed by Guangdong Branch of the Bank.

SMART GOVERNMENT AFFAIRS SERVICES

The Group pressed ahead with the smart government affairs services strategy and supported the development of digital government. By the end of 2022, the Group had established cooperative relationships with 29 provincial governments, and built "Internet + Government Affairs Services" and "Internet + Supervision" platforms or application scenarios for 14 provincial and 13 municipal governments. The total number of registered users of the online platforms reached 240 million, and the total number of processed government affairs reached 4 billion. The Group shared its financial service channels to build "Government Affairs Hall for the Public". The Bank made all smart teller machines (STM) at outlets of 37 branches available to the public to provide smart government affairs services, where people could process, make appointments for and inquire about more than 8,000 government affairs items, covering tax, social security, education and transportation, etc. and processed over 70 million government affairs for more than 30 million users. The Group innovatively provided cross-regional and cross-sector government affairs services, with the special service zone for "cross-provincial government affairs service" covering 31 provinces, autonomous regions and municipalities directly under the Central Government. Based on the "Government Affairs + Finance" integrated service system, the Group further extended its services to various livelihood scenarios, with the "government affairs services payment system" covering transaction scenarios such as social security and pension, housing funds, real estate and housing maintenance funds, education and healthcare, non-tax items, taxes, smart government affairs and legal services, and convenience services. It enabled over 16,000 online payment items with total payment exceeding RMB200 billion on a cumulative basis.

Case story No. 5:

Government affairs processed in the nearest CCB outlet

The Group gave full play to its extensive network layout and full-featured equipment to designate a service zone for "all-in-one network" of the Yangtze River Delta in Shanghai, Jiangsu, Zhejiang and Anhui, addressing the sticking points of cross-region government affairs services, including but not limited to "rushing around" and "back-and-forth".

As a pilot bank, the Bank had fully launched the "all-in-one network" government affairs services at 2,693 outlets and 7,409 self-service terminals in the Yangtze River Delta (involving three provinces and one municipality), effectively meeting the needs of local residents to get cross-regional government affairs processed. Ten of these services, such as transfer of medical relationship and withdrawal of housing provident funds for housing purchase purpose in the Yangtze River Delta, were introduced to the outlets of the Bank for the first time. "All-in-one network" facilitates people to get cross-provincial government affairs processed in the bank hall, which avoids rushing around and creates a good environment for both residents and enterprises, thus supporting the coordinated development of the regional economy and achieving a deeper interaction within the Yangtze River Delta market.

FINTECH

The Group pressed ahead with its FinTech strategy, consolidated the construction of digital infrastructure of New Finance, continuously enhanced capabilities of independent and controllable core technologies, deepened integration between business and technology, and achieved the safe and stable operation of IT systems and the integration of internal and external empowerment.

The Group continuously promoted comprehensive cloud-native oriented transformation and invested in the high-value brand of "CCB Cloud". "CCB Cloud" took the lead in realising the layout of "Multi-Zone, Multi-Region, Multi-Technology Stack and Multi-Chip". The computing supply capacities increased by over 30% from 2021, which topped the domestic banking industry in terms of overall size and service capabilities.

Feature article No. 2:

CCB Cloud, building a reliable future with remarkable financial practices

With rapid development of digital economy, the computing supply capacities of digital infrastructure have has become a key factor of production in the digital economic era. The Group's *FinTech Strategic Plan (2021-2025)* ("TOP+2.0") focuses on three strategic positioning of "a FinTech leader, a national force for independent innovation and a New Finance ecosystem pioneer", and clearly proposes to build CCB Cloud with diversity and inclusiveness, rich services and open ecology, promoting "CCB Cloud" to be the preferred financial cloud service brand for users.

In 2013, the Group built the largest private cloud in domestic financial industry back then, supporting the construction and promotion of the "New Generation" core banking system for years. In 2018, during the upgrade and expansion of FinTech strategy, the Group iteratively upgraded and built CCB Cloud, a banking industry cloud with sharing features of New Finance. With five years of hard work, CCB Cloud has entered a new development stage featuring independent and controllable capabilities, full domain availability and co-creation and sharing. The standard computing supply capabilities of CCB Cloud have grown rapidly, reaching 68 times that of five years ago, outperforming its peers, which effectively support the growth of distributed core banking system, "CCB Lifestyle", housing rental and smart government affairs services. CCB Cloud integrated Infrastructure as a Service ("IaaS"), Platform as a Service ("PaaS") and Software as a Service ("SaaS"), built a technology foundation that meets regulatory requirements and financial standards, provided cloud services for financial R&D and financial disaster recovery, gathered high-quality applications for banking services, empowered digital transformation of small and medium-sized banks while serving the Group, and provided the industry with cloud-oriented one-stop integrated solutions. CCB Cloud established a "multi-layer sluice-like" security protection system, provided cloud services of high availability, safety and reliability with financial enterprise-level, took the lead in passing multiple professional assessments and authoritative evaluations. The *Testing Metrics for the Performance of Cloud Operating System in Cloud Computing, Information Technology*, developed and prepared under the co-leading of the Group, was approved and released as the first national standard for cloud operating systems in China.

While building "CCB Cloud", the Group was deeply engaged in cloud computing technology and services, facilitated the development of the second curve with technologies, and explored a new paradigm to change the business model of large commercial banks and promote the development of sharing economy while serving the society.

Note: The data centre layout featured "three centres across two locations" is composed of the Bank's Beijing Daoxianghu Centre, Yangqiao Centre and Wuhan Nanhu Centre. The graph shows an aerial view of Wuhan Nanhu Centre.

FinTech

CCB used FinTech to lead the development and built an open platform for sharing.

The Group continuously pressed ahead with the construction of technology middle platform to abilities of achieve enterprise-level abilities of sharing and reusing and agile supply capacity. The container cloud platform enabled containerised deployment of applications featuring active-active and high availability across available zones, provided flexible resource scheduling, rapid deployment and automated operation and maintenance support for applications, and was among the first to pass the highest-level evaluation and certification of "maturity of cloud native technology architecture" by China Academy of Information and Communications Technology. The distributed platform realised PaaS-based supply, and supported the modes of both "active-active" and "multi-region disaster recovery" with one-click switching capability. The Group established a systematic, engineered and productised AI capabilities, researched and developed an AI platform independently, achieving an agile model enhancement training using the online data reflow function, and the AI platform supported a total of 742 business scenarios. The Group developed the financial image recognition product and video recognition product, largely improving scenario supporting efficiency with configuration, with an element-level accuracy of above 90 % for general bills' image recognition; enhanced the abilities of natural languages processing which are widely used in "AI trader" of money market, reducing nearly 90% time for inquiry and quotation; researched and developed the abilities of voice recognition, which are widely used in audio inspection scenarios such as instalment consumption loan, with 100% replacement rate of original manual sampling; and developed the intelligent recommendation functions to support accurate customer marketing on personal mobile banking app and CCB Lifestyle app, with an increase over 200% of customer conversion rate of marketing participants. The Group realised an integrated data processing mode of "stream and batch" of big data, formed enterprise-level collection capacity covering all channels, and completed the construction of capacity of high availability across regions and available zones, significantly shortening the processing time of digitalised operation indicators and processing more than 55 billion pieces of real-time data per day. The Group developed its own underlying blockchain framework and enhanced its core technological capabilities in smart contract security, efficient consensus, privacy algorithms, data storage and data management, supporting application scenarios such as trade financing, cross-border payment, Credit Consortium Chain and rural revitalisation, which had been listed in the "Forbes BlockChain 50" for four consecutive years. The Group built an automated deployment platform for agile research and development and a unified product library, shortening the deployment time from 2 hours to 20 minutes. The Internet of Things (IoT) platform built an overall IoT architecture system of "Cloud – Network – Edge - Terminal", releasing the value of Artificial Intelligence & Internet of Things (AIoT) video services and helping promote typical business scenarios such as security.

The Group further pressed ahead with distributed architecture transformation and empowered its high-quality development of New Finance. The Group was the first among its domestic peers to build a credit card distributed core system with full-stack of Information Technology Application Innovation, attracting more than 100 million customers. It completed the migration of all businesses from core banking systems such as customer information system and retail loan system to the distributed core system. The distributed banking core system served 183 million customers and undertook a quarter of the Bank's business volume. The Group further enhanced its independent R&D capabilities, restructured ALM system including asset and liability management metrological engine and management tools, and incorporated foreign exchange, inter-bank lending, precious metals and commodities trading in the "Blue Chip" operation platform, an intelligent management and control platform for investment and trading businesses that won the first prize of the FinTech Development Awards offered by the PBC. The Group continued to improve quality and efficiency in sci-tech R&D, with an average implementation period of 56 days and a delivery ratio of business requirements of 91.3%. It put 24 thousand versions into operation in 2022, up 13% over the previous year, with a sum of operation days in a year reaching 323 days and operation density amounting to 88.49%. It completed 835 projects, including "CCB Lifestyle" 2.0, Mobile Banking 2023, and "CCB Huidongni" 3.0, and coordinated to prioritise specific tasks such as personal pensions and treasury construction of state-owned enterprises, to vigorously support high-quality development of business. CCB Life successfully launched "New Generation" insurance system; CCB Consulting completed the main part of the "Winging Project"; CCB Pension put "Gingko Project" into full operation. The Bank achieved significant results in empowering the subsidiaries in the area of construction of information systems using technology.

The Group improved capabilities of production safety and emergency management to safeguard business continuity. The Group developed an integrated mechanism for R&D and security operation to promote closed-loop management and virtuous cycle between "automated, instrument-based and refined" R&D and "practical, normalized and systematic" security operations. By creating an integrated smart security operation platform, it realised whole-process, automatic, intelligent and computer-controlled coordination and interaction in handling security incidents, with the ability to respond to omni-channel and massive network attacks quickly and effectively. There were no significant cybersecurity incidents in 2022. Key businesses were equipped with sustainable service capabilities, with 100% coverage of remote disaster recovery and 100% coverage of emergency drills for important systems. The Group continuously enhanced its integrated practical capabilities such as one-click switching, command-response and business collaboration.

The Group improved the systems and mechanisms for FinTech, increased FinTech investments, and enhanced the vitality of sci-tech innovation. The Group further optimised the working mechanism of IT business partner ("ITBP"), continued to upgraded IT R&D structure, strengthened enterprise-level requirement coordination, and further improved the ability of business and technology integration. The Group launched the FinTech talent project as the first major talent project across the bank and focused on the construction of three types of professionals, i.e., "management personnel with technological expertise", "technology personnel with business expertise" and "market-introduced IT personnel with full knowledge of CCB". At the end of 2022, the number of FinTech personnel of the Group was 15,811, accounting for 4.20% of its total headcount. The Group spent RMB23,290 million on the investment of FinTech, accounting for 3.07% of its operating income, basically equal to that of 2021. Cost of spending such as R&D, FinTech personnel expenses continued to grow. The Group had been granted a total of 1,256 patents, an increase of 525 over 2021, including 739 invention patents, which topped the domestic banking industry.

Feature article No. 3:

Continuously improving IT governance and upgrading agile supply capacity

In order to adapt to the optimisation changes of business segments, improve the quality, efficiency and synergy of R&D, the Group furthered mechanisms of ITBP service and of enterprise-level project operation, enhanced the innovation of technology line, improved R&D capacities of the head office and branches, and promoted IT management capacity building of subsidiaries and overseas institutions, so as to promote business collaboration at the group level.

The Group optimised service organisation providing IT support for each business division, and improved institutional guarantee system. It set up IT support teams serving business segments, such as corporate finance business, personal finance business and treasury and asset management business, organised and advanced the establishment of business R&D (virtual) teams in each business segment, and encouraged CCB FinTech to optimise organisations of R&D and implementation management, to work together to carry out R&D activities, so as to enhance the overall planning ability across segments and improve the quality of business demands. The Group re-examined the current R&D system for FinTech projects from three levels including measures, procedures and guidelines, revised and issued *FinTech Project Management Measures, Management Protocols for Project Manager, Operating Procedures for Test Implementation, and Implementation Rules for Grayscale Release*, to consolidate policy foundation for IT governance.

The Group consolidated fundamental management of R&D and improved the quality of software delivery. It optimised operation mechanisms of enterprise-level projects, promoted automatic R&D management data capturing, and objectively evaluated the performance of enterprise-level projects. The implementation plan for IT project, covering its whole lifecycle including business demand analysis, design, development, testing and delivery, has been reviewed, released and carried out. It advanced R&D activities online, reused stranded R&D assets, and comprehensively clarified management responsibilities for R&D and delivery.

The Group attached equal importance to both IT governance and empowerment, responding quickly to market requirements. It implemented categorised and hierarchical management of R&D requirements, including 18 categories and covering 37 branches. By special implementations of ecological transformation and of utilisation of business middle platform and data middle platform, the Group further enhanced branches' integrated R&D capabilities. It issued the *Action Plan for the Parent Bank to Offering Services to Subsidiaries' IT Construction*, the *Guidelines for Exporting FinTech and Service Guide of Technology Management Services for Overseas Institutions*, so as to standardise IT management of branches, subsidiaries and overseas institutions to guard against IT risk. It comprehensively promoted the implementation of 32 key tasks on its IT integration.

BUSINESS REVIEW

Feature article No. 4:

CCB FinTech continuously exploring market-oriented reform

CCB FinTech Co., Ltd. was established in Shanghai in April 2018, which is the first and largest FinTech company set up by large state-owned commercial banks. In 2021, CCB FinTech successfully introduced strategic investors including China Central Depository & Clearing Co., Ltd., Shanghai Lianyin Venture Capital Co., Ltd., and China Development Bank Capital Co., Ltd., holding 2.5% in its shares, respectively, with a registered capital of RMB1,730 million. With the strategic vision of leading in constructing New FinTech ecosystem, CCB FinTech is committed to becoming the Group's "Technology Engine" and "Ecological Integrator". It assisted the Group in building the New Finance ecology, empowered the financial industry with high-quality development and high-level security, so as to enable its customers to live a wonderful life, to create a better society, and to unlock the full potential of FinTech.

CCB FinTech set up an expertise-based talent development system and established an effective performance-based incentive model. In 2022, as the only company in the financial industry, CCB FinTech was shortlisted as the "Exemplary Enterprise for Sci-Tech Reform" by the Leading Group Office of State-owned Enterprise Reform of the State Council. CCB FinTech focused on its core business, improved R&D quality and efficiency, made breakthroughs in key core technology research, enhanced risk control and ensure steady operation. It was approved to undertake the joint research project of the Yangtze River Delta Sci-Tech Innovation Community. In 2022, CCB FinTech steadily improved its profitability and operating efficiency, and remained continuously profitable, with a steady growth in net profit and return on capital and a constant decrease in cost-to-income ratio. Its operating income amounted to RMB8,240 million, an increase of 19.2% over 2021; net profit was RMB31 million, an increase of 269.4% over 2021. Specifically, income from core products & solutions sold to various types of banks, such as state policy banks, national joint-stock banks and local commercial banks, reached RMB1,639 million, an increase of 20% over 2021. At the end of 2022, total assets of CCB FinTech worth RMB6,355 million, and shareholders' equity worth RMB1,377 million.

DIGITALISED OPERATION

The Group drove digitalised operation through innovation and deepened its New Finance initiatives. The Group released *Master Plan for Building a Digital CCB (2022-2025)*, which clarifies the development direction and overall roadmap for digitalised operation. Through three major upgrades of management model, service model and culture development, the Group promoted digital transformation with characteristics of "agile response, full access and good experience". Taking digitalised operation as an important foundation and tool, the Group focused on enhancing the effectiveness of digitalised operation through both data-based business and business-based data, thus gradually realising the ecological operation modelling, business process automation and intelligent risk control and compliance, so as to facilitate customer acquisition and reactivation and the realisation of principal business goals. The Group continuously improved its ecological scenario-based system with mobile banking and "CCB Lifestyle" as the core and accelerated the building of "three major middle platforms" in terms of business, data and technology. The Group actively carried out product innovation around the "Three Major Strategies" and key business areas to stimulate high-quality development momentum.

In terms of business middle platform, the Group focused on the promotion of application to fully use the outcome from middle platform building, released the implementation plan of the business middle platform, and refined the planning blueprint of capability centres of business middle platform. It continued to iterate the "3+1" capability Centres, which take users, merchants, rights and interests, and payment as the core, launched six new capability centres of accounts, products, content, traffic, marketing, and intelligent risk control, and completed capability initialisation. It improved the enterprise-level requirement coordination mechanism, clarified the enterprise-level requirement coordination, business architecture, business model management and other tasks, and built a closed-loop requirement management mechanism for the whole process from requirement, implementation to evaluation. The Group built a requirement standard system and a post-project evaluation mechanism. The requirement standard system covers elements such as functions and processes, regulatory compliance, risk control, user experience and data governance. The Group studied and established the post-project evaluation index system, evaluation process and work template from four dimensions of "strategic value, business value, financial value and technical value". In 2022, the business middle platform reviewed, standardised and released 315 capabilities.

In terms of data middle platform, the Group comprehensively implemented the digital strength programme, integrated global data to form a complete data view, built an intelligent "data and analysis" hub at the enterprise level, and assisted with the implementation of the "Three Major Strategies" of inclusive finance, housing rental, and FinTech. It improved the ability of data analysis and application, expanded the modelling ability for unstructured data, and built the multi-model analysis ability of natural language, geographical location, image data and structured data. It established an enterprise-level customer tag library to provide better insights on customers. By the end of 2022, the Bank had implemented more than 4,000 big data analysis projects to tap the value of massive data and support digitalised operation. It used graph database to build a relationship tree consisting of 1.7 billion individual nodes, 180 million corporate nodes and 460 billion relationships based on all customers and identifiable potential accounts, and identified 72 relationships such as family, equity and actual controller, and achieved remarkable results in fission marketing, supply chain mining, fraud gang identification and other application scenarios.

In terms of technology middle platform, the Group aimed to build a one-stop basic technical capability, to gradually enhance technology empowerment and support the digital transformation of the Group, based on the concept of sharing, agility and collaboration. It formed a unified portal view of the technology middle platform for development, maintenance and operation, and put the technologies used for R&D, delivery and operation on a single platform in different modules, and delivered results in the form of cloud services, realising rapid supply of basic technology capabilities, and improving the quality and efficiency of app delivery. It strengthened management and control of whole-process reuse of the business middle platform and data middle platform in the system building, opened system interface, and promoted the reuse of capabilities of the three major middle platforms.

In 2022, the Bank further advanced the building of enterprise-level product family tree, improved the product lifecycle management mechanism, optimised the online product management process, built a product exit warning and monitoring system covering all product categories, and continued to optimise a multi-dimensional real-time data supply architecture. Focusing on key business areas such as the "Three Major Strategies", rural revitalisation, green finance, technology innovation, and wealth management, the Bank launched 10 strategic innovation projects, completed 28 key innovation projects at head office level, 2,115 key independent innovation projects and 2,666 portable innovation projects of branches, and overseas entities and domestic subsidiaries implemented 32 innovation projects. The move to build an enterprise-level product family tree has won the "Best Financial Innovation Award" from *The Chinese Banker* in 2022.

Case story No. 6:

Building CCB's "Yun Flower" comprehensive financial service

The Bank's Yunnan Branch provided financial support to the flower industrial chain and proactively provided innovative scenario-based services for Kunming International Flora Auction Trading Centre Co., Ltd. to address the pain points of the development of agricultural enterprises and farmers, thus making the flower industry a new hub for government to promote agricultural development.

With the empowerment of technology, Yunnan Branch provided high-quality payment and settlement and fund management services. It developed "Yun Flower" settlement system in the mode of "Empowered by FinTech + Supported by Internal Book", focusing on payment and settlement compliance and fund security management, meeting multiple settlement needs such as buyers' deposits payment and management before flower auctions, classification and aggregation of multiple orders during auctions, and timely and accurate recording of sellers' settlement funds after auctions, and providing convenient, safe and compliant settlement services for flower auctions. The system has four major characteristics, including standardised management of settlement funds, secured funds of members' bank account, convenient prepayment of auction funds, and scenario-based loans. The system, which was launched in March 2022, had processed 155 thousand transactions with a total amount approximating RMB590 million by the end of 2022.

With the empowerment of data, Yunnan Branch pressed ahead with further provision of scenario-oriented financing services. Despite the varying financial needs of flower farmers, wholesalers, florists and consumers, such as planting and production, operating turnover, accounts payable aging and retail loans respectively, the lack of digital foundation made it difficult to integrate financial services into the flower industry. Through cooperation with the Flower Auction and Trading Centre, Yunnan Branch deeply integrated financial services into all processes of the industry development of "Yun Flower" based on "generating credit with data", making financing data-based and convenient. In addition to providing additional credit lines for the Flower Auction and Trade Centre to help increase the value of the flower industry, Yunnan Branch launched the "Industrial Loans for Farmers in Yunnan" credit service for flower farmers in October 2022, successfully releasing five loans with credit lines of more than RMB1.1 million and serving more than 180 customers.

BUSINESS REVIEW

With the empowerment of platform, Yunnan Branch continuously enriched the comprehensive services of "Yun Flower". Yunnan Branch promoted the effective integration of local services, merchant resources and community finance through "CCB Lifestyle" and included fresh-cut flowers in "CCB Lifestyle" app to create a "fresh flower market", thus providing "Internet + Flower" consumer financial services to the public. "CCB Lifestyle" has connected tens of thousands flower farmers with hundreds of millions of consumers, meeting the expectations of people for a better life with millions of bright-coloured flowers.

Graph: The Bank's Yunnan Branch joined hands with flower growers in offering the "Yun Flower" comprehensive financial service to serve innumerable households.

Q&A with Senior Management

Q&A

Q: Data has become a key production factor and a basic strategic resource in the era of digital economy. Please introduce CCB's practice and innovation in using data.

Mr. Wang Bing, the executive vice president:

In recent years, CCB has actively explored new ideas, new methods and new models for using data to effectively support the operation, management and business development of the Bank. Firstly, we consolidated the foundation of data governance. We strengthened top-level design, formulated an overall implementation plan for digital strength construction, advanced the building of data middle platform, established a lifetime management mechanism for data assets, and continuously improved the richness, timeliness and accuracy of internal and external data resources. Secondly, we gave full play to the role of big data. We provided solid data support for the implementation of the "Three Major Strategies" and digitalised operation, and launched a number of inclusive finance products such as "Cloud Tax Loans" and "Secured Quick Loans" to facilitate the development of small and micro businesses. We developed more than 190 big data products, which have been widely used in business scenarios such as customer marketing, risk control and refined management at the bank level. Thirdly, we promoted the universal use of data. We built a unified data application system and created featured data application platforms and systems to efficiently and quickly support institutional users at all levels of the Bank to use data independently on demand.

Corporate Finance Business

STRATEGY OF CORPORATE FINANCE BUSINESS

The Group vigorously supports the real economy, efficiently empowers the building of "Manufacturing Power", proactively supports infrastructure construction, and implements national and regional development strategies. It continuously facilitates the development of sci-tech innovation enterprises and green and low-carbon transformation and helps improve the resilience and safety of industrial and supply chains. It sticks to the "customer-centric" concept and strives to build a high-level corporate customer service system.

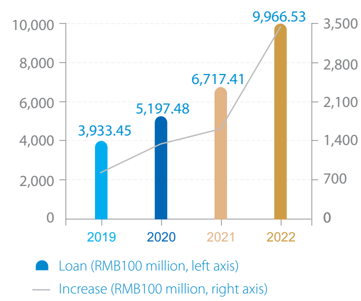
CORPORATE BANKING

Corporate deposits increased steadily, and the customer base was continuously consolidated. At the end of 2022, domestic corporate deposits of the Bank amounted to RMB11.10 trillion, an increase of RMB761,071 million or 7.36% over 2021. Specifically, demand deposits increased by 1.41%, and time deposits increased by 17.65%. The number of the Bank's corporate customers was 9.35 million, an increase of 0.89 million over 2021. The Bank had 13.21 million corporate RMB settlement accounts, an increase of 1.27 million over 2021.

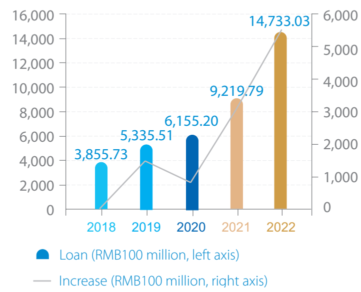
Corporate loans maintained a rapid growth, vigorously supported key areas, and effectively served the real economy. At the end of 2022, domestic corporate loans of the Bank amounted to RMB11.02 trillion, an increase of RMB1.43 trillion or 14.87% over 2021, with the NPL ratio of 2.08%. The balance of loans to infrastructure sectors reached RMB5.71 trillion, an increase of RMB639,437 million or 12.62% over 2021, accounting for 51.79% of domestic corporate loans, with the NPL ratio of 1.47%. Loans to manufacturing industry amounted to RMB2.24 trillion, an increase of RMB554,232 million or 32.78% over 2021. Specifically, medium and long-term loans to manufacturing industry amounted to RMB996,653 million, an increase of RMB324,912 million or 48.37% over 2021. According to the regulatory classification requirements of the CBIRC, loans to private enterprises amounted to RMB4.45 trillion, an increase of RMB821,575 million or 22.66% over 2021. Loans to strategic emerging industries totalled RMB1.47 trillion, an increase of RMB551,323 million or 59.80% over 2021. Domestic loans to real estate industry amounted to RMB770,675 million, an increase of RMB40,588 million over 2021. The Bank had provided 119 thousand customers in 5,170 core enterprises industrial chains with a total of RMB920,541 million supply chain financing support on a cumulative basis.

The Bank actively implemented major regional strategies and coordinated regional development strategies. It reviewed its regional service plan and clarified differentiated objectives and tasks, development strategies, implementation measures, and policy guarantees with reference to regional planning and policy requirements; strengthened business supervision in key regions and established an assessment mechanism for strategy implementation. The growth of corporate loans in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area had all exceeded 20%.

A glimpse of the growth in medium and long-term loans to manufacturing industry



A glimpse of the growth in loans to strategic emerging industries



Percentage of medium and long-term loans in loans to infrastructure sectors

89.66%

up

1.63

percentage points over 2021

BUSINESS REVIEW

Case story No. 7:

Actively serving the demand for medium and long-term loans and loans for equipment upgrading and transformation in the manufacturing industry

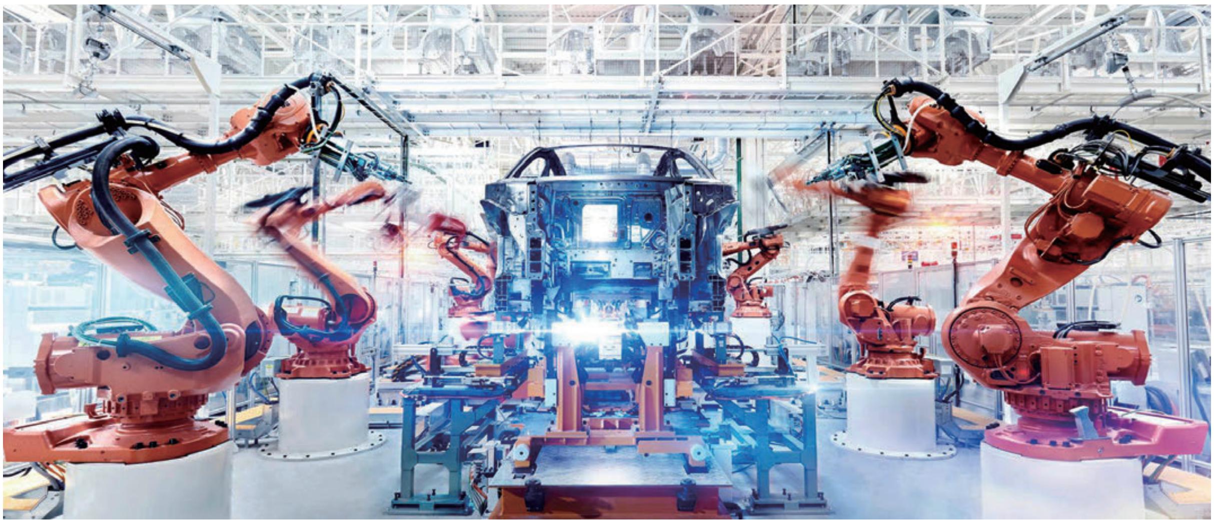
The Bank conscientiously implemented national requirements for expanding medium and long-term loan supply in the manufacturing industry and supporting equipment upgrades in key areas, and mobilised a special team headed by bank leaders and closely coordinated by various relevant institutions. The special team established an efficient operation mechanism, optimised business processes, strengthened resource assurance, improved service quality and efficiency, and effectively promoted synergy and implementation of a large number of projects. At the end of 2022, the Bank increased RMB324,912 million medium and long-term loans in the manufacturing industry over 2021, and granted RMB35,822 million loans for equipment upgrades in key areas, maintaining the leading position among domestic peers.

Breaking through corporate financing bottlenecks to promote regional industrial development

As a leader in power battery manufacturing and a key player of the business solicitation programme for new energy vehicle industry, an enterprise invested and established a green and intelligent model factory, which had been included in the list of major integrated regional development projects of the Yangtze River Delta. The Bank reached out to the enterprise, set up a cross-regional and cross-level flexible team, and provided comprehensive service solutions at the very first time. It actively sought policy support, dredged business blockages, and took the lead in meeting financing needs of the enterprise for imported equipment in urgent needs. It led the establishment of a medium and long-term loan syndicate to support the RMB5 billion manufacturing project, maintained close communication with the enterprise, and coordinated member banks of the syndicate to meet the enterprise's capital needs timely and efficiently according to project milestones, ensuring smooth implementation of the project and strongly supporting the building of a new-energy automobile industry cluster.

Supporting equipment upgrades to assist in the transformation and upgrading of enterprises

As the largest private enterprise producing special chemical products in the Yangtze River Delta, an enterprise initiated the largest investment project since its establishment in order to further upgrade process and technology, reduce overall energy consumption and improve intelligent management. The equipment to be purchased for the project was currently the world's largest single unit, with world-class process and technology. The enterprise required urgent financial support to cover the high procurement cost. The Bank took the initiative to meet its needs, established an "enterprise-specific" mechanism, clarified differentiated supporting policies, efficiently completed project evaluation, declaration, approval and delivery, to support its capital needs for equipment procurement. The Bank granted a total of RMB560 million loans to the enterprise, helping it accelerate digital transformation and upgrade and enhance core competitiveness.



Graph: The Bank actively supports the development of new energy vehicles industry.

INSTITUTIONAL BUSINESS

The Bank built new customer relationships based on platform operation, continued to tap the value of the platform, and carried out efficiency improvement activities for 12 scenarios, including primary-level governance service, comprehensive smart medical insurance services, and public service fund supervision. The Bank applied digitalised operation methods in primary-level governance service scenario to extend financial services to primary-level government customers, comprehensively promoted the building of platforms for supervision over management of rural collective assets (including funds, properties and resources), rural property transactions and smart village affairs. The platforms for supervision of rural collective assets management and rural property transactions had served more than 900 agricultural and rural bureau customers at the county (district) level nationwide, and the platform for smart village affairs had served more than 90,000 village committee customers across the country, with more than 4.1 million registered villager users, contributing to rural revitalisation and common prosperity. The Bank promoted the innovation of institutional agriculture-related credit products, developed the "Collective Assets Management" loan products, the first among domestic peers, and improved the access to financing for rural collective economic organisations. So far, it has served more than 1,400 rural collective economic organisation customers, enabling the development and expansion of the new rural collective economy. The Bank reached cooperation intentions with more than 1,000 customers from education and healthcare sectors, implemented the loan policy for equipment renovation in key areas, and ranked the first among financial institutions in terms of the amount of loan funds. It actively participated in the reform of integration of the central financial budget management. As a bank with the largest number of budget units, it helped 7,990 central financial budget units complete system switching and was awarded "excellent" in the evaluation of agent banks by the MOF. The Bank assisted finance and taxation departments in collecting RMB6.53 trillion in taxes, non-taxes and social insurance premiums. Focusing on the country's continuous deepening of system-based policy arrangements for tertiary allocation, the Bank cooperated with the China Charity Federation and launched the first "e-CNY sub-wallet" donation payment scenario in China, serving the people with the "e-CNY + Charity" model.

INVESTMENT BANKING BUSINESS

The Bank continued to promote investment banking customer service, value creation, platform empowerment and brand building, and continuously improved the quality and efficiency of investment banking business in servicing the real economy and its market influence. At the end of 2022, the Bank had more than 150,000 investment banking customers and provided direct financing for entities with an existing balance of over RMB1.8 trillion. During the year, it underwrote 744 batches of debt financing instruments for non-financial enterprises and underwrote and issued bonds of RMB464,517 million for 411 entities. It improved the featured financial consultant service for customer groups and established nearly 50 direct sales teams at all levels and 1,600 task-based teams. It steadily expanded customer coverage and scenario coverage of investment banking system platform that had been upgraded 54 times in iterations throughout the year, with 293 new business requirements and 343 system functions put into operation. The Bank precisely provided financing and intelligence support to inclusive customer group, helped enterprises reduce debt and increase performance, issued inclusive finance ABN (asset-backed notes) of micro and small business creditor's rights, accounts receivable and reverse factoring, which totalled RMB5,973 million, and served more than 8,000 small and micro businesses. It promoted the green capital market business and underwrote 51 batches of green bonds with an amount of RMB49,149 million, increasing by 34.21% and 18.60% respectively over 2021. Meanwhile, the Bank strengthened market influence and cohesion of the "FITS e+" investor alliance platform, which had been certified as a FinTech product issued by the National Financial Technology Certification Centre (Beijing) (NFTC).

Asset-backed securitisation business

The Bank actively carried out innovative securitisation business in line with national strategic orientation. It made a number of innovative achievements in green, scientific and technological innovation, and underwrote independently or took the lead in underwriting the first new energy-backed securities, first photovoltaic asset-backed securities, first wind power asset-backed securities and other innovative projects in the interbank market. The Bank issued the first "Green + Sci-Tech Innovation" double-labelled asset-backed note in the market to help customers innovate and transform; issued four green asset-backed notes with a total amount of RMB3.8 billion to assist the green development of enterprises; issued two small and micro business loan asset-backed securities with the issuance amount of RMB19,989 million and the principal of RMB19,989 million; issued four non-performing asset-backed securities of credit cards with the issuance amount of RMB1,487 million and the principal of RMB9,162 million; issued one normal credit card instalment asset-backed securities with the issuance amount of RMB4,996 million and the principal of RMB4,996 million; and issued three non-performing credit asset-backed securities of small and micro businesses with the issuance amount of RMB618 million and the principal of RMB4,776 million; and issued two non-performing asset-backed securities of residential mortgages with the issuance amount of RMB2,600 million and the principal of RMB4,404 million.

INTERNATIONAL BUSINESS

The Bank steadily enhanced its ability to participate in international competition and contributed to the new development pattern of "dual circulation". "CCB Match Plus" platform had more than 230,000 registered users, released more than 180,000 business opportunities, and held more than 210 digital exhibitions and cross-border connection activities for more than 17,000 enterprises in 35 countries and regions. In 2022, the Bank provided RMB1.77 trillion in trade financing to effectively meet the fund demand of foreign trade enterprises.

The "Cross-border Quick Loan" series of products provided credit funds of nearly RMB25 billion to more than 10,000 small and micro foreign trade enterprises. Project Factoring (Jiandantong, Jianpiaotong and Jianxintong) provided financial support to 142 projects in 50 countries along the Belt and Road, with a cumulative amount of RMB14.33 billion. The Bank innovated cross-border payment products such as cross-border e-remittance, cross-border e-purchase, cross-border e-credit, and supported high-quality development of the new foreign trade business forms including cross-border e-commerce, market procurement, and comprehensive foreign trade services. It actively contributed to RMB internationalisation with a cross-border RMB settlement volume of RMB2.87 trillion and served nearly 40,000 cross-border RMB customers. Specifically, CCB London Branch continued to be the largest RMB clearing bank outside Asia with a cumulative clearing amount of over RMB75 trillion.

Case story No. 8:

"CCB Match Plus", assisting photovoltaic enterprises to go overseas

Demand for photovoltaic equipment grew rapidly in Europe in 2022 as energy prices rose sharply and countries accelerated their transition to renewable energy. CCB Europe and its affiliated entities, jointly with CCB's domestic branches, explored the innovative overseas "Exhibition Representative Service" relying on "CCB Match Plus", aiming to assist Chinese high-quality photovoltaic enterprises in realising the remote "Cloud Showcase" in overseas exhibitions.

In May 2022, the International Solar Energy Expo was held in Warsaw Centrum EXPO XXI. As a special "exhibitor", Warsaw Branch under CCB Europe attracted much attention since the opening of the Expo. Behind the small booth of 50 square meters were 17 large Chinese photovoltaic enterprises from 11 provinces and municipalities in China, including some of the world's leading enterprises in photovoltaic industry. In addition to physical exhibition arrangement, "CCB Match Plus" gave full play to its digital advantages to realise remote "Cloud Release" and "Cloud Exhibition" of enterprise products, by playing exhibition videos on the platform, and setting up online conference rooms, so that European customers can have one-to-one connection with domestic enterprises on site, and domestic enterprises can participate in overseas exhibition remotely from home.

During the exhibition, Warsaw Branch's booth received more than 150 buyers from European countries, of which 85 put forward their purchase intention at the site with intended purchase demand amounting to thousands of megawatts.

Graph: The booth of Warsaw Branch under CCB Europe in the International Solar Energy Expo.

SETTLEMENT AND CASH MANAGEMENT BUSINESS

The Bank relied on digital means to dig deep into high-quality customers. It vigorously carried out innovation in account services to optimise business environment. By connecting with local government platforms such as "all-in-one window" and "all-in-one network", it received more than 500,000 appointments from enterprises to open accounts. It vigorously promoted the streamlined account opening process, created 13.6 thousand green channels for small and micro businesses and promoted nationwide account opening appointment services for electronic business license. The Bank also actively connected with local government supervision platforms for the payment of migrant workers' wages, constantly expanded the coverage of rural migrant workers benefiting from agency salary disbursement service and provided financial service support for the payment of rural residents' income from non-agricultural work. The collection and payment component had been connected to migrant worker fund supervision system of 85 supervision departments of provincial and municipal governments. The agency service for migrant worker wage payment had 149.1 thousand contracted corporate customers, an increase of 36.9 thousand over 2021, and completed 51.71 million payments to 16.44 million accounts, with paid wages totalling RMB398,406 million, an increase of RMB134,839 million or 51.16% over 2021. The Bank continuously improved customer experience, and enabled risk protection and facilitation measures, such as facial recognition, personal information masking, electronic stamping for comprehensive contracting services of corporate customers; digitalised the registration book for collection and payment; and created more scenarios for convenient payment by adding 386 payment items such as water, electricity, gas, heating and communications in 2022. The Bank deepened customer operation. In 2022, it had 1.22 million new long-tail corporate customers; attracted RMB804,422 million deposits from non-loan borrowers below designated size at the end of 2022, an increase of RMB145,974 million or 22.17% over 2021; and sold 1.24 million product packages for new customers, an increase of 189.2 thousand or 18.08% over 2021.

Feature article No. 5:

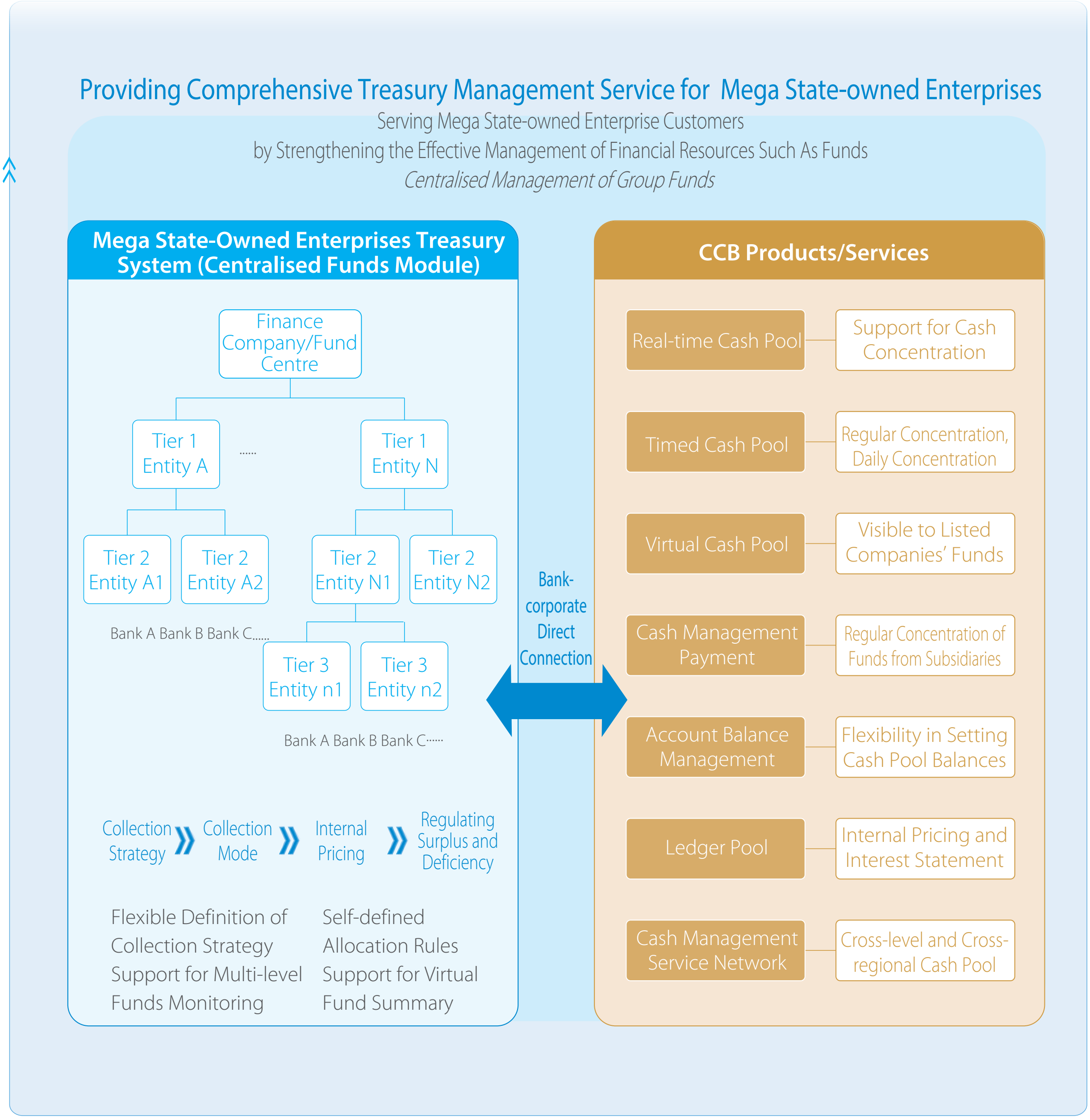
Triggering the new momentum in the partnership with enterprises and providing the treasury management service for mega state-owned enterprises

Based on enterprise-level architecture of its New Generation Core Banking System, the Bank built a one-stop service system featuring direct connection, standardised information integration, and whole-process operation and maintenance support, providing comprehensive treasury management service for mega state-owned enterprises, so as to fully meet their needs of strengthening financial resources management and fund risk prevention and control. Taking into account the actual operation, resources, technical capabilities and management experience of each company, the Bank formulated and implemented company-specific service plans, making efforts to become the most professional core provider of treasury management service.

The Bank expanded cross-bank and cross-border cash management services to help mega state-owned enterprises fully integrate accounts and funds from domestic and foreign institutions and multiple banks. It built the core competitive edge in cross-bank cash management with "Yudao – Treasury Cloud", and improved the service system by taking the standard version as its basis and the direct linkage version and industry version as features. It improved the supply and service capabilities for cross-border cash management products, enriched global account information reporting scenarios, and extended the centralised management boundary of group accounts. In 2022, the Bank had 168.9 thousand onshore and overseas remittances under global cash management, equivalent to RMB285,989 million. The Bank's global cash management service was awarded the "Global Service Practice Case" at 2022 China International Fair for Trade in Services (CIFTIS), making it the only bank in the list for cash management sector.

The Bank enhanced cross-product and cross-service line financial service integration to improve its online connection capabilities. It built a service system that promotes direct linkage between the Bank and enterprises and integrates a standardised interface for external services, covering 14 categories such as accounts, deposits, receipts and payments, liquidity management, comprehensive information reporting, slips and reconciliations, notes, investment and wealth management, financing services, international settlement, and financial markets, effectively meeting the all-round online financial service connection needs of state-owned enterprises' treasuries.

The Bank strengthened cross-regional and cross-level service coordination to provide services at the group level. It built a group transaction relationship tree for state-owned enterprises, which can uniformly present information of registered accounts and contracted products; created a panoramic view of business at the group level that uniformly displays all accounts and businesses of the headquarters and all subsidiaries of the mega state-owned enterprises; studied and promoted "Rongzhi" advisory services to issue reports including cash flow forecasts, investment and financing plans, and production and performance analysis based on data such as product contracts and transaction details, so as to assist the mega state-owned enterprises in integration between business and finance as well as strategic decision-making.


Providing Comprehensive Treasury Management Service for Mega State-owned Enterprises
Serving Mega State-owned Enterprise Customers
by Strengthening the Effective Management of Financial Resources Such As Funds
Centralised Management of Group Funds
Mega State-Owned Enterprises Treasury System (Centralised Funds Module)
Finance Company/Fund Centre
Tier 1 Entity A
......
Tier 1 Entity N
Tier 2 Entity A1
Tier 2 Entity A2
Tier 2 Entity N1
Tier 2 Entity N2
Bank A Bank B Bank C......
Tier 3 Entity n1
Tier 3 Entity n2
Bank A Bank B Bank C......
Collection Strategy
Collection Mode
Internal Pricing
Regulating Surplus and Deficiency
Flexible Definition of Collection Strategy
Support for Multi-level Funds Monitoring
Self-defined Allocation Rules
Support for Virtual Fund Summary
Bank-corporate Direct Connection
CCB Products/Services
Real-time Cash Pool
Support for Cash Concentration
Timed Cash Pool
Regular Concentration, Daily Concentration
Virtual Cash Pool
Visible to Listed Companies' Funds
Cash Management Payment
Regular Concentration of Funds from Subsidiaries
Account Balance Management
Flexibility in Setting Cash Pool Balances
Ledger Pool
Internal Pricing and Interest Statement
Cash Management Service Network
Cross-level and Cross-regional Cash Pool

Feature article No. 6:

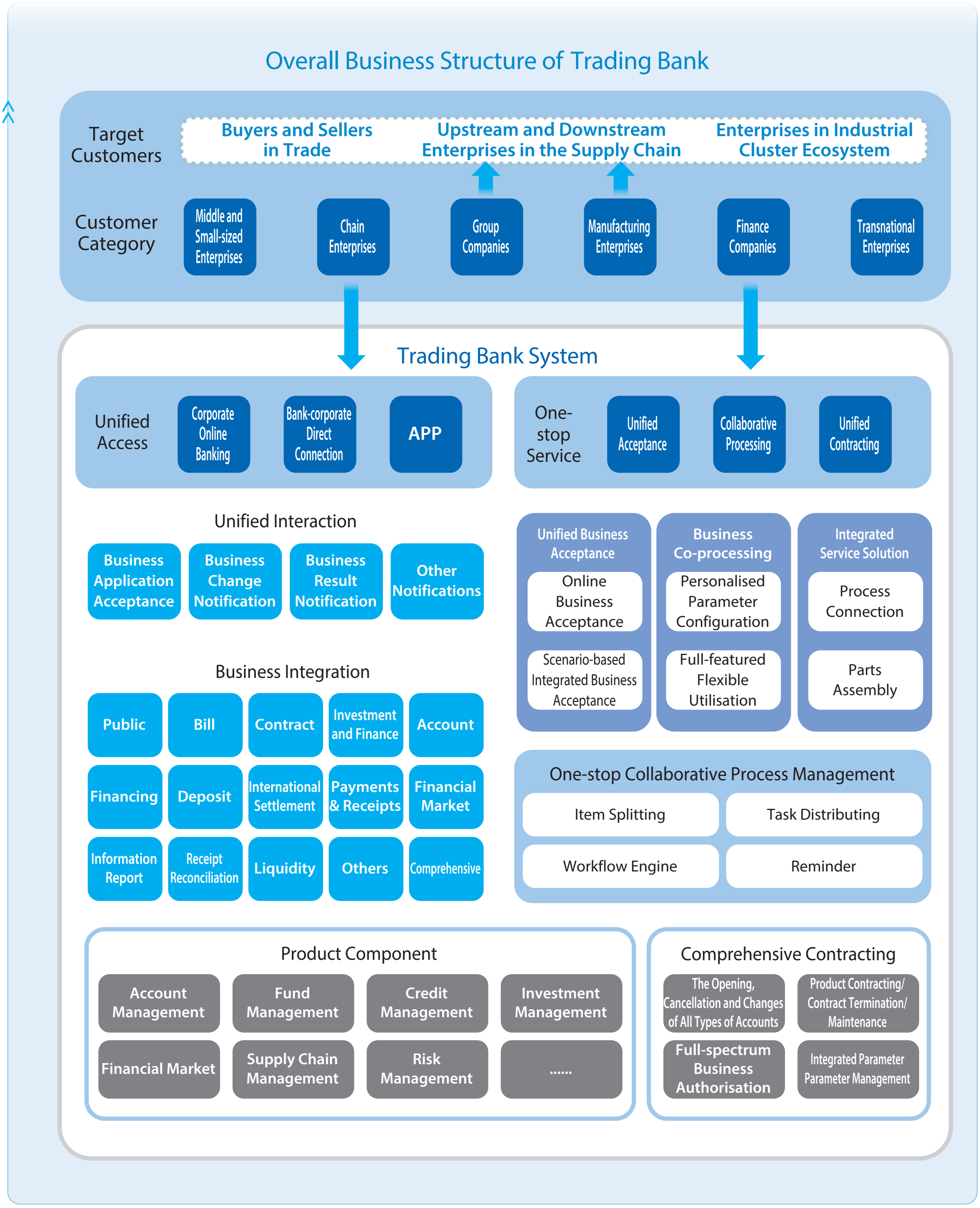
Expanding trading banking business and building a "second curve" for corporate banking

The Bank practiced the New Finance concept, actively responded to the trend of digital transformation and development and promoted the integration of the Bank's corporate trading products and financial information by taking payment and settlement as the basis and cash management as the core. It built an integrated collaborative service platform, strengthened collaborative empowerment of multiple products, and provided trading banking services featuring intelligence, lean and intensiveness for its corporate customers.

The Bank focused on integration, strengthened platform thinking, integrated corporate trading products and services for its customers and promoted deep integration of opening financial services and enterprise operations. Based on advantages of enterprise-level architecture of its business system, it strengthened interconnection between business components, fully integrated account management, fund management, financial market, supply chain management and other products for corporate customers, and improved the online integrated service capability of its businesses. It unified the interactive model of financial services for customers to ensure the standardised release of various products and services, deeply integrated into service scenarios of customers' operation and their industrial chains and ecosystems, provided customers with one-stop integrated financial services, and built a solid foundation for trading banking services.

The Bank focused on simplicity, deepened collaborative empowerment, provided end-to-end whole-process accompanying services, and promoted integrated development and cross-empowerment of trading banking businesses. Based on sound and overall architecture design of the trading banking platform, it promoted centralised deployment of comprehensive contracting of related products to achieve "one-stop contracting" for its customers. The Bank promoted process integration and information sharing between products to enable flexible invocation and deployment of all functions among multiple products through parameterisation and personalised settings, realising automatic processing of comprehensive service items during the whole process for its customers. Based on integrated customer transaction data, the Bank provided customers with whole-process intimate services at key points such as customer access, connection, contracting, sale, and post-sale services, and built an accurate and effective trading banking service system.

BUSINESS REVIEW



Q&A

Q&A with Senior Management

Q: CCB has proactively practiced the New Finance concept in recent years and continuously served the development of the real economy with New Finance initiatives. Could you please give us a brief introduction on how the Bank assisted the development of the sci-tech innovation sector?

Mr. Cui Yong, the executive vice president:

In order to facilitate the development and growth of sci-tech innovation enterprises, address their financing difficulties, and provide support for China to achieve high-level scientific and technological self-reliance and self-empowerment, CCB has established the "Evaluation System for Innovation Capability of Sci-Tech Enterprises". The system has been rolled out across the bank, achieved a leapfrog development in the innovation of financial services for sci-tech sector, and promoted fundamental transformation from "prioritising fixed assets" to "prioritising patents".

The system incorporates the scientific and technological level of enterprises into the Bank's credit evaluation system and exploits sustainable innovation capabilities of enterprises by obtaining the directory information and intellectual property information of sci-tech innovation enterprises released by state ministries and commissions in batches. The system automatically generates evaluation results with technical methods such as big data, intelligent decision-making, and data visualisation, so as to turn the "soft power" of enterprises into the "hard currency" of financing. This enables many light-asset sci-tech innovation enterprises to negotiate with banks and effectively solves financing difficulties such as high financing costs and slow pace of funding that have long plagued small, medium, and micro sci-tech innovation enterprises. At present, the system has covered more than 600,000 sci-tech innovation enterprises. Through proactively pushing relevant evaluation information to client managers at sub-branches and outlets, the system enables the Bank to transform passivity into initiative in terms of its cooperation with sci-tech innovation enterprises.

Personal Finance Business

The number of personal customers reached

739 million

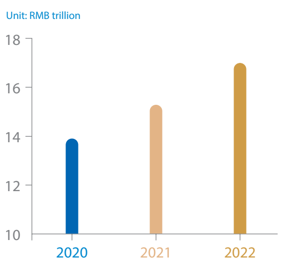
Personal financial assets under management totalled nearly

RMB **17** trillion

Credit cards issued reached

140 million

A glimpse of the growth of personal financial assets under management



STRATEGY OF PERSONAL FINANCE BUSINESS

The Group adheres to the "people-centred" philosophy, conforms to the trend of the digital era and the wealth era, deeply implements New Finance initiatives, presses ahead with the mega wealth management strategy, consolidates its position of the largest bank of retail credit, deepens digitalised operation, expands construction of consumer ecology, and promotes high-quality development of personal finance business.

PERSONAL BANKING

Centring on the core positioning of "customer-centric and creating value for customers", the Bank promoted deep integration of digitalisation and wealth management, proactively explored innovative ideas, upgraded management methods, and optimised customer experience.

The Group continued to deepen a "layered, sub-group and graded" personal customer operation management system and created digital capability of the whole chain where customers can be "accurately accessed, connected and retained". It upgraded hierarchical management, focused on the whole life cycle of customer operation of "direct operation of basic customer scenarios – direct management of potential customers private banking – exclusive operation of medium and high-end customer at outlets – team service for private banking customers", and explored working mechanism of integrated development of direct operating system for customers and mobile banking and "CCB Lifestyle", as well as professional cooperation between wealth management advisors and private client managers. It deepened the operation of sub-groups, focused on key customer groups in fields such as elderly care, counties, agency salary disbursement, merchants, and private banking, and innovated product rights and interests, so as to improve its service capabilities. It optimised graded services, upgraded the rights and interests centre and constructed a self-motivated graded customer operation system focused on rights and interests system of star customers. It deeply engaged in scenario-based services, and vigorously carried out online and offline themed activities such as "Benefit Season", "Fighting Season" and "Wealth Season" to provide customers with high-quality financial products and convenient services.

Personal banking continued to improve its operational efficiency and further enhanced its market competitiveness. At the end of 2022, domestic personal deposits of the Bank amounted to RMB13.07 trillion, an increase of RMB1.80 trillion or 15.92% over 2021, the largest growth ever recorded in recent years. The number of personal customers reached 739 million and personal financial assets under management by the Bank totalled nearly RMB17 trillion. The Bank was awarded with three comprehensive retail banking awards, i.e., "Best Retail Bank in Asia-Pacific Region 2022" "Best Retail Bank in China 2022" "Best Mega Retail Bank in China 2022" by *THE ASIAN BANKER*.

PERSONAL CREDIT BUSINESS

At the end of 2022, domestic personal loans of the Bank reached RMB8.24 trillion, an increase of RMB344,840 million or 4.37% over 2021, and its position as the largest personal credit bank continued to be consolidated. Specifically, residential mortgages were RMB6.48 trillion, an increase of RMB93,026 million or 1.46% over 2021; credit card loans were RMB924,873 million, an increase of RMB28,651 million, or 3.20% over 2021; personal business loans amounted to RMB415,344 million, an increase of RMB188,881 million, or 83.40% over 2021; personal consumer loans were RMB295,443 million, an increase of RMB62,464 million or 26.81% over 2021.

Residential mortgages actively supported residents' rigid and improved housing needs. The Bank increased residential mortgages, selected target areas, cooperative enterprises, cooperative real estate projects and customers, promoted strategic cooperation with key cooperative institutions, and developed and promoted digital management of cooperative real estate project eligibility. In 2022, the Bank maintained the leading position in the industry in terms of new residential mortgages, continuously sharpened the scale advantage, and maintained optimal level of the asset quality.

The Bank adhered to innovation-driven business development and expanded its leading edge in the personal consumer loan market. It continued to optimise functions of personal consumer loan products, innovatively promoted the "Jianyidai" products, improved customer experience and service quality relying on online and offline products and services, and met the reasonable consumption financing needs of residents. At the end of 2022, the balance of "Jianyidai" was RMB51,509 million, driving continuous development of personal consumer loans.

The Bank promoted innovation of credit card green credit products, launched the "Long Card – Green & Low-Carbon Credit Card" and "Long E-Loan Cars" second-hand car installment and other products, intensified cooperation with new energy vehicle brands, and consolidated instalment loan market position, with loan balance and installment loan balance ranking first in the industry. It firmly safeguarded the bottom line of wiping out risks, strictly implemented "rigid deduction" of borrowers who had loans from multiple sources, strengthened the discipline of credit approval, improved control of key areas such as real estate, wealth management, production and operation, and cash-out activities, and improved the whole-process risk control and operation capability. The NPL ratio of credit card loans at the end of 2022 was 1.46%.

Feature article No. 7: Building a consumer finance ecosystem to serve people's aspiration for a better life

The Bank actively implemented the national strategy of expanding domestic demand and adhered to the ultimate goal of meeting reasonable consumption financing needs of residents and enhancing customers' sense of gain and happiness. It gave full play to the role of consumer finance in expanding domestic demand, boosting consumption and ensuring people's wellbeing, and continued to improve its contactless consumer loan services to enhance the convenience and security of credit services.

The Bank supported housing consumption and met the reasonable housing demand of residents. It implemented phased adjustment of differentiated housing credit policy, guided branches to adjust the interest rate of loans for the first time homebuyers in accordance with local regulatory policies, and reduced the cost of residential housing financing. It strengthened innovation of personal housing loan business, piloted exploration of "transfer with mortgage" re-transaction housing loan products, and reduced the burden of housing transaction costs on the masses. It increased support for the reasonable purchase needs of county residents such as those "settling in the city" and "returning to hometowns to buy houses", and continued to play an active role in serving people's livelihood with better housing services.

The Bank engaged deeply in consumer credit, and promoted product innovation and scenario expansion. On the basis of effectively strengthening risk compliance management, it launched innovative consumer credit services in fields of automobiles, decoration, tourism, education and overseas study, explored new online service models in the field of green consumer credit for new energy vehicles, met and facilitated diversified financing needs of customers, built consumer finance ecosystem, and served the real economy and people's aspirations for a better life.

The Bank developed consumption scenarios closely relating to people's daily life to fully stimulate residents' willingness to consume. It integrated consumer finance services into the "binary star" platform to create a one-stop service model of consumption, lending and payment. It actively promoted preferential cooperation with merchants in key business districts such as airports, high-speed railway stations and urban commercial complexes, and initiated activities such as "Long Card Credit Card Discount 666" to release consumer demand.

In the future, the Bank will continue to build scenarios, expand customer basis, spur consumption, launch innovative consumer loan and installment loan products, consolidate the leading edge of consumer finance, and enhance the endogenous growth momentum of fee-based business income.

PERSONAL PAYMENTS

The Bank adhered to the basic principle of "openness, sharing and ecological integration" and the core positioning of "expanding sources of fund and building ecology". It relied on advantages of payment foundation, deepened construction of consumption ecology, and realised a coordinated development of both Business Community and Customer Community.

For Business Community, the Bank built a "1+N" operation system for merchants across the bank, developed a combined management mode of "Card Acquiring Products + Comprehensive Financial Services" to meet needs of merchants and improved comprehensive service capabilities such as integrated card acquiring, full payment acceptance, and flexible clearing and recording for merchants to meet their "Business + Life" needs. It deepened the operation of merchant customer groups, and carried out more than 10 marketing activities such as "Fourfold Gifts for Card Acquiring Merchants" and "Benefit Merchants and Residents with Coupons" to promote high-quality development of merchant business. At the end of 2022, the Bank had 5.01 million card acquiring merchants, an increase of 90 thousand over 2021, with the transaction volume of RMB4.15 trillion.

For Customer Community, the Bank continuously advanced the building of personal account system and strengthened the hierarchical and classified management of personal accounts. It realised extensive connection with external scenarios and launched digital account opening applet. It developed strategic products, made overall arrangements on personal pension account services, optimised account opening process, and expanded service coverage. At the end of 2022, the Bank had 1,399 million personal settlement accounts, an increase of 31.46 million over 2021.

The Bank continuously enriched its personal payment products and launched options of payment such as instalments via "Long Pay", quick loan payment via "Long Pay" and "Payment with e-CNY + Bonus Points", so as to consolidate the underlying support of payment and serve customers' multi-level consumption needs. At the end of 2022, the number of users of "Long Pay" products exceeded 212 million, the number of debit cards issued exceeded 1,276 million, the transaction volume of debit cards reached RMB23.98 trillion, and the number of transactions reached 52,773 million.

The Bank enriched credit card product lines. It innovatively developed Long Card – Cash Reward Credit Card, Long Card – Youth Card, Winter Olympics Bing Dwen Dwen Card, Qatar World Cup Card and other products, provided customised digital cards and steadily promoted digitalisation of credit card products. Relying on the "CCB Lifestyle" platform, the Group fully deployed credit card products and functions based on user profile, traffic, financial products, scenario-based goods, user rights and interests, payment capability and event support capacity. At the end of 2022, the cumulative number of credit cards issued by the Bank reached 140 million with 105 million cumulative customers and the consumption transaction volume of RMB2.92 trillion in 2022.

Feature article No. 8:

Focusing on digitalised operation for credit card business and empowering new business development

The Bank adhered to the New Finance concept to promote "cardless" transformation and development of credit card, focused on the "binary star" platform to further reactivate customers and expand consumer credit services, and consolidated and strengthened market competitive advantages of core indicators of the credit card business.

The Bank completed the whole process reengineering of digital credit card functions to fully realise online and offline multi-channel digital customer acquisition. It provided optional functions such as authorised activation and concurrent application for virtual and real credit cards to simplify the process of binding cards for customers' third-party payment, promote the application and issuance of digital credit cards, and make it more convenient for customers to apply for and use credit cards. The Bank developed the customisation function of digital credit cards, enabling customers to customise the face and number of digital cards, thus meeting their personalised needs. It comprehensively reviewed credit card product lines, steadily promoted digitalisation of credit card products and prioritised the launch of digital credit cards for key products featuring conformity with the preferences of young customers, online consumption advantages, a sense of fashion, and topicality.

Relying on the enterprise-level "binary star" platform, the Bank built an online use ecosystem for digital credit cards to create the "product + scenario" financial service model. It focused on key accounts of "CCB Lifestyle", such as commercial complex and brand chain merchants, and continued to develop discount scenarios for online and offline integrated operation. It continued to promote "CCB Lifestyle" merchants' activity of bonus points payment to facilitate the fast growth of platform business. It launched the instalment payment function where customers can choose instalment services by clicking the payment button, speeding up the construction of brand flagship stores on "CCB Lifestyle". It explored the medical insurance payment scenario in an innovative way to provide digital credit payment services for medical insurance e-payment customers through mobile banking service.

WEALTH MANAGEMENT

The Bank strived to build a digital wealth management model that serves all customers, and unimpeded the transmission chain of "investment research – investment advisory – customer service", thus forming a core competitiveness of wealth management featuring "people + digitalisation + professionalism". It established and improved the management system of agency services at the group level, diversified product categories, and provided customers with highly competitive products. It strengthened application of wealth management tools and comprehensively enhanced support capability of the wealth management system. It also continuously strengthened professional training and tool empowerment, optimised promotion mechanism and performance incentives for outstanding staff, and sped up the progress of outstanding professionals. It achieved comprehensive improvement in the size of wealth management business, number of customers, market performance and brand image, and was awarded the "Top Ten Digital Wealth Management Innovation Award" issued by *The Chinese Banker*.

Feature article No. 9:

Pressing ahead with mega wealth management strategy and striving to build a first-class wealth management bank

The Group included mega wealth management as a strategic priority in the Bank's "14th Five-Year Plan" and focused on building a mega wealth management operational mechanism, i.e., creating a professional transmission chain of "wealth management – asset management – investment banking" and a transmission chain of "investment research – investment advisory – customer service". In 2022, based on the four strategic concepts of "inclusiveness, intelligence, professionalism and dedication", the Group strived to build a first-class wealth management bank featuring "leading domestic position, best customer experience and technology-driven development".

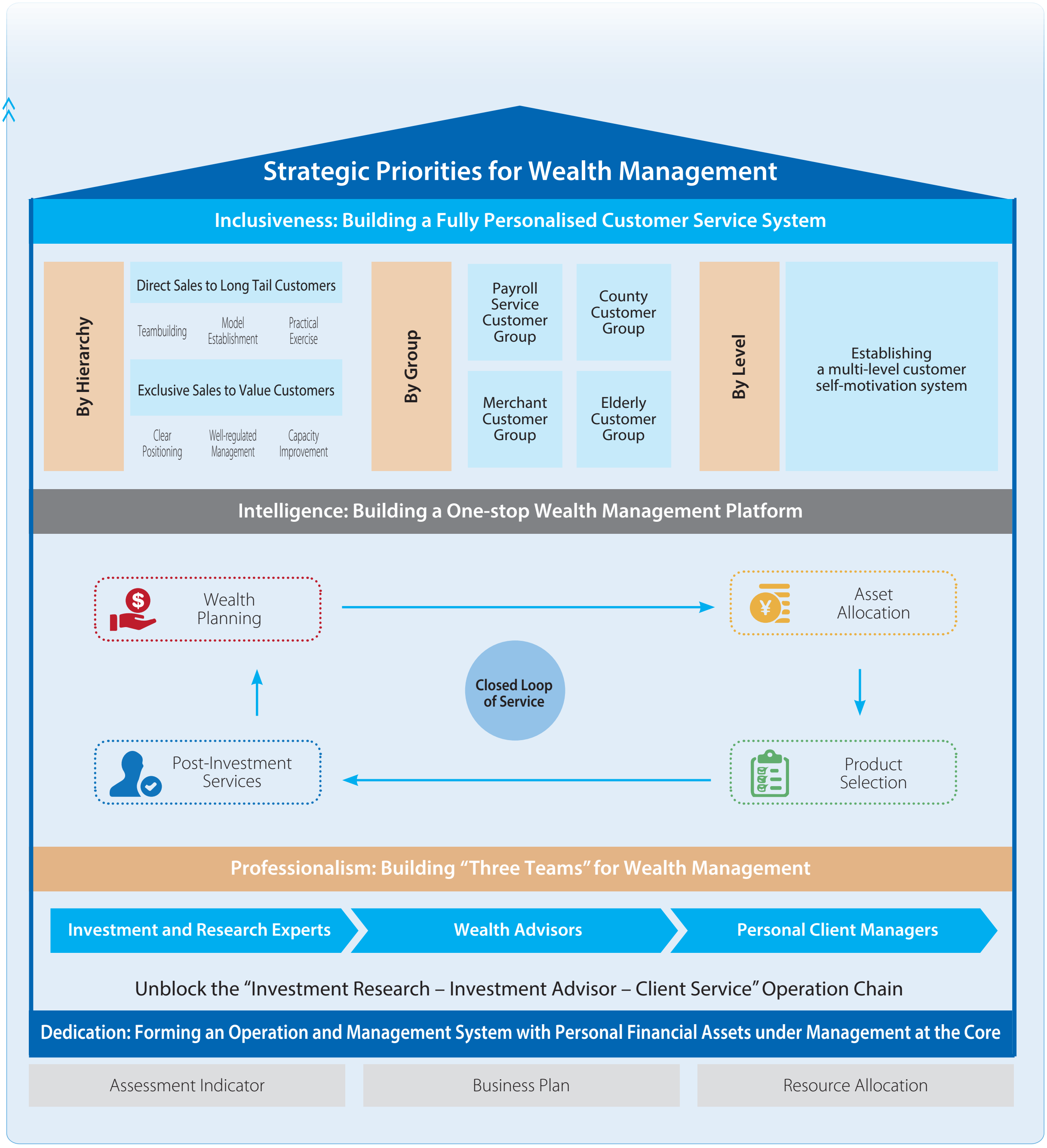
The Group developed "inclusive" wealth management. It built a "layered, sub-group and graded" customer service system for over 700 million personal customers, deepened integration of digitalisation and wealth management, accurately identified customer needs through four dimensions, i.e., "pocket money management, insurance protection, steady investment and pursuit of returns", and provided appropriate asset allocation solutions and wealth management products, thus enabling high-quality wealth management services to better meet people's aspirations for a better life. In 2022, the number of wealth management customers increased by 23% over 2021.

The Group developed "intelligent" wealth management. It built a one-stop mega wealth management platform covering both online and offline channels. Internally, it upgraded its three functions of wealth advisors, client managers and product managers. Externally, it created a closed loop of service of "wealth planning – asset allocation – product selection – post-investment services", to provide customers with life-cycle wealth management service.

The Group developed "professional" wealth management. It pressed ahead with the cultivation of three professional talent teams for wealth management, including investment research experts, wealth management advisors and personal client managers, and allocated nearly 14% more resources. It enhanced list management and continuously conducted ability development and professional training, thus creating long-term value for customers with its professional capabilities.

The Group developed "dedicated" wealth management. It built an operation management system with the personal financial assets under management as its core, developed assessment indicators, business plans and conducted resource allocation based on the increase in the personal financial assets under management, and focused on advancing the transformation of mega wealth management, realising a coordinated development between personal deposits and personal financial assets under management.

Looking ahead, the Group will continuously promote element restructuring and process reinvention, thus further implementing the strategy pursuant to the four strategic concepts.



Strategic Priorities for Wealth Management
Inclusiveness: Building a Fully Personalised Customer Service System
By Hierarchy
Direct Sales to Long Tail Customers
Teambuilding
Model Establishment
Practical Exercise
Exclusive Sales to Value Customers
Clear Positioning
Well-regulated Management
Capacity Improvement
By Group
Payroll Service Customer Group
County Customer Group
Merchant Customer Group
Elderly Customer Group
By Level
Establishing a multi-level customer self-motivation system
Intelligence: Building a One-stop Wealth Management Platform
Wealth Planning
Asset Allocation
Closed Loop of Service
Post-Investment Services
Product Selection
Professionalism: Building "Three Teams" for Wealth Management
Investment and Research Experts
Wealth Advisors
Personal Client Managers
Unblock the "Investment Research – Investment Advisor – Client Service" Operation Chain
Dedication: Forming an Operation and Management System with Personal Financial Assets under Management at the Core
Assessment Indicator
Business Plan
Resource Allocation

PRIVATE BANKING BUSINESS

The Bank was committed to professional operation of private banking, strengthened building of core talent teams, continued to release asset allocation strategies, policy interpretation and analysis, and took multiple measures to improve service quality and efficiency. It improved the product service management system of private banking, promoted asset allocation services, and strengthened lifetime digital management of products such as optimal introduction and ongoing tracking. It improved the coverage and efficiency of family trust advisory services and launched innovative insurance trust advisory services, outperforming its peers in terms of family wealth management service. It strengthened its presence at locations with inflows of wealth and enhanced its market competitiveness in key regions. It improved digital application of private banking and building of customer service systems, improved professional services of private banking centres, and continuously exploited the efficiency of professional services. It promoted team building of private banking investment research experts, wealth management consultants and private client managers, facilitating mega wealth management with professional service capabilities and strong management teams. At the end of 2022, the Bank had 248 private banking centres with around 1,400 staff in private banking service lines. The private banking customers' financial assets reached RMB2.25 trillion, an increase of 11.26% over 2021. The Bank had 193.7 thousand private banking customers, an increase of 9.31% over 2021. The paid-up fund for the family trust advisory business was RMB89 billion, an increase of 29.91% over 2021, keeping its leading position in the industry.

ENTRUSTED HOUSING FINANCE BUSINESS

The Bank pressed ahead with the digitalisation of the housing fund management industry and played a positive role in solving the housing problems of residents. It launched housing provident fund deposit business for those flexibly employed in pilot cities and opened an e-CNY channel to improve its housing provident fund contribution services. It increased the size of housing provident fund loans, actively supported borrowers with portfolios of "housing provident fund loans + commercial loans", implemented the initiative to encourage both housing rentals and purchases with housing provident fund, and realised the withdrawal of housing provident fund for online rent payment. At the end of 2022, the balance of housing fund deposits of the Bank was RMB1.30 trillion, and the balance of personal housing provident fund loans was RMB2.90 trillion.

Q&A

Q&A with Senior Management

Q: At the end of 2022, as multiple personal pension policies were released, personal pension business became one of the hot topics in the wealth management market. In terms of personal pension, what actions has CCB taken and what strategic plans has CCB developed?

Mr. Li Yun, the executive vice president:

CCB upheld the "people-centred" development philosophy and actively fulfilled its mission as a major state-owned bank. On 25 November 2022, when the policy was officially implemented, the Bank launched its personal pension business and built a competitive system featuring multi-channel account opening, multi-category products, extensive rights and interests and integrated ecosystem. CCB prioritised technology development and provided customers with convenient life-cycle account management services through multiple channels such as mobile banking, WeChat applet, online banking and outlets. CCB adhered to the principle of "providing professional services", pressed ahead with wealth management strategies by taking pension as a crucial aspect of our roadmap, and provided customers with integrated wealth management services featuring "trainings on pension investment – pension planning – product selection – tax planning – asset allocation – long-term support". In line with the concept of openness and platform-based operation, and with the Group's advantage of full-coverage financial licenses, CCB explored pension ecological scenarios, integrated online and offline development, and provided customers with an integrated elderly care solution featuring "Pension Reserves + Pension Service Consumption".

Treasury and Asset Management Business

The size of the Group's WMPs amounted to

RMB2.01 trillion

The accumulated invested funds of interbank cooperation platform amounted to

RMB3.7 trillion

The balance of issued RMB interbank certificates of deposit exceeded

RMB800 billion

Strategy of treasury and asset management business

The Group adheres to professional and stable positioning, advances the building of investment research system of buyers and enhances risk compliance. It strengthens hierarchical and classified collaborative marketing services for customers, enhances lifetime, all-round and comprehensive service capabilities of assets, promotes balanced development of quality, efficiency and size, and improves value creation and revenue contribution of treasury and asset management business.

Financial market business

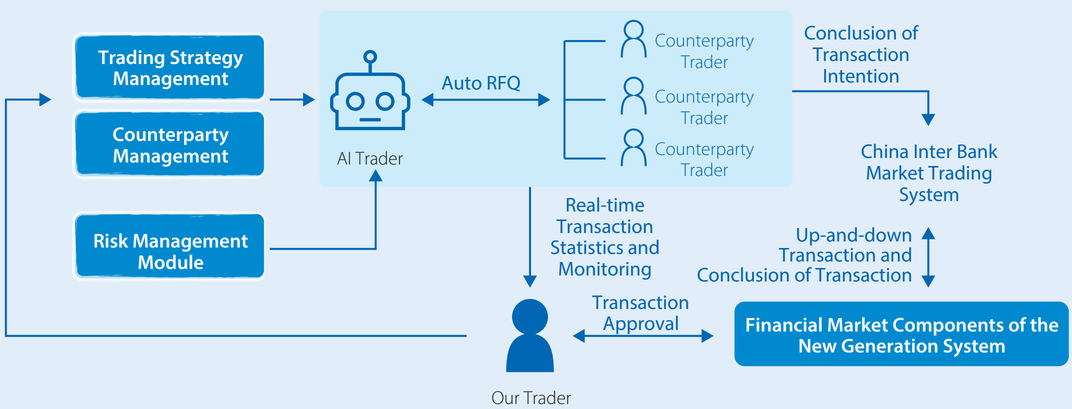
The Bank's financial market business prudently responded to the impact of internal and external movements, actively supported the implementation of national strategies and the development of the real economy, and continued to make progress in investment trading, marketing and customer base expansion, and risk management and control.

Money market business

The Bank strengthened its proactive management with money market tools, and maintained reasonable RMB and foreign currency positions, to ensure the soundness of daily liquidity of the Bank. It strengthened market forecast with in-depth understanding of market movement pattern, optimised and promoted "AI Traders" in the money market, with the transaction volume exceeding RMB100 trillion in the RMB money market. The Bank fulfilled its responsibilities as a large bank, continued to provide liquidity support to small and medium-sized financial institutions, and supported the smooth operation of the market. It ranked first in the domestic interbank market in terms of the volume of foreign currency lending and repurchase transactions. It was one of the first domestic banks to participate in foreign currency outright repo transactions and completed the first tri-party green bond repurchase transaction in the domestic interbank market.

Feature article No. 10:

Exploring the application of cutting-edge technology and launching "AI Trader" in the money market



The Bank actively implemented New Finance initiatives to explore the application of artificial intelligence (AI) technology in financial market transactions. In July 2021, the Bank was among the first banks to launch money market "AI Traders" in domestic interbank market with the support of the China Foreign Exchange Trade System. "AI Traders" can conduct intelligent inquiry and quotation with counterparties and arrive at the trading intention according to pre-set trading strategies and specific algorithms. "AI Traders" was promoted and applied after upgrade in June 2022, achieving remarkable results.

"AI Traders" can effectively improve business efficiency. It replaces manual quotation on a multi-point concurrent basis, saving nearly 90% time for inquiry and quotation. In the second half of 2022, hundreds of inquiries and quotations were made through AI Traders each day on average, and the average daily amount of confirmation of intent was over RMB100 billion, accounting for around one-third of total trading volume. Traditionally, it was hard to cover all small and medium-sized financial institutions as they are numerous in quantity and the transaction amounts were small. "AI Traders" had covered hundreds of small and medium-sized financial institutions, and can rapidly and consistently respond to inquiries and quotations, significantly improving customers' trading experience. It can also remain online 24 hours a day to reduce the pressure of inquiry and quotation due to insufficient on-duty traders amid special events, ensuring business continuity.

"AI Traders" can also improve risk management and control capabilities as well as information processing capabilities. It connects inquiry and quotation with internal risk control module to check credit approval, credit limit, AML, blacklists and whitelists on a real-time basis. By using the letter of intent (LOI) on iDeal and upstream and downstream interface of CFETS, it realises closed-loop management of the entire transaction process and comprehensively reduces operational risks. In addition, it can realise all-round statistical analysis of data with respect to inquiry and quotation, trading and position, and real-time monitoring of changes in liquidity, making it easy for traders to timely track the trading progress and adjust trading strategies.

Debt securities business

The Bank adhered to value-oriented investment in debt securities business, focusing on the balance among security, liquidity and profitability. It strengthened proactive portfolio management, supported construction of major infrastructure projects and provision of services to ensure people's wellbeing with a two-wheel drive of "Investment + Distribution", securing its position as one of the largest underwriters of government bonds in the market. It practiced the concept of green development and supported the issuance of innovative green bonds. It distributed bonds to hundreds of small and medium-sized financial institutions, with the average growth rate exceeding 40% in terms of underwriting volume in the past three years. It actively participated in the issuance and tender process of domestic USD bonds and offshore RMB bonds. At the end of 2022, debt securities held by the Group amounted to RMB8.31 trillion.

Trading business

The Bank steadily promoted the high-quality development of trading business, adhered to the "customer-centric" concept, vigorously advocated the concept of "risk neutrality", and provided information value-added services. It developed "We Trade" products to provide small and micro businesses with fast and efficient hedging services, the business volume of exchange rate derivatives at customer end increased by over 20% over 2021 and the "penetration rate of derivative business in medium, small and micro businesses" exceeded 90%. It helped market entities mitigate risk of fluctuations in exchange rates and interest rates through derivatives, enhanced their ability to resist risks, and supported the steady development of the real economy.

Precious metals and commodities

The Bank actively participated in the building of precious metals and commodities market and was committed to orderly supply and volume-price balance of precious metals leasing business through refined management. It supported the development of industrial chains and assisted enterprises in using commodity derivatives to improve customer risk management. Adhering to the business philosophy of compliance first, it took the initiative in adjusting business structure and controlling risks, fully promoted the licensed franchise of precious metals and commodities and planned for business transformation and development. In 2022, the total trading volume of precious metals of the Bank reached 23,228 tonnes.

Asset management business

The Group focused on connecting the value chain of "Wealth Management – Asset Management – Investment Banking", promoted the "two-wheel drive" of mega wealth and mega asset management, and accelerated the transformation of asset management business. It continuously enhanced the competitiveness and diversity of asset management products, monitored products to analyse and evaluate their competitiveness, and enhanced the effective supply of asset management products. It established and coordinated the allocation of key asset pools and promoted the expansion of public REITs. It explored the work model of first line of defence for the Group's asset management from a comprehensive, proactive, professional and forward-looking perspective, and established a sound mechanism for collaborative risk governance. It was committed to making forward-looking prediction of risks in accordance with the principle of substance over form, improved professional management capabilities and strengthened risk studies in key areas, and strictly controlled the key aspects of risk management and improved the mechanism of parent-subsidiary collaborative risk mitigation and emergency response. At the end of 2022, the size of the Group's asset management business was RMB5.79 trillion. Specifically, assets managed by CCB Wealth Management, CCB Trust, CCB Principal Asset Management, CCB Pension and the asset management subsidiary under CCB Life amounted to RMB1.91 trillion, RMB1.46 trillion, RMB1.42 trillion, RMB0.47 trillion and 0.34 trillion, respectively.

BUSINESS REVIEW

At the end of 2022, the Group's WMPs amounted to RMB2.01 trillion. Specifically, those managed by CCB Wealth Management were RMB1.91 trillion, and those managed by the Bank were RMB103,432 million. The Group's net-value WMPs amounted to RMB1.91 trillion, all of which were managed by CCB Wealth Management, accounting for 94.87% of the total, up 2.62 percentage points over 2021. In 2022, the Bank raised RMB265,138 million by issuing WMPs and redeemed RMB345,655 million at maturity. At the end of 2022, the balance of WMPs of the Bank was RMB103,432 million, all of which were open-end products. The balance of WMPs to corporate customers was RMB21,677 million, accounting for 20.96% of the total, and the balance of WMPs to personal customers was RMB81,755 million, accounting for 79.04% of the total. In 2022, CCB Wealth Management raised RMB6.94 trillion by issuing WMPs and redeemed RMB7.22 trillion at maturity. At the end of 2022, the balance of WMPs of CCB Wealth Management was RMB1.91 trillion, including RMB484,964 million closed-end products and RMB1.43 trillion open-end products. The balance of WMPs to corporate customers was RMB303,485 million, accounting for 15.88% of the total, and the balance of WMPs to personal customers was RMB1.61 trillion, accounting for 84.12% of the total.

Information on issuance, maturity and balance of the Group's WMPs during the reporting period is as follows.

(In millions of RMB, except batches)	As at 31 December 2021		2022					
			WMPs issued		WMPs matured		As at 31 December 2022	
	Batches	Amount	Batches	Amount	Batches	Amount	Batches	Amount
CCB Wealth Management	970	2,188,330	884	6,938,054	608	7,215,356	1,246	1,911,028
The Bank	82	183,949	–	265,138	80	345,655	2	103,432
Total	1,052	2,372,279	884	7,203,192	688	7,561,011	1,248	2,014,460

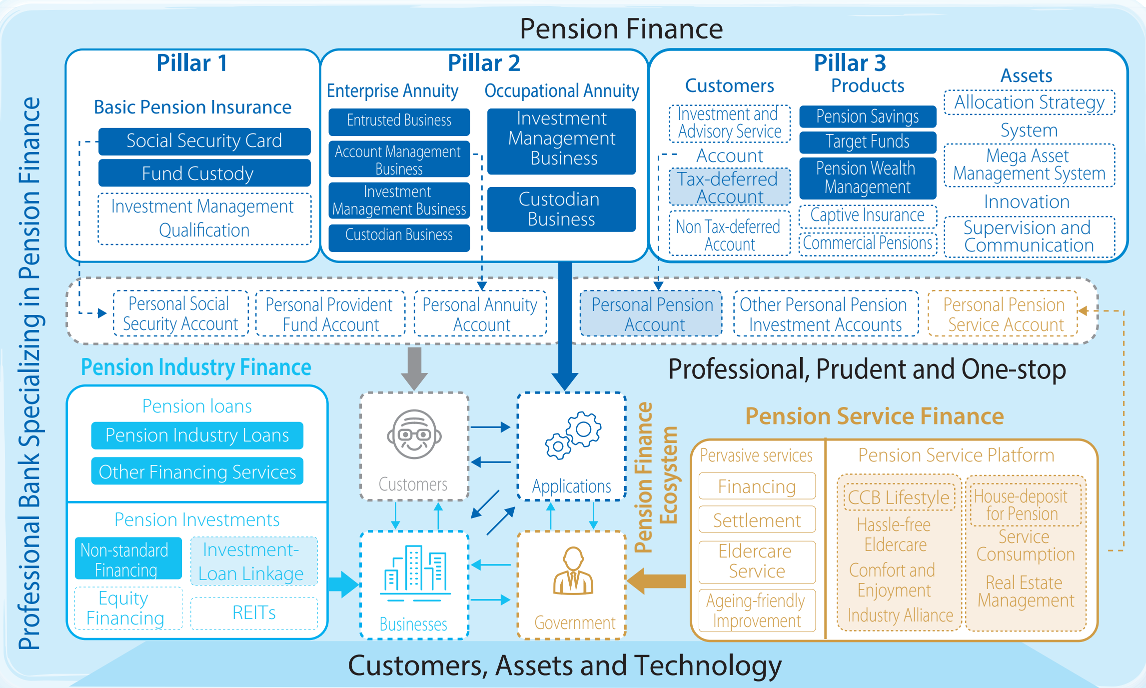
The assets in which the Group's WMPs invested directly and indirectly as at the dates indicated are as follows.

(In millions of RMB, except percentages)	As at 31 December 2022						As at 31 December 2021					
	CCB Wealth Management		The Bank		The Group		CCB Wealth Management		The Bank		The Group	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	849,880	41.64	31,326	25.48	881,206	40.72	786,897	34.35	80,643	39.11	867,540	34.74
Bonds	922,476	45.20	22,556	18.35	945,032	43.67	1,222,780	53.38	43,595	21.14	1,266,375	50.72
Non-standardised debt assets	85,251	4.18	18,060	14.69	103,311	4.78	132,312	5.78	26,138	12.68	158,450	6.35
Equity investments	20,434	1.00	47,460	38.60	67,894	3.14	15,081	0.66	55,804	27.07	70,885	2.84
Other assets[1]	162,946	7.98	3,547	2.88	166,493	7.69	133,720	5.84	–	–	133,720	5.36
Total	2,040,987	100.00	122,949	100.00	2,163,936	100.00	2,290,790	100.00	206,180	100.00	2,496,970	100.00

1. Including mutual funds, client-driven overseas wealth management investments (QDII), derivatives, placements with banks and non-bank financial institutions and bonds held under resale agreements.

Feature article No. 11:

Pension finance, creating a financial "umbrella" for the elderly



In 2022, with "One Goal" of building a "professional bank in pension finance", the Group gave full play to the three advantages of "customers, assets and technology", highlighted the characteristics of "professional, sound and one-stop" pension finance, built an integrated service system of pension finance, pension industry finance, pension service finance and pension finance ecosystem, and shaped itself as a professional bank in pension finance with CCB characteristics that lives up to the trust of the people. At the end of 2022, the size of Pillar II assets managed by the Group was RMB447.6 billion; the Group issued a total of RMB18.9 billion pension wealth management products and RMB1.6 billion pension-oriented funds. The Group effectively built a service framework with "four beams and eight pillars" for the elderly.

In the future, the Group will adhere to the "customer-centric" concept and position pension finance as a strategic business. It will rely on a business mechanism of collaboration across business segments and institutions and promote the upgrading and expansion of New Finance initiatives in pension finance.

Financial institutional business

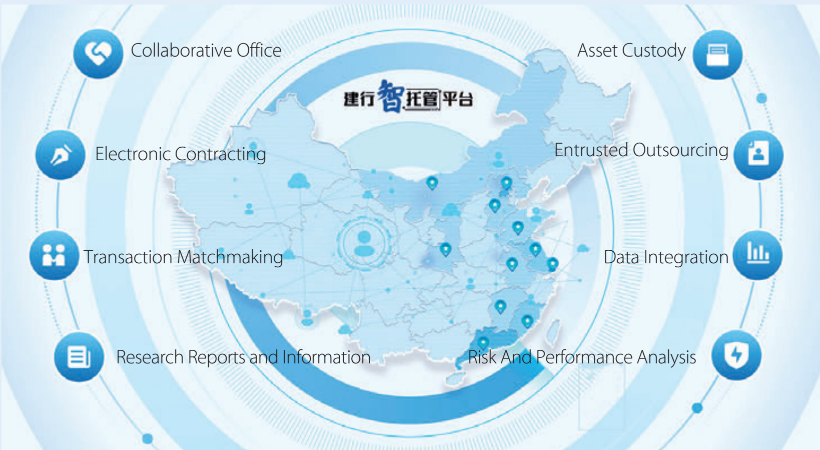
The Bank focused on the ability to provide financial services, aggregated resources within the Group, and enriched product and service offerings on the interbank cooperation platform. At the end of 2022, the interbank cooperation platform had 1,820 registered users and granted RMB3.70 trillion funds on a cumulative basis. The Bank reshaped the management mechanism of financial institution customers and adopted a differentiated operation strategy from industry and product dimensions. The Bank became an expert in customer services, industry and comprehensive solutions by optimising customer services through customer grading, management hierarchy and operation classification, and accordingly establishing mechanisms, including but not limited to demand capturing and analysis of financial institution customers, comprehensive solution development and negotiation, assessment and profit distribution, operation supervision and inspection, and risk monitoring and evaluation. The Bank signed cooperation agreements with several key financial institution customers and cooperated with 328 banking institutions including national joint-stock commercial banks, city commercial banks, rural commercial banks, private banks and provincial rural credit cooperatives in e-CNY. The Bank's total number of securities customers of third-party security custody services related to transaction settlement funds exceeded 80 million, and the total amount of funds under management reached RMB371,302 million, both of which maintaining the leading position among peers. The Bank's marketing channel of "Connection via QR Code" achieved full coverage of all branches and sub-branches and basic coverage of securities companies to further facilitate the customers' securities investment. The Bank saw leap-forward development of its deposits with banks and non-bank financial institutions at the China Foreign Exchange Trade System (CFETS) and was awarded the "CFETS Market Innovation Award for Deposits from Banks and Non-bank Financial Institutions" in 2022. At the end of 2022, the Bank's amounts due to other domestic financial institutions (including insurance companies' deposits) were RMB2.46 trillion, an increase of RMB660,961 million over 2021. The Bank's assets placed with other domestic financial institutions were RMB417,504 million, an increase of RMB108,920 million over 2021.

Asset custody services

The Bank comprehensively improved the capability of value creation of its asset custody services. Empowered by technology and centred on data, the Bank built a new customer service model of "CCB Smart Custody". The Bank was the domestic basic securities custodian bank for two of the first group of listed companies of the China-Switzerland Stock Connect programme and was the only bank in the market that provided custody services for both Global Depositary Receipt (GDR) depositary banks and cross-border conversion brokers. The Bank helped Kazakhstan Free Finance Global Company become the first financial institution in Central Asia with QFI qualification and made a breakthrough in cooperation in the capital market between China and Kazakhstan. The Bank successfully implemented the custody of Baowu Green Carbon Private Equity Fund, the largest carbon neutral fund in China, won the bid for the custody of "Infrastructure REITs" of Beijing Public Housing Centre, and was among the first group of institutions that had completed the acceptance test of regulators for the third-pillar personal pension system. At the end of 2022, assets under custody of the Bank reached RMB19.39 trillion, an increase of RMB1.69 trillion over 2021.

Feature article No. 12

"CCB Smart Custody", opening a new era of digital custody



In line with the requirement of digitalised transformation, the Bank built a one-step comprehensive financial service platform "CCB Smart Custody" for custody customers and provided more efficient, convenient and comprehensive custody services for customers through iterative upgrading. The platform changed the traditional "one-to-many" offline service model by diverting many financial institutions online. Centred on clients or managers, the platform fully integrated the demand of both investment and financing parties and penetrated custody services from the back end into each step of the investment chain through the many-to-many model of "Product + Matchmaking + Custody". It provided multi-level and multi-angle investor services including collaborative office, electronic contracting, transaction matchmaking, asset custody, entrusted outsourcing, data integration, risk and performance analysis, research reports and information.

At the end of 2022, Smart Custody was piloted in 11 provinces and municipalities, including Beijing, Shanghai, Guangdong, and Shenzhen, with over 200 registered users on a cumulative basis. In the future, the platform will continue to give full play to its advantages of "extensive connection" and "high-frequency routine" and enrich the scenarios of platform services such as project customisation and ESG analysis to further improve the comprehensive capacity of custody services.

Q&A

Q&A with Senior Management

Q: At the end of 2022, the banking industry saw fluctuations in the net value of WMPs. What is your opinion on this?

Mr. Ji Zhihong, the executive vice president:

Since November 2022, China has witnessed fluctuations in the bond market, followed by redemptions by customers due to decreases in the net value of WMPs, which attracted market attention. The redemption of WMPs was an industrial phenomenon. Despite the decrease in the net value of certain WMPs and the increase in redemption of CCB Wealth Management, we took multiple measures to ensure the liquidity safety of products, kept the overall risk under control, and was one of the best performers in terms of product size.

We will continuously adhere to the strategy of stable and prudent development of wealth management business and focus on high-quality development. For investments, the Bank will further track and predict developments of the stock market and bond market and understand the rotation rhythm of major asset classes to act pre-emptively and proactively. For products, the Bank will further improve its product system and optimise its product structure. It will issue more medium to long-term WMPs properly and improve the stability of funds. For sales, the Bank will establish and optimise a system for the selection, screening and evaluation of WMPs, strengthen its ability to explore and sell quality products, and improve customers' experience in wealth management. For customers, it will provide customised and precise services, and effectively accompany investors by adhering to the principle of "customer demand-oriented".

Overseas Commercial Banking Business

The Group steadily expanded its overseas business and its network of institutions to enhance globalised customer service capability and international competitiveness. In 2022, the Group established overseas commercial banking institutions in 30 countries and regions and achieved net profit of RMB5,384 million.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17,600 million. CCB Asia holds a banking license to engage in multiple lines of business, with its core base in Hong Kong and Macau, and a wide reach that extends to the Chinese mainland and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides quality financial services to premium local customers. CCB Asia has traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has rich experience in corporate finance business in international settlement, trade finance, financial market trading and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 32 outlets. At the end of 2022, total assets of CCB Asia amounted to RMB399,216 million, and shareholders' equity was RMB64,097 million. Net profit in 2022 was RMB2,620 million.

CCB London

China Construction Bank (London) Limited, established in the UK in 2009, is a wholly-owned subsidiary of the Bank, with a registered capital of US$200 million and RMB1.5 billion. In order to better respond to changes in the external market environment and meet the needs of internal operation and management, the Group gradually promoted the business integration of its London institutions. CCB London's application for termination of business has been approved by domestic and overseas regulators, and the follow-up work has been advancing. At the end of 2022, total assets of CCB London amounted to RMB3,656 million, and shareholders' equity was RMB3,656 million. Net profit in 2022 was RMB0.5 million.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading and financial institutional business. At the end of 2022, total assets of CCB Russia amounted to RMB5,698 million, and shareholders' equity was RMB722 million. Net profit in 2022 was RMB91 million.

CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary. CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border trading. At the end of 2022, total assets of CCB Europe amounted to RMB23,439 million, and shareholders' equity was RMB3,720 million. Net loss in 2022 was RMB65 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, established in New Zealand in 2014, is a wholly-owned subsidiary of the Bank, with a registered capital of NZD199 million. CCB New Zealand holds a wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2022, total assets of CCB New Zealand amounted to RMB10,760 million, and shareholders' equity was RMB1,262 million. Net profit in 2022 was RMB112 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015. CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as financial lease. It has eight domestic branches and sub-branches in Brasil and one branch in Cayman. At the end of 2022, total assets of CCB Brasil amounted to RMB25,671 million, and shareholders' equity was RMB1,280 million. Net loss in 2022 was RMB92 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, established in Malaysia in 2016, is a wholly-owned subsidiary of the Bank, with a registered capital of MYR822.6 million. As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting for large local infrastructure projects in Malaysia and project finance, trade finance, clearing in multiple currencies and cross-border fund transactions for enterprises engaging in Sino-Malaysian bilateral trade. At the end of 2022, total assets of CCB Malaysia amounted to RMB9,581 million, and shareholders' equity was RMB1,427 million. Net profit in 2022 was RMB14 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange. CCB Indonesia has 79 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in 2017, with a registered capital of IDR3.79 trillion. CCB Indonesia is committed to serving the bilateral investment and trade between China and Indonesia, and provides high-quality services to local enterprises in Indonesia. Its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2022, total assets of CCB Indonesia amounted to RMB11,086 million, and shareholders' equity was RMB2,748 million. Net profit in 2022 was RMB62 million.

Integrated Operation Subsidiaries

The Group has several integrated operation subsidiaries in business segments of corporate finance business, personal finance business and treasury and asset management, including CCB Financial Leasing, CCB Property & Casualty, CCB Consulting, CCB Investment, CCB Private Equity, CCB International, Sino-German Bausparkasse, CCB Life, CCB Housing, CCB Principal Asset Management, CCB Trust, CCB Futures, CCB Pension, CCB Wealth Management and CCB Housing Rental. The integrated operation subsidiary of other business segment mainly refers to CCB FinTech. In 2022, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of 2022, total assets of integrated operation subsidiaries amounted to RMB781,950 million. Net profit reached RMB8,186 million in 2022.

Corporate finance business segment

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007, with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, and fixed-income securities investment.

Highlighting its advantages of asset financing, CCB Financial Leasing refocused on the origin business priority of leasing, promoted green leasing, inclusive leasing and digital transformation, comprehensively deepened coordination between parent bank and subsidiaries, and actively explored business innovation to continuously improve the quality and efficiency of serving the real economy. At the end of 2022, total assets of CCB Financial Leasing were RMB128,396 million, and shareholders' equity was RMB23,289 million. Net profit in 2022 was RMB813 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of 2022, total assets of CCB Property & Casualty were RMB1,413 million, and shareholders' equity was RMB459 million. Net profit in 2022 was RMB2 million.

CCB Consulting

CCB Engineering Consulting Co., Ltd. was established in 2017 with a registered capital of RMB51 million. CCB International Capital Management (Tianjin) Co., Ltd. holds 100% of its shares. CCB International (China) Co., Ltd, a wholly-owned subsidiary of CCB International, holds 100% shares in CCB International Capital Management (Tianjin) Co., Ltd. CCB Consulting is mainly engaged in cost consulting, engineering consulting, bidding agency, project supervision, investment consulting, and project management.

CCB Consulting gave full play to its professional edge to serve the real economy. It used consulting tools to supervise pre-sale funds and relief funds for ensuring timely deliveries of presold houses and used the "Green Finance + Consulting" service model to help construction projects obtain green certification. At the end of 2022, total assets of CCB Consulting were RMB1,389 million, and shareholders' equity was RMB304 million. Net profit in 2022 was RMB91 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and proactively explored business innovation. It gradually stepped up investments in strategic emerging industries to promote the capability to better serve the real economy, while it continued to help reduce leverage, prevent risks and promote reform in basic industries related to national economy and people's livelihood. By the end of 2022, it realised a total contractual amount of RMB972,667 million in terms of framework agreements, and an actual investment amount of RMB420,545 million. At the end of 2022, total assets of CCB Investment were RMB136,569 million, and shareholders' equity was RMB35,461 million. Net profit in 2022 was RMB3,725 million.

CCB Private Equity

CCB Private Equity Investment Management Co., Ltd. was established in 2019 with a registered capital of RMB100 million. CCB Life Asset Management Co., Ltd. holds 100% of its shares. CCB Life and CCB International (China) Co., Ltd. hold 80.1% and 19.9% respectively in CCB Life Asset Management Co., Ltd. CCB International (China) Co., Ltd. is a wholly-owned subsidiary of CCB International. CCB Private Equity is mainly engaged in private equity investment and is committed to the management of national strategic emerging industry development funds and other private equity funds.

CCB Private Equity solidly advanced business development, with assets managed by it reaching RMB14,723 million. At the end of 2022, total assets of CCB Private Equity were RMB160 million, and shareholders' equity was RMB46 million. Net profit in 2022 was RMB15 million.

CCB International

CCB International (Holdings) Limited, one of the Bank's wholly-owned subsidiaries in Hong Kong, was established in 2004 with a registered capital of US$601 million. It offers, through its subsidiaries, investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International gave full play to its advantages in cross-border financial market services, focused on financing demands of high-quality enterprises in key areas, strengthened layout in biomedicine, aerospace and new energy industries, and actively used new listing models such as special purpose acquisition company (SPAC) to better support major initial public offering (IPO) projects. At the end of 2022, total assets of CCB International were RMB79,392 million, and shareholders' equity was RMB13,441 million. Net loss in 2022 was RMB1,372 million.

Personal finance business segment

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for government-subsidised housing supported by state policies.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB42,056 million in 2022. At the end of 2022, total assets of Sino-German Bausparkasse were RMB34,423 million, and shareholders' equity was RMB2,977 million. Net profit in 2022 was RMB76 million.

CCB Life

CCB Life Insurance Co., Ltd. is a life insurance subsidiary invested and controlled by the Bank in 2011 with a registered capital of RMB7.12 billion. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with its business transformation and its business structure continued to improve. At the end of 2022, total assets of CCB Life were RMB283,545 million, and shareholders' equity was RMB13,312 million. Net loss in 2022 was RMB1,767 million. According to the requirements of accounting standard, CCB Life did not implement the new financial instruments standard in 2022.

CCB Housing

CCB Housing Services Co., Ltd. was established in 2018 with a registered capital of RMB1,196 million. CCB Dingteng (Shanghai) Investment Management Co., Ltd. and Shanghai Aijian Trust Co., Ltd. hold 75.25% and 24.75% of its shares respectively. Specifically, CCB International Innovative Investment Limited, a wholly-owned subsidiary of CCB International holds 100% shares in CCB Dingteng (Shanghai) Investment Management Co., Ltd. CCB Housing is mainly engaged in housing rental business.

CCB Housing actively implemented the housing policy that encourages both housing rentals and purchases, cultivated and supported the development of housing rental market. The operating capacity and market influence of "CCB Home" platform were significantly improved. At the end of 2022, total assets of CCB Housing were RMB14,040 million, and shareholders' equity was RMB820 million. Net profit in 2022 was RMB78 million.

Treasury and asset management business segment

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005 with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management fully promoted the "Three Major Transformation" strategy of non-monetary fund business, corporate wealth management and digitalised operation, and achieved sound performance. It was awarded as the "Star Funds for Three-Year Stock Investments" from the *Securities Times*, the "Golden Bull Excellent Return Award" from the *China Securities News*, and "Bond Investment Return Award" from the *Shanghai Securities News*. At the end of 2022, total assets managed by CCB Principal Asset Management were RMB1.42 trillion. At the end of 2022, total assets of CCB Principal Asset Management were RMB10,396 million, and shareholders' equity was RMB8,889 million. Net profit in 2022 was RMB1,171 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust pressed ahead with the transformation of its five business lines: equity investment, securities investment, property investment, wealth management, investment banking and service trust, and achieved steady development of each business. At the end of 2022, total assets managed by CCB Trust were RMB1.46 trillion, and its wealth management size exceeded RMB100 billion. CCB Trust ranked first in terms of both cumulative issuance size and legacy size of credit asset securitisation. It had won the award issued by The Asian Banker, the CVAward issued by ChinaVenture Investment Consulting, and been listed in the ranking of Zero2IPO Research. At the end of 2022, total assets of CCB Trusts were RMB47,619 million, and shareholders' equity was RMB26,874 million. Net profit in 2022 was RMB2,489 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014 with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained steady improvement in all business lines. At the end of 2022, total assets of CCB Futures were RMB13.4 billion, and shareholders' equity was RMB1,213 million. Net profit in 2022 was RMB81 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank, Principal Financial Services Inc. and the National Council for Social Security Fund hold 70%, 17.647% and 12.353% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension intensified its efforts in pension finance, supported the development of pension business, underpinned the building of the "Three Major Systems" of investment management, customer service, risk and internal control management, and further advanced the planning and implementation of the FinTech "Ginkgo Project", achieving stable and high-quality development of various businesses. At the end of 2022, total assets managed by CCB Pension were RMB472,087 million. At the end of 2022, total assets of CCB Pension were RMB4,039 million, and shareholders' equity was RMB3,088 million. Net profit in 2022 was RMB211 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management services of entrusted properties, and wealth management advisory and consulting services to the customers. In 2021, CCB Wealth Management, BlackRock and Temasek jointly established BlackRock CCB Wealth Management Co., Ltd. with a registered capital of RMB1 billion. BlackRock, CCB Wealth Management and Temasek hold 50.1%, 40% and 9.9% of its shares, respectively, which further enriches the supply of WMPs in the financial market and enhance the exchange of international advanced experience and technology.

CCB Wealth Management persisted in serving the real economy, actively participated in the development of capital market, and realised balanced development among quality, efficiency and business scale on the basis of sound and compliance operation. In 2022, CCB Wealth Management jointly established GUOMIN Pension Insurance Co., Ltd., with RMB1,000 million capital contribution and holding 8.97% shares. At the end of 2022, total assets of CCB Wealth Management were RMB21,087 million, and shareholder's equity was RMB20,289 million. The size of WMPs amounted to RMB1,911,028 million. Net profit in 2022 was RMB2,840 million.

CCB Housing Rental

CCB Housing Rental Private Fund Management Co., Ltd. was established in October 2022, with a registered capital of RMB100 million. CCB Trust holds 100% of its shares. It is mainly engaged in private equity investment fund management and venture capital fund management services.

CCB Housing Rental is the general partner of CCB Housing Rental Fund (Limited Partnership) and serves as both the fund manager and managing partner.

Entities, Outlets and E-channels

The Group provides its customers with convenient and high-quality banking services through branches and sub-branches, self-service facilities and specialised service entities across the world as well as electronic banking service platforms. At the end of 2022, the Bank had a total of 14,356 operating entities, consisting of 14,322 domestic entities including the head office, 37 tier-one branches, 363 tier-two branches, 13,876 sub-branches, 44 outlets, a specialised credit card centre at the head office level, and 34 overseas entities. The Bank had 24 major subsidiaries with a total of 613 entities, including 457 domestic ones and 156 overseas ones.

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches:

	As at 31 December 2022		As at 31 December 2021	
	Number of branches	% of total	Number of branches	% of total
Yangtze River Delta	2,261	15.75	2,277	15.69
Pearl River Delta	1,842	12.83	1,865	12.85
Bohai Rim	2,384	16.60	2,401	16.55
Central	3,450	24.03	3,493	24.07
Western	2,967	20.67	2,990	20.61
Northeastern	1,415	9.86	1,447	9.97
Head Office	3	0.02	3	0.02
Overseas	34	0.24	34	0.24
Total	14,356	100.00	14,510	100.00

Physical channels

The Bank continued to optimise its outlets layout and support resource input in channel construction in regions and counties such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It comprehensively promoted rectification of inefficient outlets and optimisation of outlets layout, stepped up the withdrawal, merger, or relocation of inefficient and intensive outlets in urban areas, and expanded the outlet coverage in new urban planning areas and counties. In 2022, the Bank relocated 227 outlets, and set up 22 new outlets, including 14 county-level outlets, accounting for 63.64% of all new outlets. It supported the consolidation of poverty alleviation achievements and continued to improve its ability to serve rural revitalisation. It set up 134 outlets in 80 out of 160 key counties that needed national assistance in rural revitalisation. The Bank enhanced its online service capability to ensure broad self-service channel coverage. It set up 56,943 ATMs, and 48,595 smart teller machines to fully support business processing and government affairs services. The Bank increased the number of self-service facilities at urban and county-level outlets with large traffic. It set up 18,400 ATMs and 14,083 smart teller machines at county-level outlets and deployed 1,159 self-service facilities in 160 key counties that need national assistance in rural revitalisation. The Bank had established over 250 inclusive finance service centres and over 1,800 personal loan centres.

The Bank vigorously pressed ahead with centralised operation and process upgrades of complex businesses at outlets to further improve the level of operation centralisation and intelligence. It undertook 29 new centralised operation items, bringing the total to 254 items, of which 97% were items centrally processed for RMB accounting business and 95% were items centrally processed for personal and corporate foreign exchange remittance business. It adopted intelligent technologies such as RPA to improve the quality and efficiency of centralised operation, adding 307 new application scenarios and saving 4.39 million man-hours throughout the year. Relying on the physical channel of Customer Experience Management (CXM) system and the user community function of Voice of Experience (VOX), it continuously identified issues relating to customer and employee experience, and carried out 254 counter business process upgrades, significantly shortening processing time and improving customer and employee satisfaction. It promoted centralised operation of overseas entities and helped 21 overseas entities centralise their operations in the head office and CCB Europe.

Online channels

Through years of development, the Bank had built an online ecological layout with "Mobile Banking + CCB Lifestyle" as the core, Internet platforms serving specific customer groups such as "CCB Huidongni" and "Yunongtong" as the moat, and external empowerment platforms as the extension to access extensive users.

In 2022, the size of personal customers of the Bank's online platforms continued to expand, with more than 500 million online users, covering more than 70% of personal customers. Specifically, the number of personal mobile banking users was 440 million, an increase of 5.48% over 2021, leading the industry in the proportion of active users. Moreover, the size of high-sticky customers continued to increase, with 419 million fast payment card users, 192 million "super users" with more than 20 transactions per year. The Bank ranked first among peers in terms of customer size in payment institutions, such as Alipay, Tik Tok in China, Meituan, Pinduoduo and JD.

Mobile banking

The Bank's newly upgraded mobile banking was designed to streamline business processing, upgrade users' experience via data insights and deepen value creation with platform-based operation, thus delivering more user-friendly service. The Bank reviewed and optimised 49 services with over 98% usage frequency by users, offered smooth business processing with no breakpoints, no outdated and redundant information, prompted a standardised and smooth interaction design with codes that everyone can understand, provided intelligent prediction of users' intentions in certain routine operations, thus reducing the information to be selected and entered, and continued to strengthen elderly-friendly renovation. The Bank took the lead in launching the AI version of mobile banking in the industry, which can be accessed directly from the "Homepage" by a simple pull-down. It provided a "new space" for high-frequency services for users and met daily financial needs with "one click". The Bank launched screen sharing function for users aged 65 and above to facilitate remote guidance by their children, thus helping the elderly to leap over the "digital divide". The Bank created a new "Wealth" channel, focused on the core needs of users to restructure the design of 11 wealth management functions such as wealth management, funds and deposits, optimised user experience of high-frequency key scenarios such as wealth panorama and income centre, and created a matrix of popular products and a professional wealth content community, thus improving services for investment and wealth management users.

CCB LIFESTYLE

Enjoying life through CCB Lifestyle.

CCB Lifestyle

In 2022, the Bank launched "CCB Lifestyle" 2.0, advocating a comprehensive upgrade of the platform's brand image with the concept of "Embracing Wonderful Things in Life" to create a "Guidance to a Better Life". The platform focuses on non-financial services and supports users with local life services such as food recommendation and delivery, groceries and supermarkets, movie tickets, travelling and decoration, to establish ecological connections with users, gather traffic, enhance user activeness and seamlessly embed financial services in major life scenarios to realise customer advancement and financial value creation. "CCB Lifestyle" connected the supply and demand ends of consumption and provided a commission-free online operation and traffic platform for merchants and a digital economic infrastructure for local governments to stimulate consumption. It launched a series of customer-friendly activities such as "717 Good Life Event" and "Payment with Bonus Points", covering various competitive activities of the Bank. Average daily transaction orders of the platform reached one million, amounting to RMB100 million. Ushering in the new stage of serving hundreds of millions of users, "CCB Lifestyle" will keep up with market trends, accelerate the introduction of high-quality scenarios, and continuously integrate media, financial and technological resources to further better meet people's aspirations for a better life and to achieve high-quality development of the real economy.

Scan for more

Case story No. 9:

"Binary star" strategy, creating a new paradigm of platform-based operation

The Bank implemented the innovative "binary star" strategy of mobile banking and CCB Lifestyle, connected ecological scenarios with digital platforms, realised coordinated operation of the two digital engines through user interconnection and traffic penetration and formed a new ecosystem of "binary star" core platforms covering finance and non-finance services. Specifically, mobile banking aims to build a digitalised operation engine focusing on financial services, highlights centralisation and professionalism, and covers full-featured financial services experience. As a readily accessible and efficient customer acquisition and reactivation platform, CCB Lifestyle has built a merchant operation platform to drive user base growth with high-frequency life scenarios and promotional activities. Through the coordinated development of the two platforms, the Bank has created a new paradigm of advancing from non-financial traffic to financial value fulfilment.

The Bank promoted the iterative upgrade of mobile banking to create a simple journey for mobile banking users. The new version shortens the start-up time by 20% as compared to Mobile Banking app 5.0; it further simplifies operation process, where users can access key high-frequency functions within 3 steps and complete tasks within 5 steps; it also innovatively applies trusted environment recognition, streamlining security verification steps under the premise of ensuring security, and simplifying user journey. The AI version can directly go to user footprints and frequently-used functions at one click, quickly meeting 95% users' daily financial needs. By the end of 2022, more than 70% WMPs, more than 80% funds and more than 90% precious metal transactions of the Bank can be completed via its Mobile Banking app.

After rapid promotion in 2022, CCB Lifestyle is now a large-scale O2O platform with 100 million users and 4 million daily active users, attracting 350 thousand merchant stores and a number of well-known brand chain merchants. CCB Lifestyle incorporates various consumption scenarios relating to local people's livelihood, integrates the rights and interests of various marketing activities and consumer finance products, provides consumers with "scenarios + rights and interests + finance" Internet experience services, and uses the Internet model for platform-based operations and direct management of long-tail financial customers. The platform had activated more than 6.70 million customers with zero assets at the Bank, obtained more than 3 million new customers, and issued nearly 5 million "CCB Lifestyle" cards, accounting for 40% of the Bank's new credit cards. The Bank is making rapid progress in accomplishing the mission of platform-based long-tail operation and financial value creation. In terms of the customer access model and the proportion of young customers, the platform has effectively supplemented and improved traditional channels. More than 70% of the platform's users are young and middle-aged people between the ages of 20 and 49, and more than 50% are young customers between the ages of 20 and 39. By giving full play to the openness of the ecological platform and the public welfare advantage of the financial platform, the Bank became the main partner of local governments to drive consumption and meet people's livelihood needs in the wake of COVID-19. In 2022, it undertook the distribution of more than RMB3 billion consumer coupons in over 220 cities across the country, driving livelihood consumption totalling up to RMB10 billion.

Online banking

Personal online banking continued to improve financial services based on customer needs, promoted barrier-free and elderly-friendly transformation, and optimised key transaction processes such as wealth management, deposits and savings treasury bonds, to continuously improve quality of financial services. At the end of 2022, the number of personal online banking users was 405 million, an increase of 3.24% over 2021. Corporate online banking launched a single operator mode for small and micro business owners to simplify operation processes and reduce operating costs of enterprises. The Bank promoted the SaaS direct linkage mode of corporate online banking, and, by the end of 2022, captured 228 users with 8,066 transactions amounting to RMB1,933 million. It promoted the initial one-click setup of corporate online banking, enabling newly contracted customers to complete three operations, i.e., operator assignment, account access allocation and process setting with one click, shortening business processing time from ten minutes to one or two minutes. It also launched a new generation of electronic commercial bills with a full range of functions to meet the requirements for iterative upgrading of bills business.

Online payment

The Bank comprehensively enhanced cross-bank, cross-channel and cross-border payment capabilities, and strengthened the supply and service assurance of online payment products. In 2022, the volume of online payment transactions was 52,894 million, up 4.16% over 2021, amounting to RMB20.68 trillion, and the share of customers ranked first among banking peers in leading payment enterprises such as Alipay, Tik Tok, Meituan, Pinduoduo, and JD in China. Relying on aggregated payment, the Bank improved the quality and efficiency of merchant business across the bank and drove the growth of merchant deposits. The aggregated payment transactions amounted to RMB2.63 trillion, up 27.00% over 2021, and the transaction share ranked first among banking peers in both Alipay and WeChat.

Remote intelligent banking

The Bank focused on customer service, accelerated the building of core capabilities in intelligent, digital, ecosystem-based, inclusive, green and legislative services, and provided remote comprehensive financial services for customers anywhere and anytime through multimedia, multiple scenarios, and various service functions. The Bank comprehensively enhanced its basic operational capabilities, focused on "easy access" to manual inquiries and "uninterrupted" service operations, and served a total of 1,077 million customers through all channels of remote intelligent banking, among which intelligent and self-service accounts for more than 80% in 2022. The Bank enhanced its customer service support capabilities and consolidated the WeChat official account "CCB Customer Service" which is known as "95533 Hotline through WeChat". It also launched a Channel on WeChat and a TikTok account both named "CCB Customer Service". The WeChat official account "CCB Customer Service" had over 22.5 million followers.

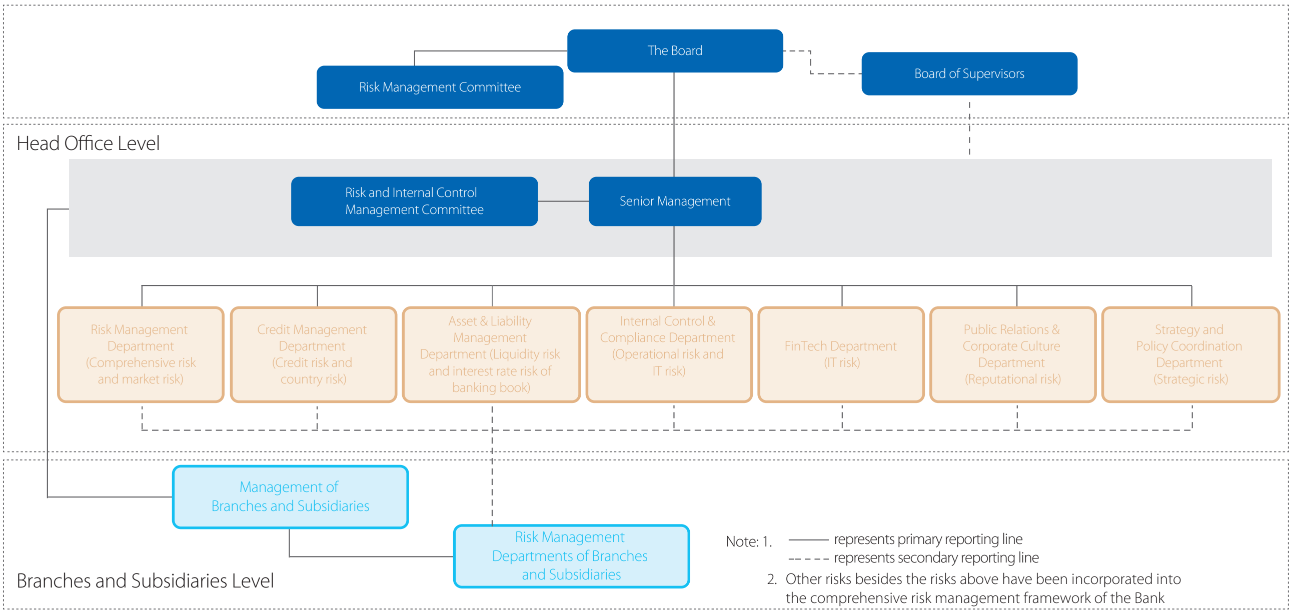
RISK MANAGEMENT

The Group adhered to the its comprehensive risk management concept of "comprehensive, whole-process, all-staff, overall, global and group-wide", implemented management requirements of "clear responsibility and knowledge of situation, foresights, quick responses, resourcefulness, and strict assessment", and continued to improve comprehensive risk management system and mechanism. It upgraded long-term mechanisms such as culture, accountability, science and technology, inspection, assessment and team, strengthened cross-cycle management and control of asset quality, improved risk mitigation capabilities, realised value creation through risk control, and ensured that various risks were under overall control.

The Group constantly improved its comprehensive, proactive, intelligent, modern risk management system. It strengthened "comprehensive risk management", continuously optimised risk governance system from the Group perspective, accelerated construction of comprehensive risk management infrastructure, refined and clarified responsibilities of three lines of defence for coordinated risk control, and ensured no supervisory vacuum. It strengthened "proactive risk management", adhered to the bottom line of risk compliance, actively strengthened the prevention and control of major financial risks, and strengthened the management of major risk incidents and emergencies, so as to ensure there are no major or serious criminal cases, large NPLs, large claims and disputes, large fines, major risk events or major negative publicity. It strengthened "intelligent risk management", continued to promote the upgrade and expansion of the intelligent risk control system, optimised construction of key intelligent risk control projects such as the enterprise-level risk management platform, "3R" and "Blue Chip", and continued to empower grassroot organisations to lessen workloads.

Risk Management Structure

The risk management organisational structure of the Bank comprises the Board and its special committees, senior management and its special committees, the risk management departments, etc. The basic structure is as follows.



The Board fulfils risk management responsibilities pursuant to the Articles of Association of the Bank and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering their comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the implementation of the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the executive vice president overseeing risk management functions with the corresponding risk management work within designated responsibilities. Risk Management Department is the lead department responsible for the Group's comprehensive risk management and leads market risk management. Credit Management Department is the lead department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the lead department responsible for the management of liquidity risk and interest rate risk of banking book. The Internal Control and Compliance Department is the lead department for operational risk management and shares responsibilities of the second-line defence against IT risks with the FinTech Department. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the lead department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to risk management of subsidiaries. It strengthened the Group's integrated risk management, enhanced joint risk prevention and control between the parent and subsidiaries, and improved the efficiency of risk early alert and decision-making at the parent and subsidiaries. For subsidiaries, it scientifically set quantitative indicators of risk appetite, clarified various risk management objectives, improved subsidiary-specific risk control mechanism and the "three lines of defence" mechanism for risk management, strengthened process management, and guided subsidiaries to actively manage risks to ensure high-quality development. It also improved risk reporting mechanism and reporting lines of subsidiaries, drew risk portraits of subsidiaries, continued to implement unified credit approval management, optimised the consolidated credit management mechanism, carried out risk diagnosis for key subsidiaries, and urged subsidiaries to improve risk management systems and mechanisms to consolidate the bottom line of risk compliance of subsidiaries.

Progress in implementing Basel III

In 2007, the Bank took the lead in transitioning to the New Basel Capital Accord (Basel II) in China. After years of efforts, the Bank has established and improved the "Three Pillars" system and formed a management application system covering all business processes at the front, middle and back offices and a comprehensive risk management system in line with international standards. In 2010, the Basel Committee issued the initial framework for Basel III reform. In 2012, the CBIRC issued the *Capital Rules for Commercial Banks (Provisional)*, which reforms the capital adequacy ratio requirements and regulatory capital standards. The Bank actively adapted to changes in international and domestic regulatory rules. In 2014, it was among the first banks approved by regulators to implement the advanced approach for capital management. In 2020, with the approval of regulators, the Bank expanded the scope of implementation to further improve refined risk management and capital measurement. For more details, please refer to the Capital Adequacy Ratio Report 2022 issued by the Bank.

In 2017, the Basel Committee released the final framework for Basel III reform based on the initial one, which reconstituted the measurement rules for risk-weighted assets, and the CBIRC started to revise the *Capital Rules for Commercial Banks (Provisional)*. The Bank closely tracked regulatory developments at home and abroad. Based on in-depth analysis on the final framework and implementation status, it proactively proposed work arrangements and gradually identified 18 major tasks in 2019 to further improve the comprehensive risk management system against the final framework, so as to meet regulatory standards and improve its ability of serving high-quality development. It optimised and expanded various internal ratings-based model systems for local government debts, retail loans and loans to small and micro businesses and Yunong Quick Loans, increased support for inclusive finance and for areas that benefit people's livelihood, constantly adapted to the needs of business development and enhanced the robustness of model performance. It comprehensively upgraded the counterparty credit risk capital measurement system and applied the new standardised approach for counterparty credit risks and credit valuation adjustments at the group level. It independently completed the comprehensive development of the measurement system of the new standardised approach for market risk and implemented the new internal model method for market risk. The Bank reviewed regulatory rules and business processes of the new standardised approach for credit risk and re-examined the credit risk mitigation management system such as collaterals and guarantees. It revised operational risk management policies, improved loss data management, and comprehensively optimised policies and processes. The Bank promoted the transformation of the risk-weighted assets measurement system and the implementation of the new framework for Pillar 3 disclosures, constantly optimised functions of data IT system, and promoted the digital capability. At present, the Bank is steadily pressing ahead with each improvement task, and the overall progress is in line with expectations.

Feature article No.13: Clarifying responsibilities of the "three lines of defence" and enhancing the comprehensive risk governance system

In order to proactively respond to changes in internal and external environments and coordinate safety and development, the Group systematically reviewed the "three lines of defence" for risk management to build a comprehensive risk governance system with clear responsibilities, smooth connection, agility and efficiency. The "three lines of defence", involving the front, middle and back offices, fully realised the sharing of information, tools, data, models and capabilities. The Group clarified the primary responsibility of the "first line of defence" for risk identification and control, required the "second line of defence" to focus on the overall supervision and review of internal risk control, and required the "third line of defence" to remain a high degree of independence, professionalism and authority.

As new risks continue to emerge and the scope of risks continues to expand in recent years, to address issues such as unclear management responsibilities of certain types of risk, the Bank adjusted the risk management system and clarified management responsibilities for various risks. In accordance with the principle of "substance over form" and "comprehensive see-through management", it pressed ahead with the unified management of credit risks in an orderly manner. In terms of institution, it covered all businesses subject to substantial credit risks at domestic and overseas operations, parent and subsidiaries. In terms of business, it covered credit risks of borrowers, counterparties and issuers. In terms of process, it emphasised the whole-process management of credit risk during lending, investment and transaction. The Bank established an overall customer management mechanism, improved the relationship tree management of customers, and implemented the comprehensive see-through management of businesses at the group level.

Building of Risk and Compliance Culture

The Group continued to foster a "steady, prudent, comprehensive and proactive" risk culture. It pressed ahead with the implementation of relevant systems for the construction of risk culture and promoted the effective integration of risk culture into management mechanisms, policies, business rules, operational processes, technical tools, codes of conduct, as well as business management. The leaders of institutions at all levels took the lead in practicing and preaching risk culture and identified risk culture as the focus of training at all levels, for each business line, in new employee training and online learning. The Bank regularly issued a collection of cases for risk culture construction, and shared experience and progress of risk culture construction in various institutions to enable the concept of risk culture to take root at the group level. Relying on platforms such as "Risk Culture Lecture Hall" and "Risk Culture Talk", the Bank took advantage of videos, micro classes and online classes to improve the quality and effectiveness of risk culture publicity in various forms.

The Group continuously promoted construction of compliance culture, deepened concepts of "Proactive compliance by all employees, and compliance creates value", launched a series of posters, and promoted professional ethics and value propositions of honesty and integrity across the bank to improve compliance awareness of all employees. It continuously organised compliance examinations and AML professional qualification examinations, expanded online training channels, and improved the professional competency of its compliance personnel.

Group Risk Appetite and Transmission

As an important part of the comprehensive risk management system, the Group's risk appetite is reviewed by the Board and implemented by senior management. The basic positioning of business development and the risk-taking boundary of safe operation for commercial banks were clarified based on scientific study of future developments. Focusing on "what can be done, what cannot, and how much risk will be assumed if we do", risk appetite continues to play a leading role in coordinating development and security, secures the implementation of comprehensive risk management requirements, and promotes the continuous enhancement of risk management ability and market competitiveness.

The Group maintained a steady and prudent risk appetite and adhered to the basic principle that business development is subject to its risk prevention and control capabilities, which covered important segments such as corporate finance business, personal finance business, treasury and asset management, technology and channel operation, and institutions including domestic branches, overseas operations and subsidiaries. The Bank focused on serving the real economy, provided guidance on extending its business to key national strategies and key areas of support, and improved the quality and efficiency of financial services to serve the real economy. It emphasised the balance between development and security and focused on improving the six core capabilities of value creation, asset quality control, structural adjustment, risk alert, intelligent risk control and coordinated risk control among three lines of defence. The Bank specified qualitative requirements and quantitative indicators of various key risks and highlighted effective connections with management tools such as subsequent business plans, credit policies, risk limits, capital management and performance assessment. It paid equal attention to uniformity as well as differences in terms of risk appetite. On the one hand, it emphasised that domestic branches, overseas operations and subsidiaries must comply with the Group's unified risk policies and standards for businesses that bear substantial credit risks, and strengthen collaborative governance of customers with risks to balance efforts among parties. On the other hand, it emphasised that under the unified framework of the Group and according to the institutional attribute and development positioning of each subsidiary, the risk appetites for the same type of business may be different. It also clarified the development strategy of collaboration at the group level and service to the parent bank and implemented the subsidiary-specific risk management plan.

Credit Risk Management

In 2022, the Group continued to enhance risk analysis, prospectively and proactively responded to risk challenges, adjusted and optimised credit structure, reinforced management of credit fundamentals, strengthened the prevention and control of risks, and properly pressed ahead with risk mitigation and disposal, thus keeping stable asset quality.

The Group continued to maintain sound credit risk management. It continuously optimised its credit structure, pressed ahead with its strategic businesses, supported high-quality development of manufacturing industry, consolidated development advantages in the infrastructure sector, continuously optimised its sci-tech innovation evaluation system featuring "technology flow", and increased its credit supply in areas such as rural revitalisation and livelihood. It promoted green transformation, formulated its strategic plan for green finance development, and integrated environmental and climate risk into the overall credit process management. It enhanced risk management and control of credit process, accelerated the building of digital capabilities, and promoted automation and intelligence in areas such as eligibility review for granting loans, collateral and collection. It strengthened risk monitoring in key areas, enhanced credit risk monitoring of the Group, and promoted coordinated risk management and control between the parent and subsidiaries, thus steadily and orderly mitigating risks.

The Group strengthened its credit approval risk management and control. It strictly implemented its credit approval policies, strengthened risk control in key areas, and further optimised credit structure. It studied credit approval strategies in key areas such as infrastructure, real estate, manufacturing, and agriculture-related businesses, improved "green channels" for credit approval, and addressed financing needs of high-quality customers engaging in COVID-19 response and other key areas, in the listed major projects of the 14th Five-Year Plan and of each province, and in the sufficient supply of coal and electricity. It optimised the Group's credit approval management model, adjusted the evaluation process of projects in key areas, and improved the quality and efficiency of credit approval. It adhered to the dynamic authorisation and adjustment mechanism for credit approval, ensured that the authorisation threshold of each institution was commensurate with its credit management level, and facilitated the whole-process refined management of the credit approval business.

Feature article No. 14:

Optimising credit approval management mechanism

The Group established a customer-oriented multi-dimensional evaluation system for comprehensive risk analysis. It incorporated into customer credit management all the domestic and overseas on – and off-balance sheet businesses in RMB and foreign currency within the Group. It further highlighted the transmission of risk appetite at the group level to prevent any hidden concentration risk and cross contagion risk when customers raised funds through multiple products and complex transaction structures.

In accordance with the principle of separating credit approval and lending processes to ensure effective balance, the Group consolidated the primary responsibility and main responsibility of risk identification and control of businesses departments, and required them to take responsible for due diligence, plan formulation and customer management. It gave full play to the role of risk control of Credit Approval Department, enabling the department to made risk judgment and approval decisions independently in credit rating, project evaluation and credit approval, to ensure the effectiveness of risk control.

It continuously promoted the construction of expert teams dedicated in the inspection and approval, strengthened research on credit approval strategies and standards, and enhanced whole-process support for policy formulation, structural adjustment, customer selection, product configuration, and post-lending management.

The Group enhanced its risk measurement capabilities. It implemented the regulatory requirements and the Group's comprehensive risk management arrangements, highlighted systems, users, business connection, sharing and openness, and upheld the principles of focusing on the enterprise level, reducing burden, empowering, and realising cost efficiency. It orderly promoted the construction of enterprise-level risk management platform and rolled out its functions successively. It completed the development of an exclusive evaluation tool called "STAR" for sci-tech enterprises and the pilot operation of system functions, and supported business development and risk evaluation of such enterprises. It took the lead among domestic and international peers in developing an automated ESG rating tool for all corporate customers and launched the tool throughout the bank, supporting the high-quality and sustainable development of credit and investment businesses. It developed scorecards for rural collective economic organisations, so as to enhance financial service capabilities at the county level and sharpen competitive edge, and to support the development of financial services for rural revitalisation. It launched a regional financial and economic view to enhance the refined management of businesses with local governments. It launched and promoted scoring tools such as new application scorecards for small and micro businesses and scorecards for secured quick loans to promote the high-quality development of inclusive finance.

The Group strengthened its special assets resolution. It maintained effective risk mitigation and disposal, and comprehensively improved its disposal capacity, quality and efficiency for non-performing assets. The Group was committed to serving the real economy, promoting inclusive finance, strengthening technology empowerment, and implementing the New Finance initiatives. With the effective management and timely disposal of non-performing assets, the Group sped up the transfer of credit funds, contributed to the virtuous economic development cycle, and provided solid support for the bank-wide strategy promotion, operation management, structural adjustment and efficiency improvement.

Feature article No. 15:

Improving the quality and efficiency of disposal of non-performing assets

For risk resolution and value creation, the Group cooperatively improved the quality and efficiency of disposal of non-performing assets, to support the prevention and resolution of major risks.

Persisting in serving the real economy. The Group implemented the policy of "ensuring stability on six key fronts and maintaining security in six key areas", coordinated the use of policy measures such as the debt committee mechanism, market-oriented debt-to-equity swaps, and loan restructuring, innovated risk resolution schemes, effectively helped market entities to get out of difficulties and reorganise, and effectively served regional risk resolution and high-quality development of local economy and society.

Persisting in promoting inclusive finance. The Group promoted "smart litigation" of online loans, and provided diverse supports to enable the Bank and the court to deepen judicial reform and optimise business environment. The Group regularly issued non-performing asset-backed securities of "Quick Loan for Small and Micro Businesses", continuously facilitated disposals, and promoted the healthy development of inclusive finance business.

Persisting in strengthening technology empowerment. With system construction and big data project development as two drivers, the Group focused on the goal of "digitalised operation, scenario-based decision-making, intelligent disposal and refined management" to promote iterative upgrade, built a "Long Market" non-performing assets disposal ecology, and actively implemented big data projects to release the value of data assets.

Distribution of loans by five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	20,325,310	96.10	17,993,001	95.89
Special mention	532,032	2.52	505,074	2.69
Substandard	156,363	0.74	143,195	0.76
Doubtful	90,801	0.43	80,624	0.43
Loss	45,661	0.21	42,252	0.23
Gross loans and advances to customers excluding accrued interest	21,150,167	100.00	18,764,146	100.00
NPLs	292,825		266,071	
NPL ratio		1.38		1.42

In 2022, the Group built and continuously optimised comprehensive, active and intelligent risk prevention, monitoring and management system. By improving capability for credit management, it adjusted credit structure, improved the level of refined process management and consolidated risk basis. As a result, the asset quality remained stable. At the end of 2022, the Group's NPLs were RMB292,825 million, an increase of RMB26,754 million over 2021. At the end of 2022, the NPL ratio dropped to 1.38%, a decrease of 0.04 percentage points from 2021. The special mention loans accounted for 2.52% of the gross loans and advances to customers, a decrease of 0.17 percentage points from 2021.

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by type as at the dates indicated.

	As at 31 December 2022			As at 31 December 2021		
(In millions of RMB, except percentages)	Loans and advances	NPLs	NPL Ratio (%)	Loans and advances	NPLs	NPL Ratio (%)
Corporate loans and advances	11,020,150	229,074	2.08	9,593,526	217,558	2.27
Short-term loans	2,927,713	67,414	2.30	2,683,402	74,808	2.79
Medium to long-term loans	8,092,437	161,660	2.00	6,910,124	142,750	2.07
Personal loans and advances	8,236,768	45,375	0.55	7,891,928	31,242	0.40
Residential mortgages	6,479,609	23,847	0.37	6,386,583	12,909	0.20
Credit card loans	924,873	13,469	1.46	896,222	11,960	1.33
Personal consumer loans	295,443	2,622	0.89	232,979	2,278	0.98
Personal business loans	415,344	2,694	0.65	226,463	1,627	0.72
Other loans	121,499	2,743	2.26	149,681	2,468	1.65
Discounted bills	1,048,651	–	–	379,469	–	–
Overseas operations and subsidiaries	844,598	18,376	2.18	899,223	17,271	1.92
Gross loans and advances excluding accrued interest	21,150,167	292,825	1.38	18,764,146	266,071	1.42

Distribution of loans and NPLs by geographical segment

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment.

(In millions of RMB, except percentages)	As at 31 December 2022				As at 31 December 2021			
	Loans and advances	% of total	NPLs	NPL ratio (%)	Loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	4,061,500	19.20	37,465	0.92	3,492,555	18.61	32,286	0.92
Pearl River Delta	3,534,462	16.71	64,260	1.82	3,137,528	16.72	37,532	1.20
Bohai Rim	3,578,965	16.92	40,967	1.14	3,158,558	16.83	41,805	1.32
Central	3,502,347	16.56	57,581	1.64	3,088,907	16.46	68,992	2.23
Western	3,925,921	18.56	41,120	1.05	3,442,565	18.35	37,963	1.10
Northeastern	898,474	4.25	26,620	2.96	805,241	4.29	30,672	3.81
Head Office	942,131	4.46	13,541	1.44	900,573	4.80	12,046	1.34
Overseas	706,367	3.34	11,271	1.60	738,219	3.94	4,775	0.65
Gross loans and advances excluding accrued interest	21,150,167	100.00	292,825	1.38	18,764,146	100.00	266,071	1.42

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by customers' industry as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2022				As at 31 December 2021			
	Loans and advances	% of total	NPLs	NPL ratio (%)	Loans and advances	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	11,020,150	52.10	229,074	2.08	9,593,526	51.13	217,558	2.27
Leasing and commercial services	2,012,840	9.52	48,598	2.41	1,725,682	9.20	40,204	2.33
– Commercial services	1,972,697	9.33	47,374	2.40	1,693,920	9.03	39,766	2.35
Transportation, storage and postal services	1,960,083	9.27	18,692	0.95	1,760,364	9.38	20,763	1.18
Manufacturing	1,646,183	7.78	46,106	2.80	1,402,653	7.48	58,963	4.20
Wholesale and retail trade	1,094,678	5.18	17,788	1.62	912,515	4.86	18,129	1.99
Production and supply of electric power, heat, gas and water	1,081,718	5.11	10,577	0.98	960,869	5.12	10,955	1.14
Real estate	770,675	3.64	33,605	4.36	730,087	3.89	13,536	1.85
Water, environment and public utility management	667,836	3.16	6,209	0.93	627,875	3.35	7,781	1.24
Construction	521,232	2.46	13,425	2.58	445,952	2.38	8,274	1.86
Mining	255,321	1.21	19,531	7.65	246,338	1.31	24,973	10.14
– Exploitation of petroleum and natural gas	7,802	0.04	124	1.59	3,797	0.02	335	8.82
Information transmission, software and information technology services	145,248	0.69	3,470	2.39	117,615	0.63	2,401	2.04
– Telecommunications, broadcast and television, and satellite transmission services	16,855	0.08	685	4.06	20,729	0.11	678	3.27
Education	89,755	0.42	158	0.18	73,272	0.39	114	0.16
Others	774,581	3.66	10,915	1.41	590,304	3.14	11,465	1.94
Personal Loans and advances	8,236,768	38.95	45,375	0.55	7,891,928	42.06	31,242	0.40
Discounted bills	1,048,651	4.96	–	–	379,469	2.02	–	–
Overseas operations and subsidiaries	844,598	3.99	18,376	2.18	899,223	4.79	17,271	1.92
Gross loans and advances excluding accrued interest	21,150,167	100.00	292,825	1.38	18,764,146	100.00	266,071	1.42

In 2022, the Group continued to optimise its credit structure by enhancing credit policies and rules, refining customer selection criteria, and adhering to its industry limit management. It proactively supported the transformation development of manufacturing to earnestly serve the real economy. The NPL ratio for infrastructure related sectors remained stable; the NPLs and NPL ratios for manufacturing industry and wholesale and retail trade both dropped.

Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Rescheduled loans and advances to customers	13,537	0.06	9,243	0.05

At the end of 2022, the rescheduled loans and advances to customers were RMB13,537 million, an increase of RMB4,294 million from 2021, and its proportion in gross loans and advances excluding accrued interest was 0.06%.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2022		As at 31 December 2021	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	87,997	0.41	48,846	0.26
Overdue between three months and six months	29,385	0.14	18,910	0.10
Overdue between six months and one year	35,369	0.17	36,239	0.19
Overdue between one and three years	54,943	0.26	57,633	0.31
Overdue for over three years	11,118	0.05	14,833	0.08
Total overdue loans and advances to customers	218,812	1.03	176,461	0.94

At the end of 2022, overdue loans and advances to customers were RMB218,812 million, an increase of RMB42,351 million over 2021, and its proportion in gross loans and advances increased by 0.09 percentage points.

Migration rate of loans

(%)	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Migration rate of normal loans	1.57	1.17	1.66
Migration rate of special mention loans	11.81	13.70	18.01
Migration rate of substandard loans	35.85	30.85	51.72
Migration rate of doubtful loans	39.63	38.16	24.91

1. The migration rate of loans was calculated on a consolidated basis according to definition of the indicators revised in 2022 by CBIRC. Prior years' comparatives have been adjusted accordingly.

Large exposures management

The Group continuously strengthened the comprehensive and proactive large exposures management system, upgraded management methods through a mix of digital tools pursuant to regulatory requirements, consolidated management standards for all exposures, improved management efficiency, and realised real-time monitoring and dynamic management, thus effectively implementing regulatory requirements.

Concentration of loans

As at 31 December 2022, the Group's gross loans to the largest single borrower accounted for 4.50% of the total capital after regulatory adjustment, while those to the top ten customers accounted for 14.87% of the total capital after regulatory adjustment.

(%)	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Proportion of loans to the largest single customer	4.50	4.24	3.55
Proportion of loans to top ten customers	14.87	12.83	11.84

The Group's top ten single borrowers as at the date indicated are as follows.

		As at 31 December 2022	
(In millions of RMB, except percentages)	Industry	Amount	% of total loans
Customer A	Transportation, storage and postal services	163,830	0.78
Customer B	Finance	74,899	0.35
Customer C	Production and supply of electric power, heat, gas and water	54,700	0.26
Customer D	Leasing and commercial services	47,905	0.23
Customer E	Finance	39,041	0.18
Customer F	Transportation, storage and postal services	35,430	0.17
Customer G	Finance	32,053	0.15
Customer H	Transportation, storage and postal services	31,746	0.15
Customer I	Transportation, storage and postal services	31,329	0.15
Customer J	Transportation, storage and postal services	30,332	0.14
Total		541,265	2.56

Market Risk Management

In 2022, the Group continuously improved the market risk management system. It optimised risk management of RMB portfolios and underwriting businesses and realised automatic monitoring of offshore bonds issued by Chinese institutions. It improved the digital monitoring mechanism for financial market trading business, and strengthened transaction risk screening and alerts, so as to prevent and resolve potential risks. It strengthened risk management and control of financial institution customers, optimised the risk management mechanism of asset management business, and consolidated management of existing asset management businesses and undertaken bonds. It actively advanced the implementation of the "Blue Chip" risk control platform for investment and trading business, and the implementation of the new standardised approach for market risk, adhered to the comprehensively independent and controllable implementation of Basel III requirements, and won the first prize of the PBC's 2022 FinTech Development Awards.

Value at Risk analysis

The Bank divides its on – and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

	2022				2021			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	190	144	198	100	151	160	196	127
Interest rate risk	56	30	63	19	35	53	89	30
Foreign exchange risk	182	139	193	103	155	163	203	110
Commodity risk	1	3	24	–	1	9	45	–

Stress testing of market risk

The Bank effectively supplemented the VaR analysis on trading books with stress testing. Stress testing of market risk reveals weak links of the investment and trading business under extreme scenarios by quantitatively analysing the impact of changes in interest rates, exchange rates and other market prices on the price, quality, and profit or loss of the Bank's assets, thus enhancing the Bank's ability to respond to extreme risk events.

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition and implemented robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a healthy balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and economic value, and to achieve steady profit growth and stable capital structure. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The Group performed interest rate risk management and evaluation by actively utilising balance sheet quantitative and pricing tool, prudently utilising interest rate derivative hedging instruments, and applying plan and performance appraisal and internal capital evaluation to effectively control the interest rate risk level of business lines, overseas operations and subsidiaries, so that the interest rate risk on banking book is within a reasonable level.

In 2022, the Group paid close attention to domestic and foreign economic landscapes and changes in macro policies, continued to implement requirements for reducing financing costs of enterprises, strengthened its support for key areas and weak links of the real economy, reasonably responded to various operational pressures and management challenges, and maintained a stable, coordinated and sustainable growth of assets and liabilities. At the same time, it closely monitored the trend of interest rates of deposit, loans and bonds, as well as characteristics of changes in the maturity of various assets and liabilities in real time, promoted the implementation of requirements for the reform of deposit pricing mechanism in a well-ordered manner, optimised internal and external pricing strategies, and improved pricing management to secure high-quality development. It strengthened the assessment of interest rate risk management of overseas operations and optimised the interest risk limit system when appropriate. It completed the independent development of the interest rate risk management system, effectively implemented business models and system functions, and significantly improved the intelligent and digitalised management. During the reporting period, the results of stress testing indicated that all indicators were kept within the limits, and the level of interest rate risk was under control.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap as at 31 December 2022	203,323	(4,936,484)	5,471,027	(2,479,324)	4,620,218	2,878,760
Accumulated interest rate sensitivity gap as at 31 December 2022		(4,936,484)	534,543	(1,944,781)	2,675,437	
Interest rate sensitivity gap as at 31 December 2021	292,290	(3,954,633)	4,229,630	(1,773,860)	3,820,695	2,614,122
Accumulated interest rate sensitivity gap as at 31 December 2021		(3,954,633)	274,997	(1,498,863)	2,321,832	

At the end of 2022, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB534,543 million, an increase of RMB259,546 million over 2021, mainly because the growth of loans and advances was faster than that of deposits with maturities of less than one year, while the growth of amounts due to other domestic financial institutions largely matched that of assets placed with other domestic financial institutions, deposits with the central banks and investments. The positive gap of the assets and liabilities with maturities of more than one year was RMB2,140,894 million, an increase of RMB94,059 million over 2021, mainly because the growth of medium to long-term bond investment was faster than that of time deposits with maturities of more than one year.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

	Scenario 1: the interest rates for deposits at the PBC being constant		Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant	
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 31 December 2022	(62,931)	62,931	80,670	(80,670)
As at 31 December 2021	(53,453)	53,453	76,805	(76,805)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, and it controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In 2022, the Group adhered to a prudent and sound exchange rate risk management strategy, paid close attention to the political, economic and financial impacts of the conflicts between Russia and Ukraine and interest rate hikes by US Federal Reserve, and strengthened exchange rate forecasts of major currencies such as USD. It actively responded to fluctuations in RMB exchange rate market, studied the reasons for exchange rate changes and future trends, and carried out risk screening and stress testing. During the reporting period, the Group's exchange rate risk indicators continued to satisfy regulatory requirements. The stress testing results showed that the overall risk was controllable.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

	As at 31 December 2022				As at 31 December 2021			
(In millions of RMB)	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,030,665	332,430	374,317	1,737,412	916,669	312,454	335,806	1,564,929
Spot liabilities	(1,000,925)	(349,177)	(227,026)	(1,577,128)	(929,333)	(333,522)	(270,104)	(1,532,959)
Forward purchases	1,225,402	98,771	143,842	1,468,015	1,528,518	88,234	150,570	1,767,322
Forward sales	(1,267,774)	(46,432)	(269,320)	(1,583,526)	(1,523,921)	(33,060)	(194,623)	(1,751,604)
Net options position	536	(144)	486	878	6,471	–	156	6,627
Net(short)/long position	(12,096)	35,448	22,299	45,651	(1,596)	34,106	21,805	54,315

At the end of 2022, the net exposure of the Group's exchange rate risk was RMB45,651 million, a decrease of RMB8,664 million from 2021, mainly due to the growth of the Bank's fixed assets and subsidiaries' investment denominated in foreign currency.

Operational Risk Management

In 2022, the Group actively met the implementation requirements of Basel III, deepened operational risk management, improved the business continuity management system, strengthened employee behaviour management, and ensured sustained and stable business operation.

The Group strengthened regulatory compliance, optimised loss data management of operational risk, optimised the operational risk management system, and steadily implemented the standardised approach for operational risk under Basel III. It optimised the top-level design of business continuity management and improved related management systems. It carried out a new round of business impact analysis, established and optimised analysis standards, and clarified the recovery strategy for the Bank's key businesses objectively and prudently.

The Group refined the employee behaviour management system, improved the code of conduct, promoted the effective performance of responsibilities at all levels, and enriched employee behaviour models. By exploring and using intelligent technologies, it improved the ability to detect noncompliance and actively investigated and handled any issues noted. In 2022, the Bank organised and conducted audits on operational risk management and employee behaviour management, focusing on the operational risk management system and its operation, and the effectiveness of employee behaviour management.

Liquidity Risk Management

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Asset & Liability Management Department leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform specific duties in liquidity risk management. Each subsidiary assumes the primary responsibility for its own liquidity risk management.

The Group adheres to a liquidity risk management strategy featuring prudence, decentralisation, coordination and diversification. The objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

In 2022, the Group adhered to the principle of robustness and prudence, proactively responded to changes in monetary policies and dynamics in internal and external capital markets, carefully arranged the total amount and structure of capital sources and utilisation, and optimised the allocation of assets and liabilities. It took multiple measures to improve refined liquidity management, including optimising the assessment mechanism, improving the autonomy, intelligence and timeliness of IT systems, and increasing FinTech support for liquidity management. It gave full play to the coordination mechanism of the liquidity management department, strengthened the overall planning of the Group's liquidity management, and ensured the stability and controllability of liquidity risks and the security of payment and settlement. It proactively fulfilled the obligations of a leading state-owned bank, and gave play to market's role as a stabiliser and a policy transmitter.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It kept improving its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. According to the stress testing, liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

Indicators of liquidity risk management

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

(%)		Regulatory standard	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Liquidity ratio[1]	RMB	≥25	62.94	59.32	55.66
	Foreign currency	≥25	80.23	70.58	58.64
Loan-to-deposit ratio[2]	RMB		83.62	82.28	78.49

1. Calculated by dividing liquid assets by liquid liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2022 was 148.96%, meeting the regulatory requirements. It increased by 1.53 percentage points over the previous quarter, mainly due to the increase in eligible high-quality liquid assets.

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	Fourth quarter 2022	Third quarter 2022	Second quarter 2022	First quarter 2022	Fourth quarter 2021
High-quality liquid assets	5,274,586	5,095,653	4,942,560	4,743,249	4,756,263
Net cash outflows	3,543,220	3,448,609	3,565,585	3,495,446	3,536,514
Liquidity coverage ratio (%)[1]	148.96	147.43	138.78	136.06	134.70

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the current period, the Group's NSFR was 127.88 % at the end of 2022, meeting the regulatory requirements. It was 0.59 percentage points higher than that as at 30 September and 1.83 percentage points higher than that as at 30 June, mainly due to the increase in the available stable funding brought by the increase in retail deposits and deposits from small business customers.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021
Available stable funding	24,268,376	23,868,386	23,226,228	22,396,849	21,315,282
Required stable funding	18,978,160	18,751,063	18,426,322	17,886,114	16,950,020
NSFR (%)	127.88	127.29	126.05	125.22	125.75

Please refer to "Unaudited Supplementary Financial Information" for details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 31 December 2022	2,954,298	(12,741,889)	(728,163)	(543,163)	(508,534)	1,925,217	12,520,994	2,878,760
Net gaps as at 31 December 2021	2,868,925	(11,721,520)	(710,960)	(538,269)	(1,001,397)	2,332,329	11,385,014	2,614,122

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. As at 31 December 2022, the cumulative maturity gap of the Group was RMB2.88 trillion, an increase of RMB264,638 million over 2021. The negative gap for repayment on demand was RMB12.74 trillion, an increase of RMB1.02 trillion over 2021, mainly due to the relatively fast growth of deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and the steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain a sound liquidity position in future.

Reputational Risk Management

In 2022, the Group adhered to the forward-looking, comprehensive, proactive and effective management principle for reputational risk, strictly implemented regulatory requirements and strengthened refined management of reputational risks. It attached great importance to the identification and early alert of potential reputational risk factors, strengthened professional training and exchanges, raised the awareness of reputational risk prevention and control of all employees. It improved the emergency reporting and handling process of branches, used information technology to strengthen daily public opinion monitoring, constantly optimised its internal products, policies and processes in light of public opinion supervision and strengthened financial services capabilities. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

Country Risk Management

In strict compliance with regulatory requirements, the Group incorporated country risk management into the comprehensive risk management system. The Board assumes the ultimate responsibility for the effectiveness of country risk management. Senior management carries out country risk management policies approved by the Board. The Group manages country risk by fully applying tools including evaluation and rating, risk limit, exposure analysis, provisioning, stress testing, monitoring and early alert, and emergency responses.

The Group strictly adhered to regulatory requirements, and continued to optimise its country risk management system in line with the needs of business development to address challenges from global economy. It proactively carried out country risk assessment with related management tools, promptly reexamined country risk ratings and limits, closely monitored country risk exposures, and enhanced country risk mitigation capabilities. It performed stress testing on country risks, strengthened risk alert and emergency response mechanism, and optimised the country risk management system. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

IT Risk Management

The Group improved IT risk management and organisation system and continued to perform enterprise-level IT risk identification, assessment, monitoring, reporting, control and mitigation. It strengthened external IT audit, engaged professional accounting firms to conduct audit and assurance on IT controls over personal data protection provided by the head office to overseas institutions, and issued the ISAE 3402 assurance report on the head office's IT service capability. In accordance with the national standard of Cybersecurity Classified Protection 2.0 for the financial industry, the Group conducted protection capability evaluation for the filing systems at or above Grade III, and the evaluation results were excellent.

Strategic Risk Management

Strategic risk refers to the risk caused by a commercial bank's inappropriate business strategy or changes in external business environment. The Group strictly complied with regulatory requirements related to strategic risk management, established a strategic risk management system matching its business scale and product complexity, and effectively identified, evaluated, monitored, controlled and reported strategic risks under the leadership of the Board and senior management.

In the face of complex and challenging international and domestic situations in 2022, the Group continued to improve the construction of strategic risk management system, optimised working mechanisms and improved strategic risk management. It timely assessed the rationality, compatibility and consistency of its strategic objectives against changes in external environment, and timely evaluated potential strategic risks potentially posed by changes in external environment. The Group's strategic risk remains controllable during the reporting period.

Emerging Risk Management

In recent years, emerging risks such as model risk, data risk, money laundering risk, fraud risk, and new product risk have continuously extended the scope of risks faced by financial institutions. The Group conformed to the trend of digital transformation, proactively addressed emerging risks, and created a new "moat" for risk management.

Model risk management: The Group continued to improve the model risk management system, strengthened construction of fundamental management rules, standardised policy processes and technical guidelines, and carried out model validation on 292 important models in 2022. It advanced the construction of model risk IT system. The Group's self-developed enterprise-level automated model validation platform was selected as an outstanding case for industry data application in the 2022 "Galaxy" big data case selection organised by the China Academy of Information and Communications Technology (CAICT) and other institutions.

Data risk management: The Group initially established a data quality accountability system, defined responsibilities on business data by customer, product and business process, and formed a multi-dimensional data quality accountability evaluation system for the head office, components of source systems and tier-one branches. It designed data quality evaluation indicators and regularly evaluated and reported the data quality of the Bank. Moreover, it continuously consolidated data risk management and strengthened data quality management.

Money laundering risk management: The Group strictly implemented regulatory requirements of AML and financial sanctions, and deeply practiced the "risk-based" management method. It continuously strengthened the effective implementation of core AML obligations and improved money laundering risk management by optimising the AML management structure and AML systems, strengthening team building and resource allocation, so as to safeguard the healthy development of business.

Fraud risk management: The Group continued to track regulatory requirements and developments, established and improved the fraud risk management system, and enhanced fraud risk prevention and control capabilities. It accelerated system construction, strengthened whole-process management, deepened coordination and interaction across the group, upgraded its fraud risk management system, continuously enriched the "toolbox" for fraud risk prevention and control, and actively prevented various new fraud risks in digitalised operation.

New product risk management: The Group strengthened risk prevention and control in advance, continued to improve its new product risk management system, implemented a categorised risk assessment mechanism, and completed 27 new product risk assessments in 2022. It strengthened construction of the enterprise-level product spectrum management platform, improved the new product risk management system, and gradually formed a lifetime risk management process for products.

Feature article No. 16:

Actively improving the model risk management mechanism

With the continuous advancement of digital transformation of commercial banks, models are increasingly distinct in supporting business decisions, and model risk is now an important emerging risk for the sound operation of the Bank. The Group attached great importance to model risks and continued to improve the enterprise-level model risk management framework, internal rating model management, ECL and other model risk management and validation mechanisms.

In 2022, in line with the latest international and domestic regulatory requirements, the Group optimised model risk management practices and effectively improved its risk management capabilities. It improved the construction of the model governance system, issued model risk management measures, clarified the overall management of models across the bank, specified the hierarchy and classification rules of models, and standardised model management processes and actions. It formulated key model validation specifications on areas such as AML, anti-fraud, artificial intelligence, identity identification and risk evaluation, and released technical standards for model development.

The Group initiated bank-wide model reviews, strengthened hierarchical and classified management of models, established a list of key areas and high-risk models, reassessed the expert database for model validation and model review, and strengthened expert team building of model risk management. Meanwhile, the Group launched the second phase of the optimisation of the enterprise-level model management platform to promote the whole-process, digitalised, online and transparent management of models.

The Group carried out independent validation of important models such as advanced approach model for capital measurement, ECL model, online lending model, and accounting valuation model, and included medium – and high-risk rating models in validation according to the results of the hierarchy and classification of models across the bank.

Consolidated Management

In 2022, the Bank improved the Group's consolidated management system, prevented cross-border and cross-industry operation risks for the Group and strengthened its consolidated management.

The Bank strengthened consolidated management overall planning and consolidated element management, continued to streamline the Group's equity hierarchy, optimised shareholding structure, and improved the Group's penetrated management ability of subsidiaries at all levels. It improved the construction of the parent-subsidiary collaborative system and enhanced the comprehensive financial services of the Group. The Bank improved the strategic management of subsidiaries by implementing "One Policy for One Subsidiary" and promoted high-quality development of subsidiaries. It strengthened shareholder governance and authorisation management, continued to standardise the performance of the subsidiary's board of directors, and improved the effectiveness of the subsidiary's corporate governance. It deepened risk appetite coordination at the group level, strengthened joint risk prevention and control between parent and subsidiaries, and advanced the construction of a comprehensive risk management system. It also strictly enforced the Group's limit management and continuously implemented unified credit management. Meanwhile, the Bank iteratively optimised IT systems for consolidated management, promoted intelligent management of subsidiary information and improved the automation of consolidated management.

Internal Audit

The Bank's internal audit is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation. The internal audit department works in a relatively independent manner and is managed vertically. It is responsible to and reports to the Board and its audit committee, and also reports to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank also has 29 audit offices at tier-1 branches and an overseas audit centre in Hong Kong.

Focusing on the goal of "supporting strategy implementation, strengthening governance, preventing risks and promoting development", the internal audit department continues to deepen and improve its audit mechanisms to cover all relevant aspects, highlight key areas, coordinate the overall business with priorities and agility, and tackle similar problems in other areas with a typical audit finding, and covers auditable units of all business segments with its audit procedures. In 2022, the department performed audit procedures on businesses such as loans to large and medium-sized enterprises, special assets resolution, small business loans, personal loans, liability products and services, asset management business, custody service, agency business, credit cards, internet finance, channel operation and operational risk management, financial management, FinTech, and AML. The department conducted in-depth research and analysis of the underlying causes of problems, advanced the systematic and fundamental rectification by departments and branches based on such problems, and continuously improved management mechanisms, business processes and internal management to effectively promote the stable and healthy development of the Bank's operation and management.

CAPITAL MANAGEMENT

The Group adhered to a robust and prudent capital management strategy, continued to strengthen capital constraints and incentives and further promoted intensive and refined capital management, to continuously improve the efficiency of capital use. The Group relied both on internal capital accumulation and external capital replenishment, and maintained a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry.

Capital Adequacy Ratios

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded). At the end of 2022, given relevant rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 18.42%, 14.40% and 13.69% respectively, meeting regulatory requirements. The Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio increased by 0.57, 0.26 and 0.10 percentage points respectively over 2021.

In 2022, the Bank further improved its capital adequacy, providing strong support for business development across the bank. By maintaining stable profitability and issuing an appropriate amount of capital instruments, the Bank achieved a sound growth in total capital after regulatory adjustments with a relatively stable capital structure, a steady growth in risk-weighted assets, and a rapid growth in core assets such as credit supply and bond investments. The efficiency of capital use was further improved as the Bank continuously pressed ahead with intensive and refined management and explored the potential of capital saving.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	31 December 2022		31 December 2021	
(In RMB millions, except percentages)	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,706,459	2,529,274	2,475,462	2,309,534
Tier 1 capital after regulatory adjustments	2,846,533	2,655,737	2,575,528	2,389,615
Total capital after regulatory adjustments	3,640,438	3,434,205	3,252,282	3,059,048
Common Equity Tier 1 ratio (%)	13.69	13.67	13.59	13.61
Tier 1 ratio (%)	14.40	14.35	14.14	14.09
Total capital ratio (%)	18.42	18.56	17.85	18.03

Please refer to Note "Risk management – Capital management" in the financial statements for details of composition of capital.

Risk-weighted assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. Capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements were calculated with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculated capital adequacy ratios with both the advanced approach and other approaches for capital measurement, and complied with relevant requirements for capital floors.

The following table sets forth the information related to the risk-weighted assets of the Group.

(In RMB millions)	31 December 2022	31 December 2021
Credit risk-weighted assets	18,293,631	16,834,493
Covered by the internal ratings-based approach	12,514,218	11,587,106
Uncovered by the internal ratings-based approach	5,779,413	5,247,387
Market risk-weighted assets	115,816	90,057
Covered by internal models approach	72,327	55,249
Uncovered by the internal models approach	43,489	34,808
Operational risk-weighted assets	1,358,387	1,291,343
Additional risk-weighted assets due to the application of capital floors	–	–
Total risk-weighted assets	19,767,834	18,215,893

For more details about capital composition, capital measurement and management, please refer to *Capital Adequacy Ratio Report 2022* published by the Bank.

Leverage Ratio

From the first quarter of 2015, the Group calculated leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2022, the Group's leverage ratio was 7.85%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021
Leverage ratio (%)	7.85	7.76	7.53	7.94	8.13
Tier 1 capital after regulatory adjustments	2,846,533	2,781,776	2,647,822	2,662,436	2,575,528
On and off-balance sheet assets after adjustments	36,270,300	35,864,326	35,181,687	33,514,004	31,670,893

For the details of leverage ratio, please refer to "Unaudited Supplementary Financial statements".

DISCUSSIONS ON KEY TOPICS IN BUSINESS DEVELOPMENT

Financial Services and Risk Control Measures during the Epidemic

In 2022, the Group took effective steps to provide financial services for epidemic prevention and control and economic and social development, witnessed rapid growth in assets and liabilities and met the expectation for operating performance.

Ensuring smooth offline and online services and providing high-quality and efficient financial services. The Group made effective arrangements for outlet operations and protection for employees, workplace and equipment of the outlets. Under the premise of ensuring the safety of employees and customers, it made every effort to meet customers' financial service needs in accordance with the principle of "keeping outlets open for customers as much as possible". It leveraged "Workers' Harbours" and "Yunongtong" service sites to provide services for people in need and improve the availability of financial services in rural areas. It strengthened contactless services, encouraged customers to use online channels such as mobile banking, online banking, WeChat banking, and provided services through digital means such as outlet channels in "CCB Lifestyle" app, "Cloud Workshop" for client managers and "Huizhuni" to avoid the gathering of customers at outlets. It gave full play to its intelligent customer service advantages such as WeChat official account "CCB Customer Service", "Intelligent Reminding" and "Intelligent Q&A" to improve service efficiency and customer experience. Moreover, it strengthened simulation and drill of online business continuity plans to ensure the availability of emergency plans and disaster recovery systems.

Introducing special assistance measures to further ease difficulties of enterprises. The Group allocated more resources to key areas, fully met capital needs of industries such as medical and healthcare, logistics and supply, service and consumption, and increased credit support for small and micro businesses, individual business owners, and farmers. For certain regions and industries seriously affected, the Group introduced differentiated relief measures such as special credit lines, credit approval, internal and external pricing, and performance evaluation. For medium-sized, small and micro businesses, individual business owners, and truck drivers, it provided policy support such as deferred principal repayment and interest payment as much as possible on condition that the bottom-line requirements had been met. The Group proactively carried out continuous financing credit reviews for enterprises in industries temporarily stranded, and actively provided loan renewal support to eligible enterprises. It increased loan support in the field of inclusive finance, strictly implemented various financial service charging policies, and increased preferential reduction and exemption of service charges for enterprises in distressed industries.

Strengthening credit management and consolidating the bottom line for risk prevention and control. The Group maintained a steady and prudent risk appetite, optimised "three lines of defence" and comprehensive risk governance system, and enhanced integrated risk prevention and control capabilities. It strengthened forward-looking and proactive risk control of the real estate sector and government debt risks in key regions, enhanced risk early alert and disposal, upgraded monitoring of the use of funds, and made full use of monitoring and early alert tools such as the Risk Alert & Detection System (RAD) to strengthen asset quality monitoring. Moreover, the Group made good use of new disposal policies such as write-off and single account transfer, accelerated the pace of disposal, and raised policy priority for key regions and products.

Deferred Principal Repayment and Interest Payment

The Bank fulfilled its responsibilities as a large state-owned bank, and took multiple measures to effectively implement deferred principal repayment and interest payment. Since 2020, the Bank has adhered to market-oriented and law-based principles, made full use of FinTech means, combined online and offline channels, and deferred principal repayment and interest payment of loans as much as possible on condition that the risk bottom line was held. It provided policy support of deferred principal repayment and interest payment for loans to borrowers such as medium-sized, small and micro businesses, individual business owners, small and micro business owners, and truck drivers, industries such as accommodation and catering, wholesale and retail, culture and tourism, and transportation. In 2022, the Bank cumulatively provided extensions for 324,600 customers and deferred interest payments for 3,188 customers of various types. The Bank played a positive role in improving the survival rate of enterprises, promoting the growth of market entities, and assisting in the recovery and development of the real economy, which has received wide recognition from customers.

Furthermore, the Bank closely monitored changes in the quality of loans with deferred principal repayment and interest payment and focused on risk screening of loans with deferred repayments. It actively strengthened monitoring of customers with multiple deferred repayments, learned about their actual performance and difficulties, and prevented the risk from being covered up through deferred repayments. For customers with obvious risk potential, it intensified efforts in the collection of overdue loans and took timely exit measures. Moreover, it continued to provide follow-up services for customers whose operations have returned to normal.

Asset Quality

In 2022, the Group adhered to prospective and proactive risk management and further clarified the responsibility for risk prevention and control in key areas. The key indicators remained stable. At the end of 2022, the Group's NPLs were RMB292,825 million, an increase of RMB26,754 million over 2021; its NPL ratio was 1.38%, down 0.04 percentage points from 2021. Specifically, the NPL ratios of domestic corporate loans and personal loans were 2.08%, and 0.55% respectively, and that for overseas operations and subsidiaries was 2.18%. In 2022, the Group's provisions for credit impairment losses on loans and advances to customers totalled RMB139,741 million, a decrease of RMB20,583 million or 12.84% from 2021. Specifically, provisions for credit impairment losses on domestic corporate loans and discounted bills amounted to RMB92,913 million, a decrease of RMB35,470 million or 27.63% from 2021; while provisions for credit impairment losses on domestic personal loans amounted to RMB39,685 million, an increase of RMB9,691 million or 32.31% over 2021.

Confronted with complex and challenging external business environment, the Group will adhere to the bottom-line thinking, firmly safeguard the bottom line of wiping out systemic financial risk, actively conduct comprehensive, proactive and intelligent risk management, promote unified credit risk management, commit to foresight and initiative of asset quality control, and continuously enhance value creation capability of risk management, so as to maintain stable credit asset quality on the whole.

Financial Support to the Real Estate Industry

The Group implemented national policies and regulatory requirements and adhered to the principle that "houses are for living in and not for speculation". By focusing on the objective of "stabilising land prices, housing prices and market expectations", it helped ensure housing project delivery, improve people's wellbeing and maintain social stability. The Bank actively supported fundamental housing demand and demand for housing improvement, met reasonable fund needs of real estate enterprises, smoothened transition of the real estate industry to a new development model, and promoted the healthy development of the real estate market.

Supporting reasonable demand for residential mortgages. The Bank implemented differentiated housing credit policies upon different conditions of cities to support fundamental housing demand and demand for housing improvement. At the end of 2022, the Bank's domestic residential mortgages totalled RMB6.48 trillion, leading the market in terms of balance and amount granted in 2022. It empowered business development with "data + technology", improved and expanded functions such as online loan application, loan pre-approval, mortgage registration, and post-lending services, and enhanced mortgage processing efficiency and customer service capabilities through business process restructuring and refined management. It expanded cooperation with high-quality institutions to enhance customer acquisition capabilities and market competitiveness. The Bank continued to perform risk monitoring and disposal and maintained stable asset quality of residential mortgages.

Stabilising supply of corporate real estate loans. The Bank implemented real estate financial policies to meet customers' reasonable fund needs. It built a loan system that adapts to financing needs of the housing rental industry, and significantly increased corporate housing rental loans. The Bank adopted a market-oriented and law-based approach to offer financing for presold houses to ensure timely delivery, so as to protect the legitimate rights and interests of housing finance consumers. It strengthened pre-lending, lending and post-lending risk management, enhanced supervision and closed management of pre-sale funds, increased risk screening of real estate projects and upstream and downstream enterprises, and promoted prevention and mitigation of real estate risks.

Supporting reasonable financing needs of the real estate industry through multiple tools and methods. Based on principles of compliance with laws and regulations, sound risk management, and commercial sustainability, the Bank provided M&A financial service for real estate projects prudently and orderly in various forms such as M&A loans, bonds, debt financing instruments, and real estate M&A notes. It supported bond financing needs of high-quality leading real estate enterprises, underwriting RMB32,335 million debt financing instruments and RMB2,290 million real estate M&A notes in 2022.

Piloting the establishment of Housing Rental Fund to raise a total of RMB30 billion. The Fund is used to acquire existing assets such as residential buildings owned by real estate enterprises, commercial properties and low-cost rental land projects. It transformed such assets into rental housing, and increased supply of market-based long-term rental housing and government-subsidised rental housing. The Bank actively supported new urban residents and other groups without house properties, connected the housing provident fund industry platform to its housing rental platform, and enabled depositors to withdraw housing provident funds and pay housing rent on a one-stop basis, effectively meeting multi-level living needs of residents.

E-CNY Pilots and Promotion

In 2022, the Bank's efforts on R&D pilot of e-CNY achieved remarkable results under the unified organisation of the PBC. The Bank completed R&D tasks of the PBC at a high level and achieved fruitful accomplishments in application innovation at CCB. The Bank realised extensive application of e-CNY scenarios. Its corporate banking application penetrated many scenarios such as tax, non-tax revenue, social security, housing provident fund, land auction deposit, sports lottery, and electricity. It cooperated with hundreds of banking institutions in the field of e-CNY. The Bank innovatively launched e-CNY wealth management, fund services and inclusive e-CNY loan services. It successfully undertook the issuance of local governments consumption vouchers, launched coupons on multiple traffic platforms, and distributed a total of 31.98 million coupons throughout the year, stimulating e-CNY consumption of RMB525 million. 9.82 million e-CNY wallets and more than 70,000 e-CNY acceptance stores were opened through "CCB Lifestyle". The Bank outperformed its peers in terms of main pilot indicators of e-CNY. Specifically, the numbers of monthly active personal wallet, monthly active corporate wallet, and cumulative number of transactions ranked first in the industry, and the cumulative consumption amount ranked second in the industry. The Bank continuously optimised product functions such as e-CNY wallet limit system, implemented the first line of defence for risk prevention and control, and integrated functions such as e-CNY model monitoring and disposal into the enterprise-level gambling and fraud risk monitoring system. 172,900 suspicious wallets were identified throughout the year. The Bank's e-CNY wallet saw an effective improvement in its abilities of risk detection, identification and control, and screening and mitigation at different stages.

Next, under the guidance of the PBC, the Bank will continue to strengthen its efforts in transformation and consumption promotion for retail customers, enrich scenarios application, improve acceptance environment, and cultivate users' habits. It will promote iterative optimisation of e-CNY products and services, and advance innovation in application and technology according to advantages and characteristics of e-CNY to improve customer experience. It will also strengthen e-CNY risk prevention and control capability to hold the bottom line of risk prevention and control.

Case story No. 10: Cases of e-CNY application

E-CNY prepaid platform scenario

In May 2022, the Bank's Shenzhen Branch and the People's Government of Futian District jointly launched China's first e-CNY prepaid platform, which provides consumers with supervision services for prepaid funds through smart prepaid cards, and helps merchants expand and manage prepayment businesses. On the platform, consumers' prepaid funds are initially "held" in personal wallets, with the approval of both merchants and consumers after a single consumption or service, the prepaid fund supervision contract is executed, and the system automatically transfers corresponding prepaid funds from the consumer's personal wallet to the merchant's corporate wallet. This process realises "respective settlement for each transaction", thus solving the pain points of undisclosed expenditure and low consumer trust under the traditional prepaid consumption model.

In August 2022, the Bank's Shenzhen Branch and the Culture, Radio, Television, Tourism and Sports Bureau of Shenzhen Municipality jointly launched the activity of Shenzhen e-CNY Card for Cultural Consumption. Relying on the e-CNY prepaid platform, the activity organiser tracked account top-ups of participants through the "smart prepaid card", and the government distributed e-CNY coupons as subsidies based on account top-ups, which were applicable to five major cultural consumption scenarios, including books, movies, tourism, shows and exhibitions, ensuring accurate payment of financial funds and tracing of the use of funds.

E-CNY IoT payment scenario

Based on the cash attribute of e-CNY and advantages of digital processing and transmission, the Bank's Suzhou Branch cooperated with State Grid to realise automatic deduction of electricity charges through IoT payment, overturning the traditional payment mode of monthly settlement, and realising real-time measurement of users' electricity consumption, thus solving the pain point that electricity charges are difficult to measure in temporary electricity consumption scenarios such as rental apartments and office buildings.

E-CNY financial service scenario

In August 2022, the Bank's Xiamen Branch cooperated with Xiamen Taxation Administration in tax payment in e-CNY via self-service endpoints, and improved the efficiency of tax payment relying on multiple advantages of e-CNY such as no fees and commissions and settlement upon payment. The Bank's Xiamen Branch also cooperated with the Finance Bureau of Jimei District of Xiamen City to grant financial subsidies to two Taiwan-funded enterprises with e-CNY, improving the efficiency of granting subsidies, helping enterprises through difficulties on a timely basis, and sharing high-quality development opportunities in Chinese mainland with the Taiwan-funded enterprises.

PROSPECTS

Looking ahead to 2023, affected by multiple factors such as trade protectionism, geopolitical conflicts, rapid tightening of monetary policy in major developed economies and risk exposure of international financial institutions, the global economy will face rising downward pressure, slowing growth and uncertainties in terms of the extent and speed of decline in high inflation rates overseas. China's economy is resilient, with great potential and vitality, and the fundamentals of long-term economic improvement remain unchanged. With the implementation of various policies, China will see a much smoother economic cycle and an overall pickup of economic performance.

Facing a more complex and challenging operating environment, the banking industry in China faces both challenges and opportunities. On the one hand, in the context of frequent outbreaks of international geopolitical conflicts and simmering Ukraine crisis, polity and security have become important factors affecting economic development. Moreover, spillover effects of interest rate hikes in developed economies are continuing to emerge and the turmoil in the international financial market has intensified. Recent risk events at Silicon Valley Bank of the US and Credit Suisse, to which the Group has no direct exposure, send alert that the spread of risks in the overseas banking industry need close monitoring. Domestically, the weak foundation of economic recovery and mounting pressures of risk prevention and control in key areas have raised higher requirements for commercial banks to serve the real economy and prevent and control financial risks. On the other hand, production and life in China have fully resumed with the lifting of COVID-19 control measures. The expansion and upgrade of domestic demand for consumption and the replacement of old growth drivers with new ones have accelerated. There are huge development opportunities in the infrastructure sector, especially in fields such as "New Infrastructure, New Urbanisation Initiatives and Major Projects", advanced manufacturing, transformation and upgrade of traditional industries, small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products and other sci-tech innovation customer groups, as well as elderly care and other livelihood-related industries, and consumer finance. These developments will bring a series of opportunities for banks, including but not limited to customer base expansion and customer acquisition, optimised business structure, and improved efficiency and performance.

In 2023, the Group will uphold the mission of high-quality development, seek progress while maintaining stability, implement the new development concept completely, accurately and comprehensively, roll out New Finance initiatives continuously, further advance development of housing rental, inclusive finance and FinTech strategies, and enhance its capabilities to serve national construction, prevent financial risks and participate in international competition, thus breaking new grounds in high-

PROSPECTS

quality development. The Group will focus on the following priorities: **Firstly, the Group will spare no efforts to serve the real economy and contribute to the building of a new development pattern.** The Group will implement major regional strategies and regional coordinated development strategies, increase support for key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing region, and effectively deploy credit resources in Northeastern China, Central China and Western China. It will give full play to the fundamental role of consumption and the key role of investment and press ahead with the extensive supply of high-quality financial products and services along with the optimisation of asset structure. It will further consolidate financial layout for common prosperity and expand financial products and services to counties and villages, to long-tail customers and to wealth management segment. It will also contribute to rural revitalisation by creating a comprehensive service system. **Secondly, the Group will focus on customer service capabilities to lay a solid foundation for development.** The Group will expand effective customers and accounts, retain existing customers, increase incremental customers and enhance effective customers. It will expand key customer groups, effectively enhance operation capacity for medium-sized customers, consolidate key customer groups such as emerging industries, counties, small and micro businesses, and sci-tech innovation enterprises, and strengthen comprehensive operation capabilities for customers. It will also deepen its understanding of customers, accelerate implementation of graded, layered and categorised operation plans for corporate, personal and financial institutional customer groups, focus on customers' pain points and thorny issues, advance online and offline customer acquisition and reactivation, and comprehensively strengthen customer marketing and service capabilities. **Thirdly, the Group will enhance the quality and efficiency of segment operations.** For corporate finance business segment, the Group will optimise its asset layout, focus on expanding core deposits, and enhance service capabilities of fee-based businesses. For personal finance business segment, the Group will press ahead with the rapid growth of the personal financial assets under management and promote implementation of mega wealth management strategy. For treasury and asset management segment, the Group will focus on improving the coverage of treasury and asset management products, consolidate the Group's asset management foundation, strengthen financial institutional business, and strive to build a CCB pension finance brand. The Group will enhance coordination and interaction, press ahead with integrated operations, and strengthen parent-subsidiary coordination, inter-segmental coordination and interaction, and integrated operation capacity of RMB and foreign currencies. **Fourthly, the Group will strengthen technology support.** The Group will continuously enhance its technological governance capabilities, improve structure of technology R&D and system operation, and optimise management process of technology projects, thus realising safe and stable operation of IT systems. It will improve quality and efficiency of physical outlets operations and strengthen graded and categorised management of outlets. It will also enhance its digitalised operation capability, promote integrated development of mobile banking and "CCB Lifestyle", improve scenario interconnection, build ecosystems and industrial chains, and enhance value creation of platform users. **Fifthly, the Group will enhance refined management and consolidate the foundation for development.** The Group will adhere to value creation orientation, focus on cultivating market competitiveness, strengthen overall management of assets and liabilities, optimise incentive and restraint mechanisms, and enhance quality and efficiency of cost control and operations. **Sixthly, the Group will focus on duties of "three lines of defence" and safeguard the bottom line of risks.** The Group will optimise its comprehensive, proactive, intelligent, modern risk management system and continuously enhance coordinated risk control capabilities of "three lines of defence". It will also strengthen cross-cycle asset quality management and control at the group level and enhance its risk management capabilities in key areas.

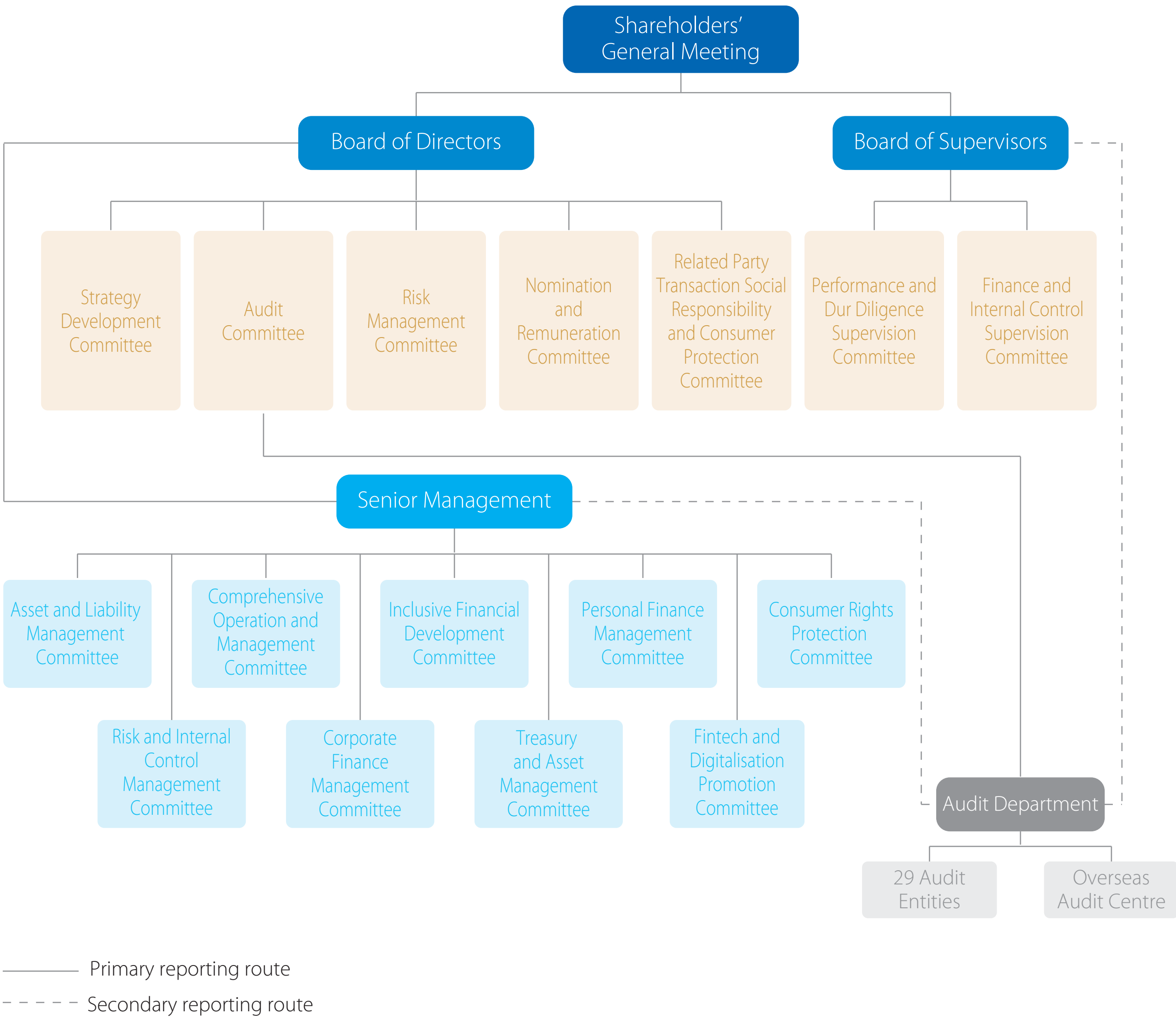
CORPORATE GOVERNANCE REPORT

During the reporting period, the Bank strictly adhered to the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the stock exchange of listing venue. It has fully complied with the code provisions as set out in Part 2 of of the Corporate Governance Code of Appendix 14 to Listing Rules of Hong Kong Stock Exchange, and substantially adopted the recommended best practices therein except for the circumstances disclosed in this report.

In accordance with the requirements of the CSRC, the Bank conducted a special self-inspection against the self-inspection list for governance of listed companies and formed a special self-inspection report. Upon self-inspection, the Bank did not find problems that need to be rectified as required in the self-inspection list for governance of listed companies.

Corporate governance structure

The Bank pressed ahead with the organic integration of Party leadership and corporate governance, built a scientific, standardised and efficient corporate governance system, continuously improved corporate governance system and mechanism, and consolidated the foundation of corporate governance system, in a bid to make corporate governance more scientific, sound and effective.



SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain the auditors;
- deciding on the issuance of preference shares; deciding or authorising the Board to decide on the matters relating to the issued preference shares by the Bank, including but not limited to repurchase, conversion and dividend distribution;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meetings convened

On 23 June 2022, the Bank held the 2021 annual general meeting, which reviewed and approved proposals including the 2021 report of the board of directors, report of the board of supervisors, 2021 final financial accounts, profit distribution plan for 2021, 2022 fixed assets investment budget, election of executive director, non-executive directors, independent non-executive directors, shareholder representative supervisor and external supervisor, appointment of external auditors for 2022, and amendments to the Articles of Association of the Bank. The executive director, namely Mr. Tian Guoli, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 23 June 2022, and on the Bank's designated newspapers for information disclosure on 24 June 2022.

On 19 December 2022, the Bank held the 2022 first extraordinary general meeting, which reviewed and approved proposals including remuneration distribution and settlement plan for directors for the year 2021, remuneration distribution and settlement plan for supervisors for the year 2021, raising the limit for charitable donations in 2022, and election of non-executive director. The executive director, namely Mr. Zhang Jinliang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 92%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 19 December 2022, and on the Bank's designated newspapers for information disclosure on 20 December 2022.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of and is responsible to the shareholders' general meeting. It performs the following functions in accordance with relevant laws:

- convening the shareholders' general meeting and reporting to the shareholders' general meeting;
- implementing the resolutions of the shareholders' general meeting;
- determining the Bank's development strategies, and supervising the implementation of the development strategies;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- formulating annual financial budget plans, final account plans, profit distribution plans and loss recovery plans;
- formulating plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- formulating plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers authorised by the Articles of Association of the Bank and the shareholders' general meeting.

The Board's implementation of resolutions of the general meetings of shareholders

In 2022, the Board earnestly implemented the resolutions approved by the shareholders' general meetings, including the profit distribution plan for the year 2021, 2022 fixed assets investment budget, remuneration distribution and settlement plan for directors and supervisors for the year 2021, raising the limit for charitable donations in 2022, and appointment of external auditors for 2022.

Composition of the Board

At the end of 2022, the Board consisted of 13 directors, including two executive directors, namely Mr. Tian Guoli and Mr. Zhang Jinliang; five non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang; and six independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

The Bank formulated the diversity policy for the Board in August 2013. For nomination of directors, the Board should consider the diversity requirements for board members as well as their professional capabilities and ethical standards. The candidates selected should be complementary to one another, with diversified backgrounds in terms of gender, age, location, cultural and educational backgrounds as well as knowledge and professional experience from different sectors. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible for supervising the implementation of the Board's diversity policy.

The Bank seeks to continuously enhance the Board's professional capabilities and structural reasonableness to achieve optimum combination of board members that matches the development strategies of the Bank, which vigorously supports the efficient operation and scientific decision-making of the Board. At the end of 2022, the Board is comprised of 13 directors, including two executive directors, five non-executive directors, and six independent non-executive directors. The executive directors of the Bank have rich experience in strategy research and analysis, macroeconomic studies as well as bank operation and management with macro views; the non-executive directors have rich experience in macroeconomic studies, national financial capital management, risk management, finance, accounting and other special fields from holding important positions with government departments, financial regulatory authorities or commercial banks; the independent non-executive directors come from areas including America, Europe, Oceania, Hong Kong SAR, and are familiar with international accounting standards, capital supervision, credit rating and financial market rules. The audit committee, the risk management committee, the nomination and remuneration committee and the related party transaction, social responsibility and consumer protection committee of the Board of the Bank are all chaired by independent non-executive directors. During the reporting period, the composition of the Board was in line with the requirements for gender diversity of board members both under the Listing Rules of Hong Kong Stock Exchange and the Bank's internal policy.

Chairman and president

Mr. Tian Guoli is chairman of the Board and legal representative of the Bank, and is responsible for business strategies and overall development of the Bank.

Mr. Zhang Jinliang is president of the Bank, and is responsible for the daily management of business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association of the Bank and authorisation of the Board.

Due to change of job, Mr. Wang Jiang ceased to serve as president of the Bank from 24 March 2022. On 29 March 2022, the Board considered and approved the appointment of Mr. Tian Guoli, chairman of the Board, as acting president of the Bank. The acting period started from the date on which Mr. Wang Jiang ceased to perform the duty as president of the Bank to the date on which the new president of the Bank appointed by the Board of the Bank officially took office. On 27 May 2022, Mr. Zhang Jinliang took office as president of the Bank, from which day Mr. Tian Guoli no longer served as the acting president. The Board believed that the above transitional arrangement was conducive to the stable operation of the Bank and keeping the balance between the Board and the management.

Except for the transitional arrangement, during the reporting period, the roles of chairman of the Board and president were separate, each with clearly defined duties.

Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conferences or written resolutions. The agenda for regular meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of Board meetings.

According to the Articles of Association of the Bank, the Board determines risk management policies and internal control policies of the Bank, formulates relevant rules of risk management and internal control, and supervises the implementation of such rules. The Board reviews the comprehensive risk management report of the Group semi-annually, and reviews the internal control evaluation report and the statements of risk appetite of the Group annually, to evaluate the overall risk profile and the effectiveness of internal control system. After assessment, the Board believes that the Group's risk profile remains stable on the whole, the management and control of asset quality is within expectation, the core risk indicators remain stable, and the risk management system is effective.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with Board procedures and all applicable rules and regulations. Detailed minutes of Board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. Senior management reports its work to the Board on a regular basis, and is supervised by the Board. Relevant senior management members are invited to attend Board meetings from time to time to provide explanations or reply to enquiries.

At Board meetings, directors can express their opinions freely, and major decisions are made only after thorough discussions. Directors may also engage independent professional institutions at the Bank's expense after due procedures, if they deem it necessary to get independent professional opinions. If any director has interests in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal. Besides, independent non-executive directors should also express objective, fair and independent opinions to issues under discussion of the Bank. The independent non-executive directors of the Bank hold no position other than directors at the Bank, have no relationships with the Bank or the Bank's substantial shareholder that might affect their independent and objective judgment, and have no business and financial interests in the Bank or the Bank's subsidiaries. The Board reviews the implementation and effectiveness of the above mechanism every year.

The Bank effected directors' liability insurance policy for all directors in 2022.

Board meetings

In 2022, the Board of the Bank had ten meetings, held on 21 January, 29 March, 29 April, 23 June, 26 July, 30 August, 16 September, 28 October, 3 November and 14 December respectively. At these meetings, the Board reviewed the following proposals: strategic plan for green finance development (2022-2025), master plan for building a digital CCB (2022-2025), consumer protection plan (2023-2025), overseas business development plan (2021-2025), annual business plan and fixed assets investment budget, the election of directors, the appointment of senior management members, periodic reports, profit distribution plan, dividend distribution of domestic preference shares, establishment of the housing rental fund, and raising the limit for charitable donations in 2022. The Board members' attendances of Board meetings in 2022 are set out as follows.

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Executive directors		
Mr. Tian Guoli	10/10	0/10
Mr. Zhang Jinliang	7/7	0/7
Non-executive directors		
Mr. Xu Jiandong	10/10	0/10
Mr. Tian Bo	10/10	0/10
Mr. Xia Yang	10/10	0/10
Ms. Shao Min	10/10	0/10
Ms. Liu Fang	10/10	0/10
Independent non-executive directors		
Sir Malcolm Christopher McCarthy	9/10	1/10
Mr. Kenneth Patrick Chung	10/10	0/10
Mr. Graeme Wheeler	10/10	0/10
Mr. Michel Madelain	10/10	0/10
Mr. William Coen	10/10	0/10
Mr. Leung Kam Chung, Antony	10/10	0/10
Resigned directors		
Mr. Wang Jiang	1/1	0/1
Mr. Zhang Qi	10/10	0/10

Duty performance of directors

In 2022, all directors duly performed duties pursuant to requirements of domestic and overseas laws and regulations, regulatory rules, the Articles of Association and the Board's rules of procedure, and made decisions in a scientific and efficient manner. During the year, the Board held ten meetings, at which 64 proposals were considered and 19 written reports were reviewed; two shareholders' general meetings were convened, to which the Board submitted 18 proposals, including the 2021 final financial accounts, profit distribution plan for 2021, fixed assets investment budget for 2022, raising the limit for charitable donations in 2022, remuneration distribution and settlement plan for directors and supervisors, election of directors, and amendment to the Articles of Association, fully protecting the legitimate rights and interests of shareholders.

Facing complex and fluid external situations, all directors strengthened the research and analysis on macro situations, and made in-depth studies and discussions on the Bank's strategic development and major issues in multiple ways, including formal meetings of the Board and its special committees, themed symposiums, communication meetings and field research. They guided the Bank to promote the New Finance initiatives, actively aligned with national strategies to support and serve the real economy and boost social and economic high-quality development. The Board members actively offered advice and suggestions, and put forward feasible ideas and suggestions in formulating and implementing green finance development, digital development, consumer protection, overseas business development and other strategic plans, strengthening comprehensive risk management, capital management, finance and accounting, audit and internal control management, related party transaction management, ESG management and other fields. The relevant suggestions have been adopted in the operation and management of the Bank.

Please refer to "Corporate Governance Report – Shareholders' General Meeting" for details of the attendances of directors at the shareholders' general meetings. Please refer to "Corporate Governance Report – Board of Directors" for details of the attendances of directors at the meetings of the Board. Please refer to "Corporate Governance Report – Committees under the Board" for details of the attendances of directors at meetings of the Board special committees.

Please refer to the *Work Report of Independent Non-executive Directors for the Year of 2022* for details of duty performance of independent non-executive directors of the Bank during the reporting period, which would be disclosed by the Bank on the same day of this annual report.

Special statement and independent opinion given by independent non-executive directors regarding the external guarantees provided by the Bank

Pursuant to laws and regulations and relevant regulatory requirements and based on the principles of impartiality, fairness, and objectiveness, the independent non-executive directors of the Bank, including Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the regulators, and is part of the ordinary business of the Bank. With respect to the risks arising from guarantee business, the Bank formulated specific management measures, operation processes and approval procedures, and carried out the related business accordingly. The guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2022, the balance under the letter of guarantees issued by the Group was RMB1,334,236 million.

Accountability of directors in relation to financial statements

The directors are responsible for overseeing the preparation of financial statements for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flows.

During the reporting period, the Bank published annual report 2021, first quarter report of 2022, half-year report 2022, and third quarter report of 2022 in accordance with relevant laws, regulations and listing rules of the listing venues.

Training of directors

All directors of the Bank took part in training on anti-embezzlement related laws and regulations, and directors' compliance training on the US Bank Secrecy Act and AML laws. Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang attended AML training. Mr. Xu Jiandong attended training on policy interpretation of securities market false statement infringement and investors protection. Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang and Ms. Liu Fang attended training on macroeconomic situations. Mr. Xu Jiandong, Mr. Tian Bo and Ms. Liu Fang attended training on preventing and identifying financial fraud. Mr. Kenneth Patrick Chung attended trainings on accounting and governance, IFRS17, and model risk.

Training of company secretaries

Mr. Qiu Jicheng, and Mr. Chiu Ming King of Vistra Corporate Services (HK) Limited serve as joint company secretaries of the Bank. Mr. Chiu Ming King's main contact with the Bank is Mr. Qiu Jicheng.

During the reporting period, Mr. Qiu Jicheng and Mr. Chiu Ming King took part in related professional trainings for no less than 15 hours in accordance with the requirements of the *Listing Rules of Hong Kong Stock Exchange*.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of the above code during the year ended 31 December 2022.

Independent operating capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, institutional and financial matters. The Bank has independent and complete operating assets as well as independent operating capability, and is able to survive in the market on its own.

COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. Expect for the strategy development committee, more than half of the members of other committees are independent non-executive directors.

As of the disclosure date, details of the positions of the Bank's directors in committees under the Board are as follows.

Directors	Strategy development committee	Audit committee	Risk management committee	Nomination and remuneration committee	Related party transaction, social responsibility and consumer protection committee
Executive directors					
Mr. Tian Guoli	Chairman				
Mr. Zhang Jinliang	Member		Member		
Non-executive directors					
Mr. Xu Jiandong	Member		Member		
Mr. Tian Bo	Member	Member			
Mr. Xia Yang	Member		Member		
Ms. Shao Min	Member			Member	
Ms. Liu Fang	Member	Member			
Ms. Li Lu	Member			Member	
Independent non-executive directors					
Sir Malcolm Christopher McCarthy	Member		Member	Chairman	
Mr. Kenneth Patrick Chung	Member	Chairman	Member		Member
Mr. Graeme Wheeler		Member	Member	Member	Chairman
Mr. Michel Madelain		Member	Member	Member	Member
Mr. William Coen		Member	Member		Member
Mr. Leung Kam Chung, Antony	Member		Chairman	Member	

1. From June 2022, Mr. Zhang Jinliang as vice chairman of the Board of the Bank, executive director, and member of the strategy development committee and the risk management committee of the Board.
2. From March 2022, Mr. Wang Jiang ceased to serve as vice chairman of the Board of the Bank, executive director, and member of the strategy development committee and the risk management committee of the Board.
3. From December 2022, Mr. Zhang Qi ceased to serve as non-executive director of the Bank, and member of the strategy development committee and the nomination and remuneration committee of the Board.
4. From March 2023, Ms. Li Lu served as non-executive director of the Bank, as well as member of the strategy development committee and the nomination and remuneration committee of the Board.

Strategy development committee

At the end of 2022, the strategy development committee consists of 10 directors. Mr. Tian Guoli, chairman of the Board, serves as chairman of the committee. Members include Mr. Zhang Jinliang, Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung and Mr. Leung Kam Chung, Antony. Two of these members are executive directors, five are non-executive directors, and three are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategies and development plans, supervising and assessing implementation thereof;
- reviewing annual business plans and fixed assets investment budgets;
- reviewing the implementation of annual business plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing plans of the Bank;
- exercising the power over equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties and powers authorised by the Board.

In 2022, the strategy development committee held eight meetings in total. The committee enhanced analysis of the macroeconomic situations and research on major strategic issues, supervised and assessed the implementation of the Bank's 14th Five-Year Plan, strengthened capital planning, and studied and formulated development plans for green finance, building a digital CCB, and overseas business. It guided the whole bank to expand and upgrade the New Finance initiatives, enhanced the quality and efficiency of the implementation of the "Three Major Strategies", fulfilled its responsibilities as a major state-owned bank, and provided support for economic and social high-quality development.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Tian Guoli	8/8	0/8
Mr. Zhang Jinliang	5/5	0/5
Mr. Xu Jiandong	8/8	0/8
Mr. Tian Bo	8/8	0/8
Mr. Xia Yang	8/8	0/8
Ms. Shao Min	8/8	0/8
Ms. Liu Fang	8/8	0/8
Sir Malcolm Christopher McCarthy	7/8	1/8
Mr. Kenneth Patrick Chung	8/8	0/8
Mr. Leung Kam Chung, Antony	8/8	0/8
Resigned members		
Mr. Wang Jiang	1/1	0/1
Mr. Zhang Qi	8/8	0/8

In 2023, the strategy development committee will pay close attention to the changes in external situations, strengthen forward-looking strategy deployment and research on coping strategies, and supervise and assess the implementation of various strategic plans. It will continue to deepen the New Finance initiatives, focus on supporting and serving the real economy, increase the resilience of industrial chains and supply chains, and help keep the national economy operating within a reasonable range. It will actively fulfill its social responsibilities, attach great importance to the protection of rights and interests of financial consumers and other stakeholders, assume responsibilities as a major state-owned bank and ensure that the whole society could share the achievements of financial development.

Audit committee

At the end of 2022, the audit committee of the Bank consisted of six directors. Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, serves as chairman of the committee. Members include Mr. Tian Bo, Ms. Liu Fang, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen. Two of these members are non-executive directors and four are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and domestic and overseas regulatory requirements.

The primary responsibilities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal audit work of the Bank;
- monitoring and assessing the external audit work;
- paying attention to potential misconducts and ensuring appropriate arrangements;
- reporting the committee's work to the Board; and
- other duties and powers authorised by the Board.

In 2022, the audit committee convened six formal meetings, one pre-communication meeting for annual financial report and one for half-year financial report, and two separate meetings with external auditors. The audit committee paid special attention to the following issues, and put forward important opinions and suggestions to support the decision-making process of the Board:

Supervising and reviewing periodic reports. The committee reviewed annual report 2021 and half-year report 2022 and related summaries and results announcements, and the first and third quarterly reports of 2022, adhered to the practice of pre-communication for annual and half-year report and fully exchanged views with the management and external auditors. The committee closely followed major issues concerning operation management and financial reports and promoted the improvement of information disclosures. It promoted and supervised the ECL approach implementation and implemented latest regulatory requirements. In addition, it paid close attention to the changes in international environment and financial market and promoted the stable operation of overseas institutions and subsidiaries.

In terms of the annual report, pursuant to requirements of the CSRC, Listing Rules of Hong Kong Stock Exchange and the Bank's annual report working procedures for the audit committee of the Board, the audit committee reviewed the annual financial report of the Bank, and fully communicated with the management and formed written opinions before the commencement of onsite work of external auditors. Based on the initial audit opinions given by the external auditors, the committee strengthened communication with external auditors and reviewed the annual financial report again. After the completion of the audit, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for deliberation.

Overseeing and evaluating external audit. The committee oversaw the annual assessment of external auditors, which was taken as an important consideration for engaging external auditors. It agreed to continue to engage Ernst & Young as the Bank's external auditor for 2022, submitted the proposal to the Board for review, and reviewed and approved the 2022 external audit service contract. The committee debriefed on the external audit plan and the updates and implementation thereof, and regularly listened to reports on the audit of the financial reports. It studied the management suggestions from the external auditors, communicated over key audit matters, and accepted regular filings of work summaries of external auditors.

Overseeing and assessing internal control and internal audit. The committee attached importance to internal control, assessed the effectiveness of internal control on a regular basis, issued the assessment report and disclosed to the public. The committee paid attention to internal control defects identified in internal and external audits and internal control assessment, and promoted the continuous improvement and perfection of the internal control. The committee attached importance to internal audit, debriefed on the internal audit plan and related updates, and urged the assessment of internal audit quality. It regularly listened to the summary report on internal audit findings, continued to promote related rectifications, and promoted the coordination between the internal and external audit.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Tian Bo	6/6	0/6
Ms. Liu Fang	6/6	0/6
Mr. Graeme Wheeler	6/6	0/6
Mr. Michel Madelain	6/6	0/6
Mr. William Coen	6/6	0/6

In 2023, the audit committee will continue to strengthen the supervision of periodic reports to comply with accounting standards as well as domestic and overseas regulatory requirements, optimise disclosures in periodic reports, and provide professional advice to the Board. It will monitor and evaluate the external audits, and promote the improvement of service quality of external auditors. It will monitor and guide the internal audits, and urge rectifications related to audit findings. It will enhance the monitoring and evaluation of internal control, and urge the continuous improvement of the robustness and effectiveness of the internal control system. The audit committee will also assist the Board in other relevant work as authorised by the Board.

Risk management committee

At the end of 2022, the risk management committee consists of nine directors. Mr. Leung Kam Chung, Antony, independent non-executive director of the Bank, serves as chairman of the committee. Members include Mr. Zhang Jinliang, Mr. Xu Jiandong, Mr. Xia Yang, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen. One of these members is executive director, two are non-executive directors and six are independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- continuously supervising and examining the effectiveness of risk management system;
- providing guidance on the building of risk management system of the Bank;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and providing suggestions on improvement;
- reviewing the Bank's risk report, conducting periodic assessment of risk profile, and providing suggestions on improvement of risk management;
- evaluating the performance of the Bank's senior management members responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other duties and powers authorised by the Board.

In 2022, the risk management committee convened six meetings in total. The risk management committee actively promoted comprehensive risk management to achieve good results, guided the establishment of basic risk management policies and systems on all fronts, and followed and supervised the rectification of problems found in regulatory inspections. It strictly implemented regulatory requirements on global systematically important banks, closely analysed hotspot issues related to global risks and ESG-related risks, and guided the management to strengthen the ECL approach implementation. It intensified the Group's comprehensive risk management and consolidated management, gave high priority to risk management of important areas such as compliance, AML and IT and fully performed the duties of the U.S. risk management committee. It also played an important role in supporting the Board's scientific decision-making and overall improvement of the Bank's risk management.

Under the framework of overall risk management system, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank. The Board and the risk management committee of the Bank listened to the management's reports on the overall risk management of the Group on a semi-annual basis. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Leung Kam Chung, Antony	6/6	0/6
Mr. Zhang Jinliang	1/3	2/3
Mr. Xu Jiandong	6/6	0/6
Mr. Xia Yang	6/6	0/6
Sir Malcolm Christopher McCarthy	6/6	0/6
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Graeme Wheeler	6/6	0/6
Mr. Michel Madelain	6/6	0/6
Mr. William Coen	6/6	0/6
Resigned member		
Mr. Wang Jiang	1/1	0/1

In 2023, the risk management committee will conduct in-depth analysis on global economic and financial situations, and strictly implement domestic and overseas regulatory regulations and requirements of corporate governance documents. It will vigorously supervise the formulation, review and revision of basic risk management policies, and constantly consolidate the foundation of the risk management policy system. It will track and supervise the rectification of problems found in regulatory inspections and enhance the efficiency of rectification. It will promote the implementation of regulatory requirements on global systematically important banks to achieve the compliance of capacity indicators, carry out in-depth studies on particular risk themes such as liquidity risk, credit risk and digital transformation risk, and strengthen the analysis of ESG-related risks. It will guide the management to implement the ECL approach efficiently, and assist the Board to perform relevant approval and supervision duties. It will also guide and intensify synergistic risk control between parent companies and subsidiaries, continue to promote the Group's management of consolidation, compliance and AML and risk management of U.S.-based operations, keep enhancing the proactive, scientific and forward-looking risk management on all fronts, and further improve the risk management and control system that is comprehensive, active and intelligent.

Nomination and remuneration committee

At the end of 2022, the nomination and remuneration committee consists of five directors. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, serves as chairman of the committee. Members include Ms. Shao Min, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. Leung Kam Chung, Antony. One of these members is non-executive director, and four are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, president, chief audit officer, secretary to the Board and members of special committees under the Board to the Board;
- reviewing the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience) and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- evaluating the performance of board members;
- reviewing candidates for senior management nominated by the president;
- formulating development plans for senior management and key back-up personnel;
- reviewing the remuneration management rules submitted by the president;
- organising the formulation of performance evaluation measures for directors and senior management and submitting the measures to the Board for deliberation;
- organising performance appraisal of directors and senior management; proposing suggestions on the remuneration distribution plan for directors and senior management in accordance with the performance appraisal results and the board of supervisors' performance evaluations, and submitting the plan to the Board for deliberation;
- proposing suggestions on the remuneration distribution plan for supervisors in accordance with the performance appraisal of the supervisors by the board of supervisors and submitting the plan to the Board for deliberation;
- monitoring the implementation of the Bank's rules on performance appraisal and remuneration; and
- other duties and powers authorised by the Board.

In 2022, the nomination and remuneration committee convened six meetings in total. Regarding nomination, the committee proposed to the Board on the new candidates for executive directors and non-executive directors, the re-election and re-appointment of non-executive directors and independent non-executive directors, candidates for members of special committees under the Board and candidates for senior management members, and ensured that the nominees were eligible for these positions, complied with laws, administrative regulations, rules and the Articles of Association of the Bank and performed their duties diligently for the Bank. The nomination and remuneration committee recognised that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance appraisal, the nomination and remuneration committee conducted in-depth study on domestic regulatory policies on remuneration, organised the formulation of the remuneration distribution and settlement plan for directors, supervisors and senior management of the Bank for 2021, and improved the performance appraisal plans for executive directors and senior management for 2022. The committee deeply analysed the employee remuneration structure, and advanced the implementation of the policy of improving the remuneration of grassroots-level employees. It attached importance to the cultivation of key back-up talents, the development of female employees and the work progress of the CCB Learning Centre. It also put forward opinions and suggestions on continuously promoting the diversity of the board members and enhancing talent development and training.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Sir Malcolm Christopher McCarthy	6/6	0/6
Ms. Shao Min	6/6	0/6
Mr. Graeme Wheeler	6/6	0/6
Mr. Michel Madelain	6/6	0/6
Mr. Leung Kam Chung, Antony	6/6	0/6
Resigned member	6/6	0/6
Mr. Zhang Qi	6/6	0/6

In 2023, the nomination and remuneration committee will strengthen self-improvement, continue to accomplish the work in relation to nomination, review the structure, number of members and composition of the Board, and supervise the performance of the board members. It will further refine the remuneration and performance appraisal measures for the directors and senior management in accordance with China's remuneration regulatory policies. It will put forward the remuneration distribution and settlement plan for directors, supervisors and senior management for 2022, and continuously promote the talent team building and employee training.

Related party transaction, social responsibility and consumer protection committee

At the end of 2022, the related party transaction, social responsibility and consumer protection committee consists of four directors. Mr. Graeme Wheeler, independent non-executive director of the Bank, serves as chairman of the committee. Members include Mr. Kenneth Patrick Chung, Mr. Michel Madelain and Mr. William Coen. All of the members are independent non-executive directors.

The primary responsibilities of the related party transaction, social responsibility and consumer protection committee include:

- designing and proposing measurement standards for material related party transactions and the policies for related party transaction management and policies for internal approval and filing of the Bank according to the requirements of rules, regulations and the Articles of Association of the Bank, and submitting the same to the Board for approval;
- identifying the related parties of the Bank, reporting them to the Board and the board of supervisors, and making them public towards relevant personnel of the Bank;
- accepting the filing for general related party transactions, or approving general related party transactions when necessary;
- reviewing material related party transactions, submitting them to the Board for approval, and reporting them to the board of supervisors;
- studying and formulating the social responsibility strategy and policy of the Bank;
- monitoring, inspecting and assessing the Bank's fulfillment of social responsibilities, guiding and overseeing the production of the corporate social responsibility report;
- studying and formulating the ESG management guidelines and strategies of the Bank, regularly tracking and evaluating the progress in ESG, guiding and supervising related information disclosure;
- studying and formulating the Bank's green finance strategy, and supervising and evaluating the implementation of the strategy;
- supervising and instructing on senior management to promote inclusive finance related work;
- guiding and supervising the establishment and improvement of the management system for consumer protection, supervising the senior management's implementation of the relevant work and guiding the disclosure of major information in consumer protection; and
- other duties and powers authorised by the Board.

In 2022, the related party transaction, social responsibility and consumer protection committee convened six meetings in total. The committee supervised and guided the management to actively yet prudently promote the implementation of new regulations on related party transactions, revise the Articles of Association and committee work rules, review basic related party transaction policies and constantly refine comprehensive management of related party transactions in accordance with latest regulatory requirements. It boosted the implementation of strategic consulting projects on the protection of consumers' rights and interests, continuously promoted the robustness of strategies, policies and objectives of consumer protection, and supervised the preparation of consumer protection plan (2023-2025) and reviewed and approved the plan. It oversaw the execution of consumer protection programmes, and promoted Banks' compliance operation and healthy business development. It tracked and increased supervision of businesses such as housing rental, inclusive finance and finance for rural revitalisation, enhanced refined business management, and maximised the social benefits of New Finance initiatives. It reviewed the social responsibility report, continuously monitored the execution of charitable donations, urged the management to thoroughly implement the concept of green development, and promoted the development of green finance. It tracked the development trend of ESG in and out of China, strengthened communication with external ESG-related institutions, regularly listened to internal special ESG reports, and followed and assessed ESG progress to promote the Bank's sustainable development.

Members of related party transaction, social responsibility and consumer protection committee	Number of meetings attended in person/ number of meetings during term of office	Number of meetings attended by proxy/ number of meetings during term of office
Mr. Graeme Wheeler	6/6	0/6
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Michel Madelain	6/6	0/6
Mr. William Coen	6/6	0/6

In 2023, the related party transaction, social responsibility and consumer protection committee will strengthen the supervision and management of the related party transactions, improve the protection of consumer rights and interests, monitor and guide the promotion of ESG work, and promote the development of green finance. It will monitor and promote the implementation of the strategies of inclusive finance, finance for rural revitalisation and housing rental. It will monitor and guide the fulfilment of social responsibility, the implementation of charitable donations and review the social responsibility report. It will also assist the Board in relevant work as authorised by the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including financial reports, business reports and profit distribution plans that are proposed to be submitted to the shareholders' general meeting by the Board;
- supervising the Bank's business decisions, risk management, internal control, etc., and providing guidance on the internal audit work of the Bank; and
- exercising other duties authorised by the Articles of Association of the Bank and the shareholders' general meeting.

Composition of the board of supervisors

At the end of 2022, the board of supervisors of the Bank consists of seven supervisors, including two shareholder representative supervisors, namely Mr. Wang Yongqing and Mr. Lin Hong, two employee representative supervisors, namely Mr. Wang Yi and Mr. Liu Jun, and three external supervisors, namely Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Wang Yongqing is the chairman of the board of supervisors of the Bank, and is responsible for the organisation of the performance of the duties of the board of supervisors.

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in writing ten days prior to the meeting, with meeting agenda specified in the written notice. During the meeting, the supervisors are free to express their opinions, and important decisions are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors and are provided to all supervisors. The board of supervisors may engage external legal advisors or certified public accountants at the Bank's expense if it deems it necessary to discharge its duties. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and documents to them in accordance with related regulations.

Supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, when it deems necessary, assign supervisors to attend as non-voting attendees meetings of the Bank such as meetings of board committees, annual work conference, meetings on business operation analysis, and presidents' executive meetings. The board of supervisors of the Bank also carries out supervisory work through measures such as information review, researches and inspections, interviews and panel discussions, and performance evaluation polls.

The Bank effected supervisors' liability insurance policy for all supervisors in 2022.

Meetings of the board of supervisors

In 2022, the board of supervisors convened six meetings, which were held on 16 February, 29 March, 29 April, 24 June, 30 August, 28 October respectively. Major resolutions reviewed and approved included the report of the board of supervisors, supervisory work plan, periodic reports of the Bank, profit distribution plan, re-appointment of shareholder representative supervisors and external supervisors, and the assessment report on internal control for the year 2021. Relevant information was disclosed pursuant to the provisions of relevant laws, regulations and listing rules of the listing venues.

The following table sets forth the attendances of supervisors at the meetings of the board of supervisors in 2022:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Shareholder representative supervisors		
Mr. Wang Yongqing	4/6	2/6
Mr. Lin Hong	6/6	0/6
Employee representative supervisors		
Mr. Wang Yi	6/6	0/6
Mr. Liu Jun	6/6	0/6
External supervisors		
Mr. Zhao Xijun	6/6	0/6
Mr. Liu Huan	5/6	1/6
Mr. Ben Shenglin	5/6	1/6
Resigned supervisors		
Mr. Yang Fenglai	6/6	0/6
Mr. Deng Aibing	6/6	0/6

Duty performance of external supervisors

In 2022, Mr. Zhao Xijun, Mr. Liu Huan, Mr. Ben Shenglin, the external supervisors of the Bank, duly performed their duties, attended the meetings of the board of supervisors and special committees thereof, and participated in the studies and decision-making of major issues of the board of supervisors. They proactively attended major meetings of the Board, the special committees under the Board and the management as non-voting attendees, participated in the thematic researches organised by the board of supervisors, provided policy suggestions by leveraging their experience and expertise, and contributed to the effective supervision of the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of four supervisors. Mr. Liu Huan, external supervisor, serves as chairman of the committee. Members include Mr. Wang Yongqing, Mr. Lin Hong, and Mr. Zhao Xijun.

The primary responsibilities of the performance and due diligence supervision committee:

- formulating rules, work plans and schemes, and implementation plans for supervision and inspection, in connection with the supervision and assessment of the performance of the Board, senior management and their members, and implementing or organising the implementation of such rules, plans and schemes after the board of supervisors' approval;
- issuing evaluation report on the performance of the Board, senior management and their members; and
- organising the formulation of performance evaluation measures for the supervisors, and organising the implementation of such measures.

In 2022, the performance and due diligence supervision committee convened five meetings, all on-site. The performance and due diligence supervision committee reviewed the report on evaluation of the performance of the Board, senior management and their members by the board of supervisors, and self-evaluation report on the performance of the board of supervisors and supervisors. It studied and formulated the work plan for performance supervision and evaluation for the year of 2022. It reviewed the proposals regarding the reappointment of shareholder representative supervisors and external supervisors, and the performance appraisal plan for shareholder representative supervisors of the Bank. It reviewed the proposal on nominating Mr. Liu Huan as the chairman of the performance and due diligence supervision committee, and listened to special reports including the support for major regional strategies and strategies of coordinated development among regions, the implementation of inclusive finance strategies and the operation of "CCB Huidongni" platform, the progress of the Bank's data management and application ability building, the progress of mega wealth management and the implementation of the 14th Five Year Plan. The committee organised the implementation of annual supervisory work, and assisted the board of supervisors in the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

Members of the performance and due diligence supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Liu Huan	4/5	1/5
Mr. Wang Yongqing	3/5	2/5
Mr. Lin Hong	5/5	0/5
Mr. Zhao Xijun	5/5	0/5
Resigned members		
Mr. Yang Fenglai	5/5	0/5
Mr. Deng Aibing	5/5	0/5

In 2023, the performance and due diligence supervision committee will carry out solid work in supervision of performance of duties and responsibilities, explore ways of improvement in work approaches, promote the improvement of the duty performance supervision mechanisms, and assist the board of supervisors in performance supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

The finance and internal control supervision committee consists of five supervisors. Mr. Zhao Xijun, external supervisor, serves as chairman of the committee. Members include Mr. Lin Hong, Mr. Wang Yi, Mr. Liu Jun and Mr. Ben Shenglin.

The primary responsibilities of the finance and internal control supervision committee:

- formulating the rules, work plans and schemes in connection with supervision of finance and internal control, and implementing or organising the implementation of such rules, plans, and schemes after the approval of the board of supervisors;
- reviewing the annual financial reports of the Bank and the profit distribution plan prepared by the Board, and providing suggestions to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2022, the finance and internal control supervision committee convened five meetings, all on-site. It reviewed proposals including periodic reports, profit distribution plan and internal control evaluation report, and listened to work reports on financial report auditing, internal audit findings and rectifications, and credit asset quality on a regular basis. The committee supervised and provided suggestions on internal control, acquisition and disposal of material assets, related party transactions and use of proceeds, etc. in accordance with regulatory provisions. It listened to special reports on the implementation of comprehensive business plans, deposit price management, strengthening centralized procurement management and rectification of problems found in regulatory audit inspection, comprehensive risk management, the formulation and implementation of risk preference, the Group's liquidity risk management, regulatory punishment and rectification, promotion of gambling and fraud control, business continuity management and building of disaster recovery system, implementation of Basel III regulatory rules, stress test, case prevention and control, AML, as well as the business development and compliance management of international businesses and overseas institutions. In this regard, it put forward targeted suggestions, and helped the board of supervisors perform the supervision of finance, risk and internal control.

Members of the finance and internal control supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Zhao Xijun	5/5	0/5
Mr. Lin Hong	5/5	0/5
Mr. Wang Yi	5/5	0/5
Mr. Liu Jun	3/5	2/5
Mr. Ben Shenglin	3/5	2/5
Resigned members		
Mr. Yang Fenglai	5/5	0/5

In 2023, the finance and internal control supervision committee will perform its duties earnestly, continuously expand the breadth and depth of supervision, innovate the means of supervision, strengthen the force of supervision, and continue to carefully supervise the Bank's finance, risk and internal control.

SENIOR MANAGEMENT

Responsibilities of senior management

The senior management is accountable to the Board and supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with the Articles of Association of the Bank and other corporate governance documents. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions:

- presiding over the operation and management of the Bank, and organising the implementation of resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising the implementation of such plans upon approval of the Board;
- formulating basic management rules of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operating activities;
- establishing president accountability system, and evaluating business performance of managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of extraordinary board meetings; and
- exercising other functions that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.

Executive vice presidents and other senior management members of the Bank shall assist president with his work.

Operation of senior management

Based on the authorisation of the Articles of Association of the Bank and other corporate governance documents and the Board, the senior management organises operation and management activities of the Bank in an orderly manner. According to the strategies and targets determined by the Board, it makes comprehensive business plans and regularly reports to the Board on implementation of strategies and plans. The senior management analyses, researches and assesses internal and external environment, works out operation strategies and management measures, and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operation and management capabilities and operational efficiency.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Tian Guoli	Chairman, executive director	Male	62	October 2017 to 2022 annual general meeting
Zhang Jinliang	Vice chairman, executive director	Male	53	June 2022 to 2024 annual general meeting
Xu Jiandong	Non-executive director	Male	59	June 2020 to 2022 annual general meeting
Tian Bo	Non-executive director	Male	51	August 2019 to 2024 annual general meeting
Xia Yang	Non-executive director	Male	54	August 2019 to 2024 annual general meeting
Shao Min	Non-executive director	Female	58	January 2021 to 2022 annual general meeting
Liu Fang	Non-executive director	Female	49	January 2021 to 2022 annual general meeting
Li Lu	Non-executive director	Female	42	March 2023 to 2024 annual general meeting
Malcolm Christopher McCarthy	Independent non-executive director	Male	79	August 2017 to 2022 annual general meeting
Kenneth Patrick Chung	Independent non-executive director	Male	65	November 2018 to 2023 annual general meeting
Graeme Wheeler	Independent non-executive director	Male	71	October 2019 to 2024 annual general meeting
Michel Madelain	Independent non-executive director	Male	67	January 2020 to 2024 annual general meeting
William Coen	Independent non-executive director	Male	60	June 2021 to 2023 annual general meeting
Leung Kam Chung, Antony	Independent non-executive director	Male	71	October 2021 to 2023 annual general meeting
Resigned directors				
Wang Jiang	Vice chairman, executive director	Male	59	March 2021 to March 2022
Zhang Qi	Non-executive director	Male	50	July 2017 to December 2022

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Yongqing	Chairman of the board of supervisors, shareholder representative supervisor	Male	59	October 2019 to 2024 annual general meeting
Lin Hong	Shareholder representative supervisor	Male	56	December 2021 to 2023 annual general meeting
Wang Yi	Employee representative supervisor	Male	60	May 2018 to 2023 annual general meeting
Liu Jun	Employee representative supervisor	Male	57	December 2021 to 2023 annual general meeting
Zhao Xijun	External supervisor	Male	59	June 2019 to 2024 annual general meeting
Liu Huan	External supervisor	Male	68	June 2020 to 2022 annual general meeting
Ben Shenglin	External supervisor	Male	57	June 2020 to 2022 annual general meeting
Resigned supervisors				
Yang Fenglai	Shareholder representative supervisor	Male	60	June 2020 to November 2022
Deng Aibing	Employee representative supervisor	Male	60	December 2021 to November 2022

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Zhang Jinliang	President	Male	53	May 2022 -
Cui Yong	Executive vice president	Male	53	August 2022 -
Ji Zhihong	Executive vice president	Male	54	August 2019 -
Li Yun	Executive vice president	Male	49	November 2021 -
Wang Bing	Executive vice president	Male	51	March 2023 -
Hu Changmiao	Secretary to the Board	Male	59	May 2019 -
Jin Panshi	Chief information officer	Male	58	March 2021 -
Cheng Yuanguo	Chief risk officer	Male	60	April 2021 -
Sheng Liurong	Chief financial officer	Male	57	November 2022 -
Resigned senior management				
Wang Jiang	President	Male	59	February 2021 to March 2022
Wang Hao	Executive vice president	Male	51	October 2020 to July 2022
Zhang Min	Executive vice president	Female	52	December 2020 to January 2023

Shareholdings of directors, supervisors and senior management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank. Some of the Bank's directors, supervisors and senior management indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed current positions. Mr. Lin Hong held 15,555 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Liu Jun held 12,447 H-shares, Mr. Hu Changmiao held 17,709 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, and Mr. Sheng Liurong held 17,521 H-shares. Mr. Wang Jiang, the resigned vice chairman of the Board, executive director and president, held 15,417 H-shares; Mr. Yang Fenglai, the resigned supervisor, held 16,789 H-shares; Mr. Deng Aibing, the resigned supervisor, held 17,009 H-shares; Mr. Wang Hao, the resigned executive vice president held 12,108 H-shares; Ms. Zhang Min, the resigned executive vice president, held 9,120 H-shares. Apart from the above, the other directors, supervisors or senior management of the Bank did not hold any shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Mr. Cui Yong and Mr. Ji Zhihong were elected as executive directors of the Bank with approval of the 2023 first extraordinary general meeting of the Bank, and their qualification as director is subject to approval of the relevant regulatory authority. Upon election at the 2022 first extraordinary general meeting of the Bank and approval of the CBRIC, Ms. Li Lu began to serve as non-executive director of the Bank from March 2023. Upon election at the 2021 annual general meeting and review at the board meeting of the Bank, Mr. Zhang Jinliang served as vice chairman and executive director of the Bank from June 2022. Upon election at the 2021 annual general meeting of the Bank, Mr. Tian Bo and Mr. Xia Yang continued to serve as non-executive directors of the Bank from June 2022, and Mr. Graeme Wheeler and Mr. Michel Madelain continued to serve as independent non-executive directors of the Bank from June 2022.

Due to change of job, Mr. Wang Jiang ceased to serve as vice chairman and executive director of the Bank from March 2022, and Mr. Zhang Qi ceased to serve as non-executive director of the Bank from December 2022.

Supervisors of the Bank

Upon election at the 2021 annual general meeting and meeting of the board of supervisors of the Bank, Mr. Wang Yongqing continued to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank from June 2022. Upon election at the 2021 annual general meeting, Mr. Zhao Xijun continued to serve as external supervisor of the Bank from June 2022.

Due to change of job, Mr. Yang Fenglai ceased to serve as shareholder representative supervisor of the Bank from November 2022. By reason of age, Mr. Deng Aibing ceased to serve as employee representative supervisor of the Bank from November 2022.

Senior management of the Bank

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Wang Bing served as executive vice president of the Bank from March 2023. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Sheng Liurong served as chief financial officer of the Bank from November 2022, and Mr. Cui Yong served as executive vice president of the Bank from August 2022. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Zhang Jinliang served as president of the Bank from May 2022.

Due to change of job, Ms. Zhang Min ceased to serve as executive vice president of the Bank from January 2023. Due to change of job, Mr. Wang Hao ceased to serve as executive vice president of the Bank from July 2022. Due to change of job, Mr. Wang Jiang ceased to serve as president of the Bank from March 2022.

Changes in personal information of directors, supervisors and senior management

Mr. Tian Guoli, chairman and executive director of the Bank, served as member of International Advisory Panel of Monetary Authority of Singapore from November 2022 and as chairman of the Payment & Clearing Association of China from April 2022.

Mr. Zhang Jinliang, vice chairman, executive director and president of the Bank, ceased to serve as director and general manager of China Post Group Corporation Limited and chairman and non-executive director of Postal Savings Bank of China Co., Ltd. from April 2022.

Mr. William Coen, independent non-executive director of the Bank, began to serve as independent non-executive director of Buna, a cross-border payment system in the Arab region, from July 2022, and senior advisor, global financial services of KPMG from May 2022.

In accordance with the penalty given by the CBRIC on 16 February 2023 (CBIRC Fajuezi〔2023〕No.11). Mr. Wang Yi, employee representative supervisor of the Bank, was warned of his duty in relation to the Bank's personal lending management.

Mr. Liu Jun, employee representative supervisor of the Bank, served as chairman of CCB Principal Asset Management from July 2022 to February 2023.

Mr. Ben Shenglin, external supervisor of the Bank, ceased to serve as independent non-executive director of China International Capital Corporation from June 2022 and as independent non-executive director of Wuchan Zhongda Group Co., Ltd. from May 2022.

Mr. Cui Yong, executive vice president of the Bank, began to serve concurrently as the chairman of the Council of Strategic Emerging Industries Development Fund from October 2022.

Mr. Ji Zhihong, executive vice president of the Bank, began to serve concurrently as the chairman of the Council of CCB Housing Rental Fund from November 2022.

Mr. Wang Bing, executive vice president of the Bank, began to serve concurrently as chairman of CCB Asia from March 2023.

Biographical Details of Directors, Supervisors and Senior Management

Directors of the Bank

Tian Guoli, chairman and executive director

Mr. Tian has served as chairman and executive director of the Bank since October 2017, concurrently as chairman of Sino-German Bausparkasse since March 2018. Mr. Tian currently also serves as chairman of China Banking Association, a member of the Expert Committee for the 14th Five-Year Plan for Economic and Social Development of China, a member of the PBC's Monetary Policy Committee, chairman of the Payment & Clearing Association of China and a member of International Advisory Panel of Monetary Authority of Singapore. Mr. Tian served as chairman of BOC from May 2013 to August 2017, during which he also served as chairman and non-executive director of BOC Hong Kong (Holdings) Limited. From December 2010 to April 2013, he served as vice chairman and general manager of China CITIC Group Corporation, during which he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, he served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. Tian held positions in the Bank, including branch deputy general manager, general manager of head office departments, and assistant president of the Bank. Mr. Tian is a senior economist. He received a bachelor's degree in economics from Hubei Institute of Finance and Economics in 1983.

Zhang Jinliang, vice chairman, executive director and president

Mr. Zhang has served as vice chairman and executive director of the Bank since June 2022 and as president of the Bank since May 2022. From August 2018 to April 2022, Mr. Zhang served as director and general manager of China Post Group Corporation Limited (previously China Post Group Corporation). From May 2019 to April 2022, Mr. Zhang served as chairman and non-executive director of Postal Savings Bank of China Co., Ltd. From January 2016 to August 2018, Mr. Zhang was executive director of China Everbright Group and executive director and president of China Everbright Bank. From October 2003 to January 2016, Mr. Zhang served successively as deputy general manager of finance and accounting department, head of IT blueprint implementation office, general manager of financial management department, general manager of Beijing Branch, executive director and executive vice president of Bank of China. Mr. Zhang is a certified public accountant and senior accountant. He obtained a Ph.D. degree in Economics from Xiamen University in 1997.

Xu Jiandong, non-executive director

Mr. Xu has served as non-executive director of the Bank since June 2020. Mr. Xu joined Huijin in 2015. Mr. Xu served as non-executive director of ABC from February 2015 to June 2020. Mr. Xu served as deputy counsel of the management and inspection department of the SAFE from June 2012 to April 2015, deputy director of the financial affairs office of Jilin Province from April 2011 to June 2012, deputy counsel of the balance of payment department of the SAFE from March 2004 to April 2011. Mr. Xu served as deputy division-chief of the Foreign Exchange Market Management Division of the Balance of Payment Department and division-chief of the Banking Management Division of the Balance of Payment Department at the SAFE from September 1994 to March 2004. Mr. Xu graduated from the Central University of Finance and Economics with a bachelor's degree in finance in 1986.

Tian Bo, non-executive director

Mr. Tian has served as non-executive director of the Bank since August 2019. Mr. Tian joined Huijin in 2019. From March 2006 to August 2019, Mr. Tian worked consecutively as division head of banking business department, division head and assistant general manager of corporate banking department, deputy general manager of trade finance department and deputy general manager of transaction banking department of BOC. From February 2016 to February 2018, Mr. Tian also served as a member of the Standing Committee of the CPC Municipal Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region. From July 1994 to March 2006, Mr. Tian worked at Beijing Branch of ICBC and head office of China Minsheng Bank. Mr. Tian graduated from Beijing College of Finance and Trade with a bachelor's degree in finance in 1994 and obtained a master's degree in management from the Capital University of Economics and Business in 2004.

Xia Yang, non-executive director

Mr. Xia has served as non-executive director of the Bank since August 2019. Mr. Xia joined Huijin in 2019. From August 1997 to September 2019, Mr. Xia worked in Hua Xia Bank, and consecutively served in various positions including general manager of asset custody department, general manager of Jinan Branch, general manager of Hefei Branch, chief disciplinary officer and deputy general manager of Hangzhou Branch, secretary of discipline inspection committee and deputy general manager of Wenzhou Branch. From December 1988 to August 1997, Mr. Xia worked for Zhejiang Branch of ICBC and Hangzhou Branch of China Merchants Bank. Mr. Xia is a senior economist and accountant. Mr. Xia graduated from Nanjing University with a bachelor's degree in human and animal physiology in 1988; he graduated from Nanjing University with a PhD degree in management sciences and engineering in 2018.

Shao Min, non-executive director

Ms. Shao has served as non-executive director of the Bank since January 2021. Ms. Shao joined Huijin in 2021. Ms. Shao served as senior counsel of the supervision and evaluation bureau of Ministry of Finance from June 2019 to February 2021. From April 2019 to June 2019, Ms. Shao was counsel of the supervision and evaluation bureau of Ministry of Finance. From September 2015 to April 2019, Ms. Shao was deputy director-general of the accounting department of Ministry of Finance. From August 1987 to September 2015, Ms. Shao consecutively served as chief staff member and assistant consultant of the industrial transportation finance department of Ministry of Finance, assistant consultant and deputy director of the fiscal supervision department of Ministry of Finance and deputy director, director and deputy director-general of the supervision and inspection bureau of Ministry of Finance. Ms. Shao graduated from Dongbei University of Finance & Economics with a bachelor's degree in economics in 1987.

Liu Fang, non-executive director

Ms. Liu has served as non-executive director of the Bank since January 2021. Ms. Liu joined Huijin in 2021. Ms. Liu served as deputy director-general of the general affairs department (policy and regulation department) and counsel of SAFE from July 2019 to February 2021. From March 2015 to June 2019, she was deputy director-general of the General Affairs Department (Policy and Regulation Department) of SAFE. From July 1999 to February 2015, Ms. Liu consecutively served as chief staff member and deputy director of the balance of payments department of SAFE, deputy director and director of the general affairs department (policy and regulation department) of SAFE. Ms. Liu graduated from School of International Economics of Renmin University of China with a master's degree in economics in 1999.

Li Lu, non-executive director

Ms. Li has served as non-executive director of the Bank since March 2023. Ms. Li joined Huijin in 2005. From January 2005 to March 2023, Ms. Li took up posts in Huijin including business manager and deputy senior manager of BOC equity management division of Bank Department, senior manager of research and support division of Banking Institution Management Department I, director of CCB division of Equity Management Department I, and managing director of Equity Management Department I. During her terms of office, Ms. Li worked as deputy general manager of Dongcheng Sub-branch, Beijing Branch, Bank of China from May 2012 to April 2013. Ms. Li obtained a bachelor's degree in economics from Capital University of Economics and Business in 2002, and received her master's degree of Science from University of Surrey in the United Kingdom in 2003.

Malcolm Christopher McCarthy, independent non-executive director

Sir McCarthy has served as independent non-executive director of the Bank since August 2017. He served as independent non-executive director of ICBC from December 2009 to October 2016. He worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked in senior positions of Barclays Bank in London, Japan and North America. He served as chairman and chief executive of Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority (FSA), non-executive director of Her Majesty's Treasury, chairman of the board of directors of J.C. Flowers & Co. UK Ltd, non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange (ICE), and trustee of the Said Business School of Oxford University. He is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling and the Cass Business School, and a Freeman of the City of London. He has a MA in history from Merton College of Oxford University, PhD in Economics of Stirling University, and Master from Graduate School of Business of Stanford University.

Kenneth Patrick Chung, independent non-executive director

Mr. Chung has served as independent non-executive director of the Bank since November 2018. Mr. Chung served as independent non-executive director of ICBC from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and the Chinese mainland) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and the Chinese mainland), the global lead partner of the audit engagement team for BOC, the honorary treasurer of the Community Chest of Hong Kong and was a member of the Ethics Committee, Limitation of Professional Liability Committee, Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. He also served as the audit head for the restructurings and initial public offerings of BOC, Bank of China (Hong Kong) Limited and Bank of Communications, and chairman of the audit committee of the Harvest Real Estate Investments (Cayman) Limited and independent non-executive director of Prudential Corporation Asia. Mr. Chung currently serves as independent non-executive director of Sands China Ltd., Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and trustee of Fu Tak Iam Foundation Limited. Mr. Chung is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Macau Society of Certified Practising Accountants, and obtained a bachelor's degree in economics from University of Durham.

Graeme Wheeler, independent non-executive director

Mr. Wheeler has served as independent non-executive director of the Bank since October 2019. Mr. Wheeler has served as non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and cofounder of Privatisation Analysis and Consulting Ltd. from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office (NZDMO) and deputy secretary to New Zealand Treasury from 1993 to 1997, director of macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Wheeler was awarded Companion of the New Zealand Order of Merit in 2018. Mr. Wheeler obtained his master's degree of commerce in economics from University of Auckland in 1972.

Michel Madelain, independent non-executive director

Mr. Madelain has served as independent non-executive director of the Bank since January 2020. Mr. Madelain has been trustee of the IFRS Foundation since January 2018 and a member of the Supervisory Board of La Banque Postale in France since April 2018. From June 2016 to December 2018, he was vice chairman of Moody's Investors Service (MIS). Concurrently, he served as chairman of Moody's European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a Qualified Chartered Accountant of France. He obtained a master's degree in management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in business administration from the Ecole Supérieure de Commerce de Rouen, France.

William Coen, independent non-executive director

Mr. Coen has served as independent non-executive director of the Bank since June 2021. Mr. Coen has served as independent non-executive director of Buna, a cross-border payment system in the Arab region, from July 2022, as senior advisor, global financial services of KPMG from May 2022, and as member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. from October 2021. He currently serves as a member of the Advisory Board of Baton Systems, Inc. since June 2021 and chief regulatory adviser for Suade Labs since April 2021. He has been chairman of the IFRS Advisory Council from February 2020, member of the board of directors of the Toronto Leadership Centre since November 2019 and technical advisor of the International Monetary Fund since July 2019. He served as secretary general of the Basel Committee on Banking Supervision from 2014 to 2019, deputy secretary general of the Basel Committee on Banking Supervision from 2007 to 2014, and supported BIS Financial Stability Institute from 2003 to 2006. Prior to joining the Basel Committee on Banking Supervision Secretariat in 1999, he consecutively worked with the US Office of Comptroller of the Currency and the US Board of Governors of the Federal Reserve System. Mr. Coen is currently a member of the Bretton Woods Committee and was a member of the Financial Stability Board and its standing committees. He obtained his Bachelor of Science Degree from Manhattan College in 1984 and his Master of Business Administration Degree from Fordham University in 1991.

Leung Kam Chung, Antony, independent non-executive director

Mr. Leung has served as independent non-executive director of the Bank since October 2021. Mr. Leung, former Financial Secretary of the Hong Kong SAR, is the chairman of Nan Fung Group in Hong Kong, the chairman and co-founder of New Frontier Group, and served as the chairman & co-founder of Solomon Learning. In addition, Mr. Leung is the chairman of two charity organisations, namely Heifer Hong Kong and Food Angel. Mr. Leung had extensive experience in financial services, including chairman of Greater China Region of Blackstone Group, chairman of Asia for JP Morgan Chase and head of Private Banking for Asia, Investment Banking, Treasury Department and Greater China Region of Citi. Mr. Leung had also served as independent non-executive director of China Merchants Bank, Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited and American International Assurance (Hong Kong) Limited, international advisor of China Development Bank, chief executive officer of Nan Fung Group in Hong Kong and chairman of Hong Kong Association of Harvard Business School. Other public services that Mr. Leung had engaged in included non-official member of the Executive Council of the Hong Kong SAR, chairman of the Education Commission, chairman of the University Grants Committee, member of the Exchange Fund Advisory Committee, director of Hong Kong Airport Authority and director of Hong Kong Futures Exchange, member of the Preparatory Committee and Election Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Mr. Leung graduated from the University of Hong Kong in 1973 and attended Harvard Business School's Programme for Management Development and Advanced Management Programme. Mr. Leung was conferred an honorary doctor of law by the Hong Kong University of Science and Technology in 1998.

Supervisors of the Bank

Wang Yongqing, chairman of the board of supervisors and shareholder representative supervisor

Mr. Wang has served as chairman of the board of supervisors of the Bank since October 2019. Mr. Wang served as vice chairman of the China Federation of Industry and Commerce from December 2016 to July 2019. He served consecutively as deputy director-general (director-general level) and director-general of the fifth bureau, director of the sixth bureau of the United Front Work Department of the CPC Central Committee from December 2003 to November 2016. He served consecutively as deputy director of the general office, assistant general manager and director of the general office, and chief accountant of China International Engineering Consulting Corporation from December 1998 to December 2003. He worked in China Development Bank from July 1994 to December 1998, and worked in the Ministry of Railway from July 1985 to July 1994. Mr. Wang is a senior accountant. He graduated from Hubei Institute of Finance and Economics, and obtained a master's degree in economics from Renmin University of China and a PhD degree in economics from Beijing Jiaotong University.

Lin Hong, shareholder representative supervisor

Mr. Lin has served as supervisor of the Bank since December 2021. Mr. Lin has served as general manager of the audit department of the Bank since May 2018. Mr. Lin served as leader of the inspection team of CPC China Construction Bank Committee from May 2017 to May 2018, deputy general manager of the Jiangxi Branch of the Bank (general manager level) from March 2015 to May 2017, deputy secretary of the discipline inspection committee, deputy general manager of the disciplinary and supervisory department and deputy director of the inspection affairs office (general manager level) of the Bank from March 2007 to March 2015 and deputy general manager of the disciplinary and supervisory department of the Bank from August 2001 to March 2007. Mr. Lin is a senior accountant. He graduated from Jiangxi Finance and Economics College with a bachelor's degree in auditing in 1988 and obtained a PhD degree in industrial economics from Jiangxi University of Finance and Economics in 2008.

CORPORATE GOVERNANCE REPORT

Wang Yi, employee representative supervisor

Mr. Wang has served as supervisor of the Bank since May 2018. Mr. Wang has served as head of preparation group for CCB Consumer Finance Co., Ltd. since May 2021. He served as general manager of housing finance and personal lending department of the Bank from November 2013 to May 2021. He concurrently served as chairman of CCB Housing from December 2018 to November 2019. He served as deputy general manager of personal savings and investment department of the Bank (general manager level) from November 2009 to November 2013, deputy general manager of personal savings and investment department of the Bank from December 2008 to November 2009, deputy general manager of personal finance department of the Bank from June 2005 to December 2008, and assistant general manager of personal banking department of the Bank from July 2001 to June 2005. Mr. Wang is a senior engineer. He graduated from Shandong University with a bachelor's degree in computational mathematics in 1984 and obtained an EMBA degree from Peking University in 2010.

Liu Jun, employee representative supervisor

Mr. Liu has served as supervisor of the Bank since December 2021. Mr. Liu has served as general manager of Shanghai Branch of the Bank since February 2023. He served as chairman of CCB Principal Asset Management from July 2022 to February 2023. He served as general manager of Guangdong Branch of the Bank from December 2014 to March 2022. He served as head of Guangdong Branch of the Bank from November 2014 to December 2014, general manager of Shenzhen Branch of the Bank from April 2011 to November 2014, head of Shenzhen Branch of the Bank from March 2011 to April 2011, deputy general manager of Guangdong Branch of the Bank from September 2008 to March 2011, and assistant general manager of Guangdong Branch of the Bank from June 2006 to September 2008. Mr. Liu graduated from Anhui University with a bachelor's degree in law in 1986 and obtained an MBA degree from Hong Kong Baptist University in 2003.

Zhao Xijun, external supervisor

Mr. Zhao has served as supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of the CSRC from 1994 to 1995. Mr. Zhao is independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and iFLYTEK Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, completed his graduate studies from the finance department of Renmin University of China in 1987, and received his PhD degree from the School of Finance of Renmin University of China in 1999.

Liu Huan, external supervisor

Mr. Liu has served as supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as deputy dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, deputy dean of the Department of Taxation, and deputy dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he served as deputy director-general of the Local Taxation Bureau of Beijing Xicheng District and assistant director-general of the Local Taxation Bureau of Beijing. Mr. Liu is a member of the Standing Committee and deputy director of the Economic Committee of the 11th, 12th and 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor of School of Economics and Management of Tsinghua University, a visiting professor of the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation of the University of Chinese Academy of Social Sciences. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

Ben Shenglin, external supervisor

Mr. Ben has served as supervisor of the Bank since June 2020. Mr. Ben has served as a professor and doctoral supervisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben had served in senior positions in financial institutions including JPMorgan Chase Bank, HSBC and ABN AMRO Bank. He currently serves as independent non-executive director of Industrial Bank Co., Ltd. Mr. Ben is a member of the Standing Committee of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served in social positions including co-chairman of the Zhejiang Association of FinTech. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in business administration from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

Senior Management of the Bank

Zhang Jinliang, president

See "Directors of the Bank".

Cui Yong, executive vice president

Mr. Cui has served as executive vice president of the Bank from August 2022. Mr. Cui has served concurrently as chairman of the Council of Strategic Emerging Industries Development Fund since October 2022. He was executive vice president of Agricultural Bank of China from May 2019 to August 2022. Mr. Cui served in various positions in Industrial and Commercial Bank of China, including general manager of the corporate banking department of the head office from January 2017 to March 2019, deputy general manager of Beijing Branch from August 2015 to January 2017, and general manager of Xiamen Branch from August 2011 to August 2015, deputy general manager of Qingdao Branch, and deputy general manager of the corporate banking department I of the head office. Mr. Cui consecutively worked with the Ministry of Transport and the National Development and Reform Commission. Mr. Cui is a senior economist and received a bachelor's degree in engineering from Xi'an Highway Institute with the major of railway and bridge engineering in 1993.

Ji Zhihong, executive vice president

Mr. Ji has served as executive vice president of the Bank since August 2019. Mr. Ji has served concurrently as chairman of the Council of CCB Housing Rental Fund since November 2022. He served as director-general of the financial market department of the PBC from August 2013 to May 2019, during which he was concurrently director of the financial market management department of the Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the research bureau of the PBC. From April 2010 to September 2012, he was deputy director-general of the monetary policy department of the PBC. From February 2008 to April 2010, he was deputy director (deputy director-general level) of the open market operations department of the PBC Shanghai Head Office. Mr. Ji is a research fellow. He obtained a master's degree in international finance from the Graduate School of the People's Bank of China in 1995 and a PhD degree in national economics from Chinese Academy of Social Sciences in 2005.

Li Yun, executive vice president

Mr. Li has served as executive vice president of the Bank since November 2021. Mr. Li was general manager of Guizhou Branch of ABC from November 2017 to August 2021, head of Guizhou Branch from July 2017 to November 2017, general manager of the asset and liability management department/Sannong capital and fund management centre of ABC from May 2015 to July 2017, deputy general manager in charge of work of the strategic planning department of ABC from April 2014 to May 2015, deputy general manager of the strategic planning department from May 2011 to April 2014, deputy general manager of the strategic management department from December 2010 to May 2011. Mr. Li is a senior economist with special grants from the PRC government. Mr. Li graduated from Wuhan University with a master's degree in money and banking in September 1997 and obtained a PhD degree in world economics from the same university in July 2000.

Wang Bing, executive vice president

Mr. Wang has served as executive vice president of the Bank since March 2023. Mr. Wang has served concurrently as chairman of CCB Asia since March 2023. Mr. Wang served as deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from December 2018 to December 2022, during which he also concurrently served as director and chairman of BOCI-Prudential Trustee Limited as well as BOC Group Trustee Company Limited, and director of BOC Group Insurance Company Limited. Mr. Wang served as general manager of Jiangsu Branch of the BOC from July 2015 to October 2018, general manager of Ningbo Branch of BOC from July 2014 to July 2015, deputy general manager of Jiangsu Branch of BOC from January 2011 to July 2014, and assistant general manager of Jiangsu Branch of BOC from April 2009 to January 2011. Mr. Wang is an economist. He graduated from Soochow University with a master's degree in English Language and Literature in 1996. He also obtained an MBA degree from City University of London in the UK in 2007.

Hu Changmiao, secretary to the Board

Mr. Hu has served as secretary to the Board of the Bank since May 2019. Mr. Hu served as general manager of the Board of Directors Office of the Bank from December 2018 to April 2022. He served as chairman of CCB Financial Leasing from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of public relations & corporate culture department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the management of the board of director office of the Bank from June 2005 to March 2006. He served as deputy general manager of the executive office of the Bank from December 2004 to June 2005, deputy general manager of credit card centre of the Bank from March 2003 to December 2004, and deputy general manager of personal banking department of the Bank from July 2001 to March 2003. Mr. Hu is a senior economist. He graduated from Peking University with a master of science degree in economic geography in 1986.

Jin Panshi, chief information officer

Mr. Jin has served as chief information officer of the Bank since March 2021. Mr. Jin served as information controller of the Bank from February 2018 to March 2021. He served as general manager of the information technology management department of the Bank from January 2010 to February 2018, general manager of the audit department of the Bank from December 2007 to January 2010, deputy director of the board of supervisors' office from November 2004 to December 2007, deputy general manager of the audit department of the Bank from June 2001 to October 2004. He was concurrently supervisor of the Bank from October 2004 to November 2016. Mr. Jin is a senior engineer and a certified information systems auditor. He graduated from Jilin University of Technology with a bachelor's degree and a master's degree in computer application in 1986 and 1989 respectively, and obtained an EMBA degree from Tsinghua University in 2010.

Cheng Yuanguo, chief risk officer

Mr. Cheng has served as chief risk officer of the Bank since April 2021. Mr. Cheng served as general manager of the corporate business department of the Bank from February 2017 to May 2021, head and general manager of Hebei Branch of the Bank from July 2014 to February 2017, general manager of the group clients department (banking business department) of the Bank from March 2011 to July 2014, deputy general manager of the group clients department (banking business department) of the Bank from May 2005 to March 2011, and deputy general manager of the banking business department of the Bank from September 2001 to May 2005. Mr. Cheng served concurrently as supervisor of the Bank from May 2018 to March 2021, chairman of CCB Trust from August 2017 to July 2018, and director of CCB International from September 2010 to October 2015. Mr. Cheng is a senior accountant. Mr. Cheng graduated from Dongbei University of Finance and Economics with a bachelor's degree in infrastructure finance and credit in 1986.

Sheng Liurong, chief financial officer

Mr. Sheng has served as chief financial officer of the Bank since November 2022. Mr Sheng has served as general manager of the asset and liability management department of the Bank since March 2020, and served concurrently as non-executive director of CCB Financial Leasing since August 2018. Mr. Sheng served as head and general manager of the financial market department of the Bank from September 2017 to March 2020, general manager of Xiamen Branch of the Bank from July 2014 to September 2017. He served as deputy general manager of Xiamen Branch of the Bank from October 2003 to July 2014, and head of the preparation team of Chile Branch of the Bank from May 2013 to July 2014. Mr. Sheng is a senior economist. He graduated from Xiamen University with a bachelor's degree in finance in 1986, a master's degree in money and banking in 1990, and obtained a PhD degree in economics from Xiamen University in 1997.

Remuneration of Directors, Supervisors and Senior Management

(In thousands of RMB)

Name	Allowance	Remuneration paid	Contribution by the employer to social insurance, housing fund, etc.	Total (before tax)[1]	Whether obtaining remuneration from related parties of the Bank
Tian Guoli	–	656.3	216.8	873.1	No
Zhang Jinliang	–	437.6	140.6	578.2	No
Xu Jiandong[2]	–	–	–	–	Yes
Tian Bo[2]	–	–	–	–	Yes
Xia Yang[2]	–	–	–	–	Yes
Shao Min[2]	–	–	–	–	Yes
Liu Fang[2]	–	–	–	–	Yes
Li Lu[2]	–	–	–	–	Yes
Malcolm Christopher McCarthy	410.0	–	–	410.0	No
Kenneth Patrick Chung	440.0	–	–	440.0	No
Graeme Wheeler	440.0	–	–	440.0	No
Michel Madelain	420.0	–	–	420.0	No
William Coen	390.0	–	–	390.0	No
Leung Kam Chung, Antony	410.0	–	–	410.0	No
Wang Yongqing	–	656.3	216.8	873.1	No
Lin Hong	–	1,195.8	268.6	1,464.4	No
Wang Yi[3]	50.0	–	–	50.0	No
Liu Jun[3]	50.0	–	–	50.0	No
Zhao Xijun	290.0	–	–	290.0	No
Liu Huan	260.0	–	–	260.0	No
Ben Shenglin	250.0	–	–	250.0	No
Cui Yong	–	246.1	83.2	329.3	No
Ji Zhihong	–	590.7	209.4	800.1	No
Li Yun	–	590.7	209.4	800.1	No
Wang Bing	–	–	–	–	No
Hu Changmiao	–	1,435.0	291.3	1,726.3	No
Jin Panshi	–	1,435.2	286.1	1,721.3	No
Cheng Yuanguo	–	1,435.2	282.8	1,718.0	No
Sheng Liurong	–	119.6	23.0	142.6	No
Resigned directors, supervisors and senior management					
Wang Jiang	–	164.1	57.1	221.2	No
Zhang Qi[2]	–	–	–	–	Yes
Yang Fenglai	–	1,096.2	229.4	1,325.6	No
Deng Aibing[3]	45.8	–	–	45.8	No
Wang Hao	–	344.6	126.2	470.8	No
Zhang Min	–	590.7	209.4	800.1	No

1. Remunerations of the Bank's leaders administered by CPC Central Committee have been paid in accordance with the State's remuneration reform policies since 2015.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. As some of the Bank's independent non-executive directors and external supervisors hold positions of directors or senior management in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior management received remuneration from the related parties of the Bank.
5. The total compensation for some directors, supervisors and senior management for 2022 have not yet been finalised in accordance with the regulations of relevant government authorities. The final total compensation will be disclosed by the Bank separately after it is determined.

Remuneration policy for directors, supervisors and senior management

The Bank has specified standards in relation to the remuneration policy for directors, supervisors and senior management. For enterprise leaders administered by CPC Central Committee, the remuneration policy complies with the relevant measures on remuneration for heads of financial enterprises under central administration. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of the combination of incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment. The Bank has adopted a structured remuneration system composed of basic annual salary, performance-based annual salary and welfare income. The Bank participates in relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Apart from the tenure incentive remuneration to enterprise leaders administered by CPC Central Committee in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

Incentive clawback mechanisms and bonuses

The Bank has established an incentive clawback mechanism. If the enterprise leaders make a significant mistake or cause significant losses to the enterprise during their term, the Bank will claw back part or all of their previously distributed performance annual salary and term incentive income. The Bank strictly implements the deferred payment and clawback system for performance compensation of key personnel. For employees who have received disciplinary action or other penalties due to violation of regulations or dereliction of duty, their salaries are deducted in accordance with relevant regulations.

Payment linked to sustainability

The Bank has established a performance appraisal mechanism for the executive directors, shareholder representative supervisors and the management, and the results of the appraisal are directly linked to their remuneration. In accordance with regulatory policy requirements, articles of association and annual business plans, the performance appraisal attaches much importance to sustainable development, and includes quantitative and qualitative sustainability-related indicators. Specifically, quantitative indicators include indicators related to services for emerging industries and ecological civilisation construction, and specifically assessing the support of emerging industry loans and green loans for industrial development. In the qualitative indicators, it is clearly required to "improve the green financial service system and leverage more resources towards green and low-carbon industries", and the assessment focuses on aspects such as implementing New Development Philosophy, promoting business transformation and development innovation, continuously improving corporate governance, actively safeguarding the legitimate rights and interests of shareholders, and carrying out social responsibilities. Since the establishment of relevant indicators, the Bank has continuously built a close link between sustainable development performance and executive compensation, and has better achieved the goals and tasks of sustainable development related indicators, and effectively played the role of incentive and constraint of compensation.

Note:The Bank has cultivated the "Your future with CCB" new employee training brand, with three main pillars: "onboarding training + integration follow-up cultivation + management trainee development", to accompany the growth of employees.

STAFF DEVELOPMENT

Empowering employees to reduce their burdens and growing together with them.

EMPLOYEES

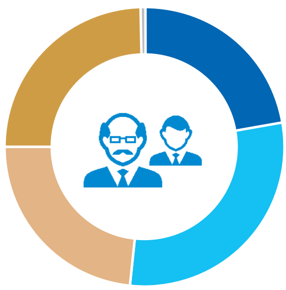
At the end of 2022, the Bank had 352,588 employees, a 0.38% increase from 2021. The number of employees with academic qualifications of bachelor's degree or above was 269,076 or 76.31%. Besides there were 3,384 workers dispatched from labour leasing companies, a decrease of 2.48% from 2021. In addition, the Bank assumed the expenses of 100,871 retired employees. The subsidiaries of the Bank had 24,094 employees. There were also 298 workers dispatched from labour leasing companies. In addition, the subsidiaries assumed the expenses of 136 retired employees.

The Bank attached importance to gender diversity of employees. At the end of 2022, the proportion of male and female employees (including senior executives) of the Bank was 45.99% and 54.01% respectively. The Bank fully respected individual differences of talents and was committed to providing equal opportunities for employees. The Bank expected to maintain a reasonable level of gender diversity of employees.

The compositions of the Bank's employees by gender age, academic qualification and responsibilities are as follows:

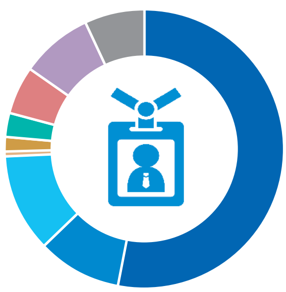
Gender

Age



Academic qualification

Responsibilities

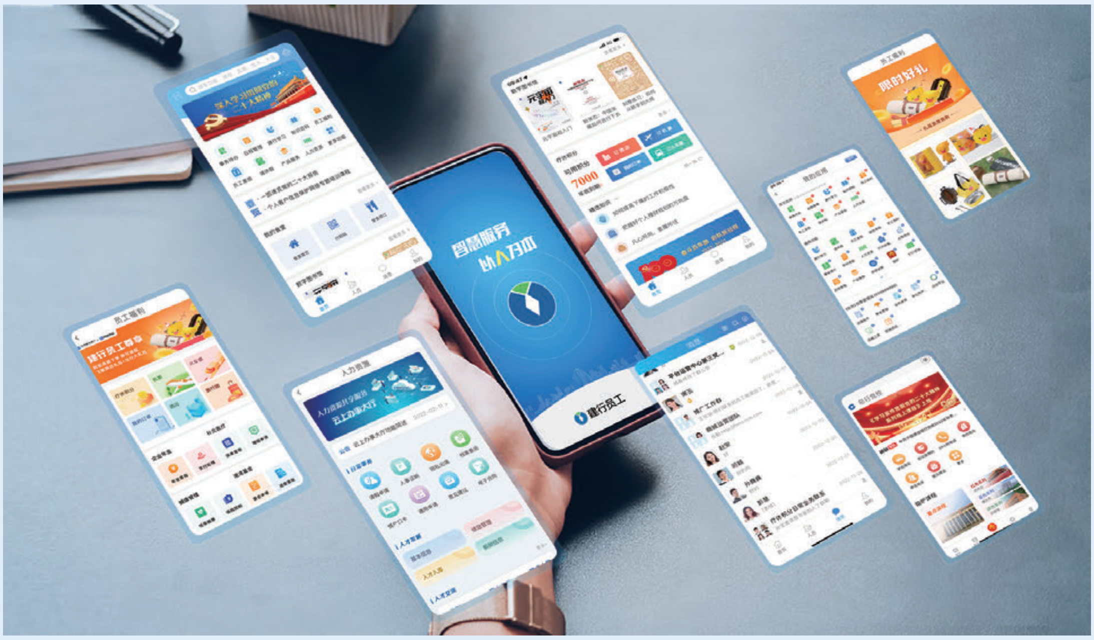


Total of employees **352,588** >>>

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and employees:

	31 December 2022		31 December 2021	
	Number of branches	% of total	Number of employees	% of total
Yangtze River Delta	52,619	14.92	52,183	14.86
Pearl River Delta	45,147	12.81	45,269	12.89
Bohai Rim	58,009	16.45	57,450	16.35
Central	72,056	20.44	71,725	20.42
Western	75,140	21.31	74,831	21.31
Northeastern	33,843	9.60	34,305	9.76
Head Office	14,429	4.09	14,146	4.03
Overseas	1,345	0.38	1,343	0.38
Total	352,588	100.00	351,252	100.00

Feature article No. 17: Building a service empowerment platform for the Bank's staff through "CCB Staff" app



Employees are the most valuable wealth of an enterprise. Following the general trend of digital transformation, the Bank innovated staff service model and launched "CCB Staff" app, an integrated employee mobile platform to achieve the goal of "connection, efficiency and empowerment". Adhering to the "employee-centred" concept, "CCB Staff" app integrates hundreds of functions including mobile office, human resources services, business trip, intelligent logistics, instant messaging, and online study, all of which employees can access through one unified and convenient mobile entrance. It also supports personalised interfaces based on preferences of staff members. With this advantage, the app can process employees' various work and office affairs through one-stop service so as to achieve "one app for the whole CCB".

The "Cloud Service Hall", a shared human resources service developed based on the "CCB Staff", integrates various HR services including overseas travel, leave application, personnel certificate, salary enquiry, personal information, labor contract, performance management, talent exchange and staff benefits, improves back office processing procedures, thus realising "unified entrance, online processing and one-stop delivery" of office affairs for employees. Connected with HR information system, the "CCB Staff" app increases efficiency and empowers HR services by using digital technologies. For example, digital signatures and stamps enable the online signing of labor contracts, intelligent passport cabinet allows self-access of passport for private travel abroad, and data analysis can track and assess employees' performance. All these functions enhance efficiency of HR services and improve staff experience. At the end of 2022, as an indispensable mobile application for all staff members, the "CCB Staff" app had nearly 300 thousand weekly active users, handled millions of messages per day, and received tens of millions of clicks on the menu each month. With quality, efficient and accessible mobile services, the "CCB Staff" app empowers every staff member.

Staff remuneration policies

The Bank is committed to maintaining order and harmony in remuneration allocation, and continuously improves the standard of performance and remuneration management to serve the development of the Bank.

Pursuant to relevant government policies regarding remuneration reform for heads of state-owned enterprise, remunerations for the Bank's leaders administered by the CPC Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. The Bank has established an incentive clawback mechanism. If a material error occurs during a leader's tenure and causes a significant loss for the Bank, part of or entire performance-based annual salary and tenure incentive income paid may be reclaimed. The Bank's major allocation policies and other significant matters related to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals related to remuneration allocation need to be voted at and approved by the shareholders' general meeting or reported to the competent authority of the state for approval and filing.

The Bank made full use of remuneration allocation to motivate and constrain its employees. The Bank established an appraisal and allocation concept encouraging value creation, allocated more salary resources to operating outlets, front office departments, and positions that directly create value, further optimised the incentive and protection policies for outlet staff, and established a special subsidy system for staff at outlets at remote county or under harsh conditions, to enhance the sense of gain for staff members. The Bank strengthened the role of performance appraisal to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank strictly implemented deferred payment and clawback rules for performance-based remuneration to key positions. For employees subject to disciplinary or other penalties due to violation of rules or breach of duties, their remunerations were deducted in accordance with relevant rules and measures.

Regular performance appraisals and feedback processes

The Bank has formulated special performance management rules and regulations, clarifying the management requirements for all employees' assessment methods, assessment processes, assessment result feedback, etc., and unifying performance appraisal orientation. The assessment content includes employees' key performance, business ethics, professional ability and other aspects, and is linked to employee compensation and career development. The employee assessment methods mainly include quarterly assessment and annual assessment, and the annual assessment is based on quarterly assessment.

The assessment object covers all employees, and the assessment process includes four links: performance plan formulation, performance implementation and coaching, performance appraisal and feedback, and application and improvement of assessment results. In the stage of feedback of assessment results, the direct supervisor conducts performance feedback conversations with employees, researches and formulates improvement measures. Institutions at all levels widely solicit employees' opinions and suggestions through democratic procedures such as employee congresses, refine the employee performance appraisal system in combination with their own actual conditions, and announce it to employees in a timely manner, so as to achieve fairness, justice, openness and transparency.

Staff development and training

The Bank implemented the workforce development strategy in the new era, optimized position setting, and promoted the reform of qualification assessment and appointment systems for professional and technical positions. It guided and encouraged the staff to improve their professional capability, and unblocked staff career development channels. It implemented major talent projects and special talent projects in terms of key fields concerning the Bank's reform and development, including FinTech, mega wealth management, risk and compliance, digitalised operation, platform operation, green finance, rural revitalisation, and treasury business. It also established special platforms to identify, cultivate and select young talents.

The Bank closely followed the development trend of the new era, new economy, and new finance, focused on strategic priorities of the Bank during the 14th Five-Year Plan period and needs of talent team construction. It strengthened overall planning for employee development, education and training, continuously optimised training systems and working mechanisms, refined the relevant employee training management systems, developed and applied digital systems and tools for training management. It reasonably coordinated the allocation of training resources and built a more scientific and efficient operation structure for the education and training work across the Bank. It focused on integrating high-quality internal and external training resources, adhered to the principle of joint construction and sharing, precise training, and full coverage, and carried out classified and hierarchical training according to job responsibilities and competency requirements. The Bank was committed to helping employees establish the concept of lifelong learning, constantly updating knowledge base, improving professional skills, as well as cultivating new financial talents with innovative spirit, data thinking and international vision, and empowering high-quality development with high-quality training.

The Bank improved professional career training for the staff to support the development of New Finance talents, and gradually built a staff training system based on the whole process of career development. The Bank cultivated a new-hire employee learning brand of "Your Future with CCB" covering orientation training, integration plan and management trainee programme, and strengthened one-stop training and guidance for new employees of the Bank. The Bank empowered the staff at outlets with more training resources channeled to outlets. It launched the ability enhancement learning programme of "Integrity and Professional Competence" for customer service managers at outlets, and optimised the ability enhancement learning programmes including "Be Better with You" programme for customer relationship managers at outlets, and "Together with the Best" for heads of outlets, gradually cover more posts at outlets and reaching all outlets. It paid attention to the development of staff in professional and technical positions to help strengthen employees' professional capability, broaden their career development channels, and make the professional and technical examinations a key driver for building a learning organisation.

In 2022, the Group organised 28 thousand on-site training sessions with a total enrolment of 1,377 thousand participants and 24,407 thousand hours of training. 370 thousand people took part in online training (including learning through online platforms) for 40,654 thousand hours in total, and 98.3% of the Bank's staff participated in on-site and online training sessions.

Progress of implementation of employee stock incentive plan

The Bank implemented the first phase of the employee stock incentive plan in July 2007. For details, please refer to the announcement published by the Bank on 6 July 2007. The Bank had not added new participants or implemented new phase of stock incentive plan ever since. In the future, the Bank will pay close attention to regulatory policies and industry trends and explore innovative incentives as appropriate.

INTERNAL CONTROL

The objective of the internal control of the Bank is to reasonably ensure the compliance of operation and management with laws and regulations, the safety of assets, and the truthfulness and completeness of financial reports and related information, improve operational efficiency and effectiveness, and facilitate the Bank to achieve its development strategies. The Board is responsible for establishing sound and effective internal control according to the requirements regarding the standardised system of enterprise internal control, evaluating its effectiveness, and supervising the effective operation of internal control system. Considering that the purpose of the above risk management and internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board can only reasonably but not absolutely guarantee that the above relevant system can prevent any major misrepresentation or loss. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2022, the Bank relied on the digital management methods and internal control evaluation system, continuously improved the support of internal control management tools, strengthened normalised internal control evaluation and continued to improve the quality and efficiency of internal control management. Firstly, in accordance with the latest regulatory rules and regulations of the Bank, the Bank conducted targeted revision of the evaluation indicators, organised evaluation across the Bank, and identified internal control problems timely. Secondly, based on the internal control evaluation system, the Bank advanced continuous and dynamic evaluation and strengthened the use of digital tools to improve the efficiency of problem identification. Thirdly, the Bank tracked rectification of internal control problems and deficiencies effectively, so as to continuously improve the quality and efficiency of internal control management.

The Board and the audit committee assess the effectiveness of internal control and review the report of internal control evaluation annually. The assessment conclusion is that, at the end of 2022, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting. The Board believed that the Bank conducted effective internal control over financial reporting in all major aspects, in compliance with the requirements regarding the standardised system of enterprise internal control and other relevant regulations.

The Bank employed Ernst & Young Hua Ming LLP for the audit of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiencies of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the Bank published on the websites of the Shanghai Stock Exchange, the HKEXnews of Hong Kong Exchanges and Clearing Limited, and the Bank.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or makes no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors does not issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on its own.

Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meeting shall be submitted to the organiser of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise extraordinary proposals. Extraordinary proposals on nomination shall be submitted to the organiser of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the organiser of the meeting in writing 20 days prior to the meeting.

Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

Right to raise enquiries to the Bank

In accordance with the Bank's Articles of Association, the shareholders have the right to obtain relevant information of the Bank, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

INVESTOR RELATIONS

Effective communication with shareholders

In 2022, the Bank maintained close communication with the market through both online and offline methods. The management of the Bank attached great importance to communicating with shareholders, actively participated in various exchange activities, and held annual and interim results announcement conferences through live webcast to facilitate communication with shareholders. It continued to strengthen communication and sincerely responded to market concerns. It also carried out more than a thousand times of communication with domestic and overseas investors and analysts via online results announcement conferences, investor forums, group meetings, one-to-one communication, official websites, investor hotlines and emails. The Bank proactively presented its achievements in the New Finance initiatives and the "Three Major Strategies", and its efforts and achievements in ESG areas, so as to promote the Bank's long-term development advantages and core competitiveness.

After implementation and review of the above measures, the Bank believes that the current shareholder communication policy is adequate and effective.

Scan for more

Shareholder enquiries

Any enquiries from shareholders related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

A-share:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
No. 188 Yanggaonan Road, Pudong New District, Shanghai
Telephone: (86) 4008-058-058

H-share:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862-8555
Facsimile: (852) 2865-0990

Investor enquiries

Enquiries from investors to the Board may be directed to:

Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

Telephone: (852) 3918-6955

This annual report is available on the website of the Bank (www.ccb.cn, www.ccb.com), the website of the Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If you have any queries on this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6955. If you have any comment or suggestions on the annual report preparation, please send email to ir@ccb.com.

Note: Offshore wind power project supported by Fujian branch of the Bank is providing thousands of households with green energy.

ESG

Practising ESG concept, striving to become a world-leading sustainable development bank.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

With the vision of "becoming a world-leading sustainable bank", the Bank has thoroughly implemented the New Development Philosophy and has actively participated in the New Finance initiatives. The Bank has fully integrated environmental, social and governance (ESG) factors into strategic decision-making and business management, vigorously supported the improvement of people's livelihood and the society, continued to expand financial service channels, and actively advocated green, low-carbon actions and environmental protection, giving full play to the role of ESG practice in promoting high-quality sustainable development. The MSCI ESG rating of the Bank consistently achieved "A" for three consecutive years, maintaining a leading position in domestic banking industry.

Details of the Bank's performance on fulfilling corporate social responsibilities and ESG requirements can be found in the *2022 Corporate Social Responsibility Report*.

GOVERNANCE

Governance Structure

The Bank has established an ESG governance structure with clear hierarchy and complete structure, and built a long-term ESG governance mechanism featuring efficient coordination and full participation, constantly improving the high-quality sustainable development system.

The Board assumes ultimate responsibility for the formulation and implementation of the Group's ESG strategy. It defines ESG strategic objectives, key tasks and management priorities, oversees and evaluates the implementation effect of the ESG strategy, strengthens ESG risk identification and assessment, and reviews relevant objectives and achievements at regular intervals. It also regularly hears reports from subordinate special committees and the management on managing ESG-related issues and their progress, as well as guides the disclosure of relevant information.

Related party transaction, social responsibility and consumer protection committee of the Board is responsible for formulating ESG management policies and strategies, supervises and guides the Bank's performance on social responsibility, green finance, inclusive finance, rural revitalisation finance, house rental, consumer protection and related party transactions. The strategic development committee of the Board is responsible for assisting the Board in formulating ESG strategic goals and fully considering ESG-related factors in the formulation of various strategic goals. The risk management committee of the Board actively guides ESG-related risk management, supervises the implementation of ESG-related risks reporting mechanism, guides the conduction of climate transition risk stress testing, strengthens risk prevention and control in key areas and incorporates ESG factors into the Bank's comprehensive risk management system. The nomination and remuneration committee of the Board continuously tracks the employees' growth, development, remuneration and welfare, regularly hears reports and guides the relevant work. The audit committee of the Board regularly hears audit status reports, supervises and evaluates internal controls, oversees that audits are fully functioning as the third line of defence, promotes the rectification of ESG-related issues, and enhances the completeness and effectiveness of the internal control system.

The Board of supervisors performs its supervisory duties, oversees the performance of ESG-related responsibilities of the Board and the management, continues to pay attention to the implementation and promotion of ESG strategy, studies the progress of ESG work, and gives supervision suggestions on strengthening top-level design, consolidating basic management, and improving capacity building.

The management is responsible for formulating the ESG goals and promoting the implementation, and guides relevant departments, domestic and overseas branches and subsidiaries to implement specific work for improving ESG management across the Group. The Bank has set up ESG promotion committee to comprehensively promote the Bank's ESG strategic planning, deployment and coordination, with the president serving as the chairman, 34 member departments (institutions), and three working groups of environment, social responsibility, information disclosure and investor relations. The ESG promotion committee has a clear division of labour and close cooperation to effectively promote work.

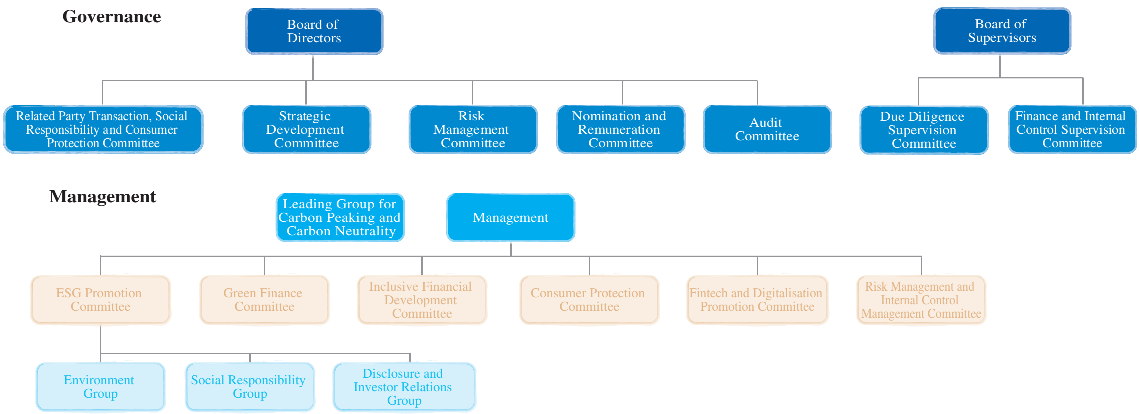
In addition, the Bank's other committees of the management play important roles in ESG-related priority areas:

In terms of environment, the Bank has established a leading group for carbon peaking and carbon neutrality, led by the chairman of the Board and assisted by the president of the Bank, to use New Finance initiatives to help achieve the goals of carbon peaking and carbon neutrality. The Bank also set up a green finance committee, chaired by the president, which is responsible for coordinating and promoting the development of green finance throughout the Bank, studying and making decisions on major issues related to the promotion of green finance business, and planning and deploying the key directions and measures for the development of green finance throughout the Bank.

In terms of society, the Bank has set up the inclusive financial development committee, the fintech and digitalisation promotion committee, and the consumer protection committee. The committees are chaired by leaders of the Bank to coordinate the overall strategic goals of ESG-related fields such as inclusive financial development, data governance and application, information security, and consumer protection, as well as supervise the execution process.

In terms of risk management, the risk management and internal control management committee is established, with the president serving as the chairman. The ESG elements are integrated into the risk management process, while environmental and climate risk, compliance risk, operational risk, reputational risk and other risks are included into comprehensive risk management system. The relevant departments are responsible for specialised management, and meetings are held regularly to follow up the progress of work and deploy important matters.

The Bank's governance structure of ESG-related issues is as follows:



Relevant Achievements

In 2022, the Board, the board of supervisors and the management perform their respective duties and make joint efforts to study and analyse the actual situation of ESG work of the Bank, plan and deploy the key tasks of ESG work, actively explore advanced practices of ESG, and promote the coordinated development in the ESG aspects to achieve practical results of ESG work:

Governance	Achievements
Board of Directors and the Strategic Development Committee	The Board and the committee regularly studied and heard reports on the progress of ESG initiatives, coordinated efforts to promote the formulation of ESG work plans, and guided the Management to continuously improve ESG management systems; promoted the implementation of the *Strategic Plan of Green Finance Development* and the *Action Plan for Carbon Peaking and Carbon Neutrality*, studied the challenges faced by green finance and the response measures, and urged the management to deeply implement the concept of green development; guided the formulation of consumer protection work plans, optimised and improved the consumer protection management framework, effectively promoted the compliant operation and sustainable development of the Bank; promoted the implementation of social responsibility strategies, further increased support for public welfare donations, and contributed financial resources to social welfare and common prosperity; guided the management to increase credit support for key areas and weak process such as green development, private and small-micro-sized enterprises, and rural revitalisation, to promote sustainable and healthy development of strategic business.
Related Party Transaction, Social Responsibility and Consumer Protection Committee	The committee continuously improved the strategies, policies, and goals of consumer protection, promoted the implementation of financial consumer rights consultation projects. It reviewed and approved the *Consumer Protection Work Plan (2023-2025)*, guided the development of consumer protection dashboard, and effectively supervised the orderly implementation of consumer protection work; regularly conducted special research on the promotion and development effectiveness of inclusive finance and rural revitalisation finance, to promote the improvement of fine-grained management; reviewed the social responsibility reports, continuously monitored the execution of public welfare donations; tracked the effectiveness of green development strategies, regularly heard ESG special reports and evaluated relevant progress, continuously strengthened communication with external institutions, to promote the development of green finance and the sustainable development of the business for the Bank.
Risk Management Committee	The committee regularly heard environmental and climate risk analysis report, guided the management to incorporate green finance into risk appetite analysis, and enhanced the digital management capabilities of green finance; regularly followed up on the progress of ESG-related risk quantification work, guided the management to adjust industry credit policies, and promoted the organic integration of ESG factors and client credit rating systems. It has conducted special studies on personal information privacy protection and data security, guided the management to strengthen client information authorisation management, to solidify data security and protection capabilities. In addition, the committee heard various comprehensive risk reports and special reports, supervised the setting and execution of environmental and climate risk appetite, analysed the challenges of green transformation, and placed great emphasis on risks in key areas such as biodiversity, information technology, and employee behaviour, effectively improving the managing quality and efficiency of ESG-related risks.
Nomination and Remuneration Committee	The committee conducted special studies on the development and training of key reserve talents, paid high attention on issues such as succession planning for senior executives, equal opportunities for job promotion, the attractiveness of the compensation system for senior talents, and key positions for reserve candidates. It conducted in-depth analysis of employee compensation structure, continuously improved the compensation allocation mechanism, attached great importance to female employee career development and incentives, and actively promoted the implementation of the favourable grassroots policy. It also monitored and supervised the work of the CCB Learning Centre in supporting employee career growth, and the development and supply of learning products, focusing on cultivating talent reserves in key areas such as green finance.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Governance	Achievements
Audit Committee	The committee studied the consolidation and rectification progress of major findings from internal audits, oversaw the management's efforts to enhance the management effectiveness of anti-money laundering, related party transactions, debt collection, Fintech, and etc.; regularly reviewed the internal control evaluation plans and rating reports to improve the integrity and effectiveness of the internal control system; periodically heard reports on external audits and provided guidance for information technology audits to ensure compliance with data security regulations.
Board of Supervisors	The Board of supervisors heard the feedback on the progress of ESG-related actions and has paid continuous attention to the implementation and promotion of ESG system; specially heard reports of the implementation of inclusive financial strategy and the operation of "CCB Huidongni" platform, and continued to follow up the consumer protection; continued to follow up the implementation of climate risk stress tests and the application of the results, paid attention to the implementation of green credit policies over the Bank, the main direction and structure optimisation of green loans, and the construction of risk control system; carried out a special survey on "financial serving scientific and innovative enterprises", focusing on green industries and visiting relevant enterprises, to study and discuss how commercial banks could better provide comprehensive financial services for green industries and support green and low-carbon transformation development.

Management	Achievements
ESG Promotion Committee	The committee convened an annual meeting in 2022 to discuss the progress of the Bank's ESG work, deliberated and approved the Bank's *ESG Work Plan (2023-2025)*, and deployed the next focus of work. It required the Bank to strengthen ESG information disclosure, enhance green financial service capabilities, improve ESG risk management level, and use financial technology to empower ESG data governance capabilities. It also stressed to continuously promote group carbon footprint management, strengthen ESG talent team building, and fully integrate ESG concepts into business operations and risk management, striving to build a globally leading sustainable development bank.
Leading Group for Carbon Peaking and Carbon Neutrality	The Group convened two thematic meetings throughout the year to discuss and deploy key tasks related to achieving carbon peaking and carbon neutrality across the Bank. The meeting reviewed and approved the *Action Plan for Carbon Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy*. The next steps are deployed with a requirement to integrate green finance into the entire process of business management, and improve the innovative system of green and low-carbon product services as well as the green finance evaluation system, enhancing the constraint and guidance on resource allocation of the carbon peaking and carbon neutrality work.
Green Finance Committee	The committee convened one thematic meeting to discuss key management tasks related to green finance, and deployed and arranged next steps. It required the Bank to increase the allocation of green assets, respond prudently to climate challenges and support traditional industries to achieve low-carbon transformation.
Inclusive Financial Development Committee	The committee convened two thematic meetings to discuss the progress of the Bank's inclusive finance strategy, credit management and policy support, development of rural inclusive finance, and construction of an inclusive finance comprehensive service system; deployed and arranged the next steps, and required continuous research on the segmented market of inclusive finance, improving coverage of credit clients, strengthening the construction of inclusive finance teams, and promoting the coordinated development of inclusive finance business online and offline.
FinTech and Digitalisation Promotion Committee	The committee convened five plenary sessions and three thematic meetings to coordinate and promote overall digitalised operations, financial technology, and channel operation work throughout the Bank. Specific matters such as committee responsibilities, financial technology project management, data governance, routine maintenance, training plans, meeting plans, and relevant financial technology project proposals were reviewed and discussed. At the same time, the digitalised operation and financial technology work of the Bank were summarised at different stages, problems were identified in a timely manner, and the focus and specific measures for the next stage of the organisation's digitalised operation and financial technology development were deployed based on problems and goals.
Consumer Protection Committee	The committee convened three plenary sessions and two thematic meetings to discuss key works such as the progress of personal client information protection and complaint management, reviewed and approved the *Consumer Protection Work Plan (2023-2025)*, *Client Issues Resolution and Management Measures (2022 Edition)*, *Consumer Complaint Management Measures (2022 Edition)*, and deployed and arranged next steps. It emphasised the need to continuously improve the consumer protection system and mechanism, strengthen fine-grained consumer protection management, improve the level of complaint management, and achieve an outstanding performance in consumer protection education, propaganda and training.
Risk Management and Internal Control Management Committee	The committee convened four plenary sessions to conduct specialised research on businesses such as real estate, and information technology. The sessions approved proposals including the work plan for preventing and defusing major financial risks, and the proposal for improving the overall risk governance system and deployed next steps. It required the Bank to strengthen the management of new risks such as model risk, anti-money laundering, and sanctions and compliance risk. Additionally, It required that efforts shall be made to enhance the control of illegal lending and corruption and bribery cases, use employee behaviour compliance models effectively, implement offline grid management, strengthen data governance, and build a stronger risk and compliance management team.

CORPORATE BEHAVIOUR

The Bank continues to strengthen employee behaviour management, expands internal and external supervision and reporting channels, guides insiders to provide illegal clues, strictly protects whistle-blowers, and builds high standards of business ethics. The management regularly gives special reports to the risk management committee of the Board regarding corporate behaviour, such as compliance risk and criminal case prevention.

Employee Behaviour

The Bank continuously improves the construction of employee behaviour system, designs analysis models of employee behaviour, continuously and dynamically identifies employee misconducts such as fraud and dishonesty in time to achieve early identification, early warning and early handling, and effectively prevent case risks. The Bank strengthens the compliance management system. The *Employee Code of Conduct* was issued, which specifies the legal and compliant behaviours that should be followed, behaviours that should be avoided or corrected, violations that should be prohibited, and illegal activities that should be strictly prohibited. These include bribery and corruption, harm to the Bank or client security, infringement of citizen personal information, and etc. Specific behavioural norms are also proposed, and all levels of the Bank's institutions and all employees (including workers dispatched from labour leasing companies) are required to strictly implement and follow them.

In terms of anti-corruption and anti-bribery efforts, the Bank explicitly requires all employees to maintain a high level of integrity and self-discipline and follow regulations related to official activities, public fund usage, overseas travel management and etc. The Bank forbids behaviours such as abusing power and illegally pursuing personal gain. In the course of their work, including business transactions, supplier procurement, financial expenditures, and project investments, employees are required to avoid any relationships with clients, suppliers, service providers, or intermediaries that may involve unclear relationships or conflicts of interest. In 2022, the Bank provided comprehensive training and education for all employees, covering related regulations and legal requirements of anti-corruption and anti-bribery efforts through offline and online training and compliance knowledge testing. The training series primarily focused on the *Employee Code of Conduct* and other policy documents.

Whistle-blower Protection

The Bank actively maintains channels for petitions and reports, strictly adhering to the requirements of the Regulations on *Public Complaints and Proposals*. It has developed and implemented the *Regulations on the Management of Public Complaints and Proposals* and set up dedicated departments at branches of level two and above to receive and handle petitions and reports. Citizens, legal entities, and other organisations can report issues or provide suggestions on management, employment, business disputes, client service, work style and etc., through various means, such as letters, emails, telephone, fax, and visits. The relevant channels have been publicised on the Bank's website, providing convenience for reporting and complaints and ensuring timely and effective handling of reported issues.

The Bank clearly stipulates the protection of the legitimate rights and interests of whistle-blowers and ensuring that their personal information and report materials are not leaked. The Bank also requires direct stakeholders to recuse themselves, strictly prohibits concealing, falsifying, delaying or leaking information about petitions and reports, as well as retaliating against whistle-blowers, and imposes legal sanctions on violators of the regulations. In 2022, the Bank organised a special training course align with the *Regulations on Public Complaints and Proposals* as the main content, conducted annual assessment and commendation activities for petition, organised four special inspections and investigations on petition, and guided various levels of institutions to solve complex and difficult problems related to petition, further improving the quality and efficiency of the Bank's petition work.

The Bank has established a comprehensive employee reporting mechanism, which is targeted towards domestic and overseas branches and subsidiaries; introduced the *Measures for Rewarding Blocking, Resisting, and Reporting Illegal and Irregular Behaviours* to actively encourage and guide all employees to proactively prevent, resist, and report all types of illegal and irregular behaviours, including external fraud, infringement, money laundering, and terrorist financing, and to reward and commend relevant employees. The Bank requires all institutions to keep employees' personal information confidential. In 2022, the Bank revised and issued the *Measures for Handling Employee Violations*, which clearly stipulates that those who obstruct others from reporting or providing evidence will be subject to administrative penalties in accordance with rules, disciplines, and laws.

Business Ethics

Trainings on compliance and anti-corruption business ethics with full coverage to all employees are being conducted many times throughout the year through diversified training channels such as centralised publicity, collective learning, online courses and tests. The Bank has carried out compulsory training for all employees, covering topics such as anti-corruption, anti-money laundering, personal information protection, sanction risk, violation handling methods, compliance risk, etc. At the same time, a differentiated training system on business ethics was established to set up special training courses for members of the Board, personnel in key positions, new employees and other groups to enhance compliance awareness.

Members of the Board of Directors	In 2022, the Bank organised a compliance training on related secrecy act, anti-money laundering law, and anti-corruption legal and regulatory training for all members of the Board, to keep up with regulatory policy changes. Some of the non-executive directors and independent non-executive directors actively participated in specialised training organised by regulatory agencies both domestically and overseas, covering topics such as macroeconomic conditions, corporate governance, risk management, international accounting standards, securities market false statement infringement policy interpretation and investor protection, prevention and identification of financial fraud, etc., to further expand improve their ability to fulfil designated duties and make scientific decisions.
All Employees	A series of educational activities based on the *Employee Codes of Conduct* and anti-corruption are launched to all employees in 2022, using both online and offline channels and various methods such as centralised promotion, collective learning, self-directed learning, and online courses to increase the frequency of employee compliance education. Learning and exchange activities such as online quizzes and knowledge competitions are used to consolidate the learning effectiveness. Through the employee behaviour management system, compliance education content is pushed, including various forms such as videos, audios, articles, messages, etc., to support online interactions between grid personnel, and to create a new mode of compliance education. In 2022, the Bank used the employee behaviour management system to publish various compliance education content, amount to 1.29 million visits, achieving accurate reach of warning education materials.
Compliance Personnel	Regular compliance trainings are conducted for compliance personnel every year, covering areas such as employee behaviour management, analysis model construction, big data analysis, to strengthen the cultivation of compliance talents.
Key Position Personnel	Focusing on key positions such as branch managers, client representative managers, and cashiers, the Bank organises warning education activities on compliance and anti-corruption every year through methods such as compiling case sets, online quizzes, and posting warning education videos to enhance the compliance awareness of key personnel.
New employees	The Bank incorporates employee behaviour norms and the *Employee Codes of Conduct* into new employee onboarding training every year. Through online and offline specialised training, online testing, and the production of compliance short videos, the Bank conducts promotional education and training on business ethics behaviour norms for employees within its jurisdiction to enhance their understanding and implementation effectiveness.

The Bank's audit departments carry out regular ethical standards audits in accordance with the requirements of the *Operational Risk Management Policy and the Anti-Money Laundering Management Measures*, combined with risk assessment results. Every year, evaluations and inspections are conducted on employee operational risks, behaviour management, anti-money laundering, etc., to continuously promote employee compliance and improve the quality of anti-money laundering work. In 2022, the Bank organised audits on operational risk management, key operational risk issues of employees, and anti-money laundering work, focusing on the operation of the Bank's operational risk management system, the effectiveness of employee behaviour management, the fulfilment of anti-money laundering obligations, and other aspects, further strengthening the supervision and management of employee behaviour and business ethics. Meanwhile, the audits also covered overseas institutions and subsidiaries through major business management audits and other projects. Based on audit results and employee behaviour management status, the Bank develops employee behaviour management models, explores the use of intelligent technology to detect and correct employee violations, and effectively promotes the effective performance of various responsibility subjects. In addition, to standardise employee behaviour, strengthen internal management, and improve business ethics standards, the Bank conducted a comprehensive review and revision of the original *Measures for Handling Employee Violations* in 2022. The revised measures were issued to all levels of the Bank's institutions for implementation, further implementing the requirements of strict governance and adapting to business development needs.

ENVIRONMENT AND CLIMATE

Green Finance

The Bank continues to improve the long-term mechanism for green finance development, promotes the development of green finance business and actively implements the *Strategic Plan for Green Finance Development* and the *Action Plan for Carbon Peaking and Carbon Neutrality*. The Bank coordinates efforts to promote the *Carbon Peaking and Carbon Neutrality Action Plan*, leverages the advantages of financial technology and fully licenced finance, and utilises a combination of financial instruments, including green credit, green bonds, green leases, green funds, green trusts, green insurance, green wealth management and etc., to extensively support and foster green industries.

Green credit

The green credit business has maintained a relatively fast development. As of the end of 2022, the balance of the Bank's green loans[1] was RMB2.75 trillion[2], with an increase of RMB786,976 million from the previous year-end, an increase of 40.09%. The green loans accounted for 13.54% of all loans[3], up 2.56 percentage points from the beginning of the year. The non-performing loan ratio for green credit was much lower than the non-performing loan for corporate loan.

1 The data for green loans is based on the CBIRC 2020 Green Financing Statistical Criteria.
2 The data for all loan is based on the CBIRC G01 report statistical criteria.

The Bank actively utilises the People's Bank of China (PBC)'s monetary policy tools to facilitate the precise allocation of low-cost funds, which effectively supported the construction of projects in fields such as clean energy, energy conservation and environmental protection, carbon emission reduction technologies, and clean utilisation of coal. As of the end of 2022, the Bank has cumulatively issued carbon-reduction loans of RMB96,942 million, with an annual reduction of 22 million tons of carbon emissions; and the special relending for clean and efficient use of coal issued by the Bank was RMB8,654 million. At the same time, the Bank continuously optimises the green loan white list mechanism and increases the support for green enterprises and projects. As of the end of 2022, the Bank has cumulatively issued RMB782,546 million in green loans to white-listed clients.

Green bonds

In terms of issuance, the Bank has actively participated in the issuance of green bonds and has issued a US$1 billion and RMB1 billion "Belt and Road" themed green bonds overseas, and issued the first RMB10 billion sustainable development-linked green financial bonds domestically.

In terms of underwriting, the Bank has participated in underwriting 87 green and sustainable development bonds both domestically and internationally, totalling RMB156,067 million, a year-on-year increase of 25.79%. The Bank underwrote the first batch of transition bonds in China and the first green, rural revitalisation, and sustainability-linked bond in the market, further expanding the range of underwriting services for green bonds.

In terms of investment and trading, the Bank has placed great emphasis on green bond investments, actively supported the innovation in the market and conducted more than 300 investments and transactions in green bonds, including participating in the first sustainable linked green corporate bond in the market, the first green finance bond tied to rural revitalisation, the first carbon-neutral green finance bond issued domestically and other innovative investments. The portfolio of green bonds, denominated in both domestic and foreign currencies, has increased by over 110% and 10%, respectively, from the previous year-end.

Other green finance businesses

The Bank continues to explore the field of green finance, continuously enriching and expanding the types of green finance products and services. In areas such as green funds, green leasing, green investments, green consulting, green financing, green insurance, green housing, and green supply chains, the Bank is promoting innovative development of green product and service offerings. The Bank is committed to building a comprehensive and diverse green finance service system, promoting the all-around development of green finance services. The integrated operation subsidiaries of the Bank actively participate in green bond underwriting, consulting services, green investments, and other areas, resulting in rapid growth of green assets.

Feature article No. 18:

Innovation in green financial products and services

Zhejiang branch innovatively launched the "Tanyoudai", which integrates the carbon account indicators of clients with the Bank's credit business based on the local PBC's enterprise carbon account indicator system. It has achieved system integration and provided strong support for PBC local enterprises' low-carbon production. In 2022, Zhejiang branch has issued a total of RMB3,440 million in "Tanyoudai".

CCB Trust actively explores new supply chain finance models and helps core green industry enterprises quickly establish a professional management system and platform based on the successful experience of the product "Liantongbao". Through one-stop services covering supply chain upstream and downstream management, on-chain financing, etc., the efficiency of supply chain management is rapidly improved. As of the end of 2022, the balance of the product has reached RMB173 million.

CCB Consulting has adopted an approach through the early involvement of third-party consulting firms, continuously building a "green finance + consulting" service model, developing innovative green consulting products to help the Bank establish a unique service system for promoting green development in urban and rural areas through green financial services. As of the end of 2022, CCB Consulting has provided consulting services on green building for four green credit pilot programme and formulated the *Operation Manual for Third-Party Evaluation Services on Green Building*.

The following table illustrates some of the honours related to green finance received by the Bank during the reporting period.

Honorary awards	Issuer
Green Finance Professional Committee as Special Contribution Unit	China Banking Association
Green Finance Professional Committee as Advanced Unit in Green Bank Evaluation	China Banking Association
IFF Global Green Finance Annual Award	International Finance Forum
Top 10 Green Finance Innovation Awards	The Banker
"Excellence and Vision Green Bond Framework" by CCB International	Hong Kong Quality Assurance Agency
"Annual ESG Best Society Practice Enterprise" by CCB Life Insurance	China.com

Financing Environmental Impact

The Bank fully incorporates ESG factors into its investment and financing activities, and is committed to building an ESG risk management system that covers investment and financing businesses. The Bank continuously strengthens its institutional framework, improves environmental and social risk management measures, carries out ESG due diligence, and enhances in-depth analysis and exploration of the environmental impact of business activities. The Bank fully integrates environmental and climate risk management into its credit business.

Credit management policies

The Bank has been continuously optimising environmental-related credit management policies and has developed and implemented 75 industry-specific credit policies covering key industries such as agriculture, electric power, forestry, mining, petrochemical, transportation, materials, construction, etc. The policies are regularly reviewed and updated as needed. Meanwhile, the Bank considers environmental and climate risk management of clients or projects as an important part of client selection, credit approval, and post-loan management, and proactively carries out risk management and control work, achieving full-process management of environmental and climate risk in credit business.

- Power industry: To ensure energy supply and coordinate the green and low-carbon transformation of energy, the Bank has clarified requirements on pollutant discharge and coal consumption in selecting thermal power projects. The Bank has firmly reduced and retreated support for outdated low-capacity projects that the state has clearly restrained and enterprises with high environmental and social risks. The Bank supported the coal and electricity enterprises in the "three reforms" (i.e. energy conservation and consumption reduction for coal power, heat supply and flexibility). In credit granting, the Bank gives priority to clean energy for improving the proportion of clean energy in credit structure.

- Transportation industry: The Bank has been actively supporting the green transformation of transportation structure, focusing on key green transportation projects such as urban public transport and rail transport, the green, low-carbon and high-quality development of the aviation industry, and the development of new energy vehicle industry and the upgrading of vehicles towards electrification and clean design.

- Green building industry: The Bank actively supports the development of green building and has taken active measures to promote the coordinated development of green finance, the construction of the green city and the promotion of green building, as well as supporting energy conservation and emission reduction in construction. When selecting real estate projects, the Bank will take whether the projects have met the green building criteria as essential consideration.

- Agriculture: The Bank actively supports the green development of agriculture. When selecting agricultural clients, the Bank has specified requirements on compliant operation, environmental protection and quality safety, and exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be granted for clients and programmes with significant environmental and climate risks. The Bank prioritises agriculture and actively supports agricultural entities in carrying out carbon reduction and carbon sequestration, comprehensive utilisation of resources, as well as the construction of efficient and water-saving irrigation and drainage facilities in farmland. The Bank will grant more agriculture-related credit loans for clients with excellent performance in agricultural energy conservation, such as those reducing the consumption of fertiliser, pesticides, water, and land.

- Forestry: The Bank actively supports the green development of forestry. When selecting forestry clients, the Bank has specified requirements on compliant operation, environmental protection and quality safety, and exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be granted for clients and programmes with significant environmental and climate risks. The policy in this regard is to prioritise forestry and grant more forestry-related credit. The Bank actively supports forestry management entities to carry out the construction of national reserve forests, ecological protection and restoration, and the return of cultivated land to forests and grasslands. The Bank also actively supports key projects under the national forest operation planning, and the *Outline of "14th Five-Year Plan" for Forestry and Grassland Protection and Development*, serving to increase the forest stock volume and enhance the carbon-sink capacity.

- Mining: The Bank supports green, clean and intelligent mining and considers various factors like production safety, environmental protection and resource utilisation to decide whether the client or project is eligible. In addition, the Bank has exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. The Bank resolutely reduces and withdraws support for outdated low-capacity enterprises acting against the national industrial policies or the environmental protection and safety production standards.

- Petrochemical industry: The Bank supports the green, low carbon and recyclable development of the petrochemical industry and considers various factors like production safety, clean production, energy consumption level and carbon emission intensity to decide whether the client and project is eligible. Paying close attention to the impact of enterprise production and project construction on energy consumption, carbon emission, ecological environment and biodiversity, the Bank has exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved to clients and programmes with significant environmental and climate risks, so as to avoid getting involved in new production capacity projects in key areas of air pollution prevention and control. The Bank also resolutely withdraws support for projects against the national industrial planning and environmental policies and enterprises that violate the requirements of green and low-carbon development or with high environmental and climate risks.

- Steel: The Bank supports the green development and transformation and upgrading of the steel industry and considers various factors like energy efficiency and emission efficiency to decide whether the client and project is eligible. Paying close attention to the impact of project construction on the cap on total energy consumption and intensity, carbon emission, ecological environment and biodiversity, the Bank has exercised the "One-Vote veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. The Bank also resolutely withdraws support for projects against the national industrial planning and environmental policies and enterprises that are against the standards regarding environmental protection and production safety.
- Biodiversity protection: Mr. Zhang Jinliang, the President of the Bank, was shown at the side meeting on the theme of "Banking Industry's Nature and Climate Action" during the second stage of the 15th meeting of the Conference of the Parties to the *United Nations Convention on Biological Diversity* (COP15), which was held in Montreal, Canada in December 2022. He gave a speech and signed the *Joint Action Plan for Banking Industry to Support Biodiversity Conservation*. The Bank pledges to fully utilise financial instruments to play a role in biodiversity protection, incorporate biodiversity protection into strategic planning, increase investment in biodiversity protection and addressing climate change, and make financial commitments in areas such as climate-related disclosure and natural-related disclosure. The Bank will actively participate in, promote, and lead the development of green banking. In the credit policies for related industries like wind power and photovoltaic power generation, the Bank has outlined requirements on raising the awareness of ecological protection, strictly sticking to the red line of ecological protection, the bottom line of environmental quality, the upper limit of resource utilisation and the ecological environment access list. The Bank closely oversees the impact of project construction on ecological environment and biodiversity.

ESG due diligence

The Bank adheres to implementing ESG risk review measures and conducts extensive ESG due diligence in credit and investment banking activities and other financing activities.

In credit business, the Bank includes environment and climate risk situation of clients in the scope of due diligence investigation, including the entire process of loan pre-approval, granting approval, and post-loan management. During loan pre-approval investigation, the Bank requires all loan applicant units to investigate the efficiency level, greenhouse gas emissions, and pollutant emissions related to the environment and climate with clear expression. During loan granting reviews, loans will not be granted to enterprises or projects that have not implemented environmental and climate risk control requirements such as energy consumption and emission reduction. During post-loan inspection, the Bank strengthens environmental and climate risk warning, verification, tracking, and management. For clients who have significant environmental and climate risks, the Bank strictly controls credit exposure and accelerate risk resolution. For projects where ESG risks are found to escalate during investigations, the Bank has established a complete analysis, evidence collection, and response process. In the project of fixed asset loans for example, methods such as analogy analysis, material balance analysis, and data reuse are applied to analyse the project's characteristics in stages. After the analysis is completed, the Bank would investigate the issues that led to ESG risk escalation, collect risk factors, and conduct a special risk factor evaluation for projects with significant external environmental impact. After the analysing investigation, the Bank would formulate project-specific response plans, re-evaluate the feasibility and economic rationality of relevant projects.

In terms of bond underwriting, the Bank's bond underwriting business clients have been included in the Bank's overall corporate client environment and social risk management process. Energy efficiency, greenhouse gas emissions, and pollutant emissions are important criteria for client and project selection, credit approval, and post-loan management. During the access phase of bond underwriting business, the Bank investigates ESG risk-related factors for clients, including but not limited to client's environmental and social risk control system and management level, production and operation and environmental permit acquisition, production technology and energy efficiency utilisation level in the industry, and environmental safety violation and rectification records of regulatory authorities. In selecting clients, the Bank exercises prudence in approving entry for ESG risk-intensive industries such as steel and coal, and establish phased management requirements.

In terms of investment activities, the Bank has established a "responsible investment system for the RMB credit bond investment portfolio", with a basic framework covering strategy formulation, trade execution, post-investment management, and fundamental research. The Bank incorporates ESG performance of the issuer as an important reference in the investment decision-making process, committing to "responsible + value" investment. The average ESG rating of issuers within the portfolio has consistently exceeded the market average. The Bank has incorporated ESG elements into the annual business strategy, focusing on the equity structure and corporate governance of issuers, continuously monitoring negative public opinion regarding issuers within the investment portfolio, regularly tracking changes in external ESG evaluations of issuers within the portfolio, and giving priority support to issuers with higher ESG ratings. CCB aims to direct resources towards key areas and high-quality issuers that contributes to the green and sustainable development of the real economy, actively serving national strategies.

Feature article No. 19:

ESG rating tool for corporate clients

To implement the New Development Philosophy, actively respond to the call of the policy goal of "Carbon Peaking and Carbon Neutrality", and promote new financial practices, the Bank has successfully developed an automated ESG rating tool for all corporate clients, which is the first of its kind in the domestic and foreign Banking industry. This tool comprehensively evaluates the sustainable development capabilities of clients in the "Carbon Peaking and Carbon Neutrality" goal from the aspects of environment, social, and governance. This system is an important tool to identify the green, low-carbon, and sustainable development levels of clients, pioneering the global ESG rating practice among peers, and has the following characteristics:

1. The tool has a broad scope of application. It can be applied to all corporate clients, and currently, there are about 700,000 clients who meet the evaluation criteria. With the further improvement of ESG-related data disclosure requirements and standards and the improvement of the quality of ESG-related data, the client group that meets the ESG evaluation criteria will further expand.

2. The tool effectively improves the refinement level of ESG evaluation. Based on industry and scale, 74 models are divided, and for the first time in the industry, differentiated evaluations have been carried out for large-medium-sized and small-micro-sized enterprises. This breaks the current situation where ESG ratings in the industry are concentrated on large-medium-sized clients such as listed companies and bond-issuing enterprises.

3. The evaluation index system takes into account with both international standards and Chinese characteristics. It fully integrates the experience of well-known institutions and banking experts, based on China's basic national conditions and the trend of the "Carbon Peaking and Carbon Neutrality" policy, combined with China's ESG-related characteristic data.

4. The financial technology enables the generation of ESG evaluation results. It uses financial technology to deeply mine ESG-related information inside and outside the Bank, actively introducing external data, and automatically generate client ESG evaluation results, reducing the burden on business personnel and empowers them.

The ESG rating tool for corporate clients provides a new perspective and leverage for the Bank's business management, which is conducive to making forward-looking client selection and risk control, promoting a virtuous cycle and sustainable development of credit and investment businesses.

Credit approval mechanism

The Bank continues to strengthen the assessment and review of business ESG risk management, following the management regulations of the *Notice on Strengthening Environmental and Social Risk Management*. Based on the environmental and social risk levels, all clients are classified as high-risk, medium-risk, and low-risk. Clients are required to complete the *Environmental and Social Risk Classification Form* and the Bank strictly implements client classification management.

In the pre-loan investigation process, it is required to conduct targeted investigations on the industry, regional characteristics, and other relevant information of the client. The scope includes but is not limited to environmental and social risk measures that have been taken, environmental safety violations, and other related content.

- High-risk clients: new clients are not allowed to access credit; the credit balance or loan balance of existing clients must not be increased (except for those that have increased due to the resolution of risks caused by accepting off-balance sheet businesses listed in the form).
- Medium-risk clients: new clients who require credit access, and existing clients who require additional credit balance (excluding low credit risk business), must be approved by the related management of the first-tier branch and provide reasons in the approval application materials. By using methods such as syndicated loans, increasing capital ratios, and increasing qualified collateral, the Bank can reduce actual risk exposure.
- Low-risk clients: process according to the Bank's credit approval regulations and procedures.

During the loan review process, strict verification work is carried out for environmental violations, safety production accidents, and other related matters. In the post-loan management stage, regular risk inquiries are required, and timely re-examination and classification assessments are conducted. Clients with medium to high risks are included in the management list and subjected to stricter inspection requirements, including increasing the frequency of on-site inspections, and conducting dynamic evaluations every quarter.

The Bank has conducted research and formulated the *Fixed Asset Investment Project Evaluation Method (2022 Edition)*, which specifies evaluation requirements for energy consumption, environmental protection, carbon emissions, and other environmental assessments in fixed asset investment projects. It includes a new specialised analysis on the impact of "Carbon Peaking and Carbon Neutrality", sensitivity analysis on quantifiable parts, and strengthened qualitative analysis on non-quantifiable parts, to effectively evaluate project environmental and climate risks.

In accordance with environmental and social risk management standards and environmental and climate risk management standards, the Bank has developed differentiated credit approval processes and strategies. For high social, environmental and climate risk sectors such as steel, cement, coal mining, and thermal power, the Bank has implemented risk escalation management process, with approval authority for new project loans centralised at the head office. Projects that meet green loan standards are included in the "green channel" and subject to differentiated processing to improve business processing efficiency. As for clients and projects that do not meet national policy and regulatory requirements, have not completed rectification for violations, have an environmental credit rating of a warning or poor environmental protection enterprise, are involved in lawsuits due to environmental and climate issues that may have a significant adverse impact on the enterprise, are required to be shut down by government authorities, or have other significant environmental and climate risks, the Bank implements an "one-vote veto" for environmental and climate risks, and credit access will not be granted. In 2022, the Bank formulated the *Template for Credit Approval Declaration Materials for Large and Medium-sized Business Clients*, which embeds environmental and social risk classification and environmental and climate risks into client investigation and evaluation reports, and requires that high energy consumption and high emission industries such as coal power, iron and steel, non-ferrous metal smelting, building materials, petrochemicals and chemicals must be clearly listed in the risk investigation. At the same time, trainings are provided to the personnel in charge of operating departments, credit approval departments and related positions at all levels, as well as domestic subsidiaries and credit-related positions, requiring loan reporting units to state environmental and social risk classification and environmental and climate risk-related content in their reporting materials.

Climate-related risk analysis

In 2022, the Bank continued its exploration on climate transition risk stress testing. The Bank has conducted climate transition risk stress testing on eight high-carbon industries, including thermal power, steel, building materials, civil aviation, non-ferrous metal smelting, petrochemicals, chemicals, and papermaking, to assess the potential impact of carbon peaking and carbon neutrality target on the Bank's credit assets. The testing adopted the international mainstream methodology and calculated on a case-by-case basis based on the internal rating model. By estimating the carbon emissions of the companies, the Bank quantitatively assesses the impact of climate transition risks on the financial costs and credit ratings of clients. The stress testing is based on the end of 2021 as the base period and covers the period from 2022 to 2030. It covers 2,898 companies with a loan balance of RMB588,451 million. The test results showed that the payment capabilities of the clients in the eight high-carbon industries were reduced to varying degrees under stress scenarios, yet the risks were generally controllable. The Bank's capital adequacy ratios would decline by 1.58, 1.62 and 1.65 percentage points, respectively, by 2030 under the three stress levels (i.e., mild, moderate, and severe), and the declined capital adequacy ratios are all higher than the regulatory requirements.

Green Operations

The Bank places great emphasis on green operations and actively improves monitoring and diagnostic systems, energy audits, maintenance, and other policies. It has established a classified statistical ledger, regularly counts and analyses energy consumption data, and explores energy-saving potential. A platform for managing carbon emission data has been developed and utilised to form a regular monthly reporting mechanism from the bottom up. The Bank comprehensively investigates the energy and resource consumption status of the entire organisation in 2022 and actively investigates the optimisation of energy consumption statistical standards. In 2022, the head office of the Bank was awarded a 4-star rating in the Beijing Green Creation Activity, becoming one of the first green creation units in Beijing. The Xiamen Branch, Guangdong Huadu Branch, Changsha Hexi Branch in Hunan, Wuhan Qiuchangjie Branch in Hubei and the Yuzhong Shangqingsi Branch and Wanzhou Liangping Branch in Chongqing were awarded the certificate of "Carbon Neutrality". The Sydney Branch, Zurich Branch, Frankfurt Branch and CCB New Zealand were certified as "Carbon Neutrality" by their respective local authorities; The Seoul Branch receives top ESG rating among Korean financial institutions.

The Bank continues to promote the construction of green outlets, using green and low-carbon building materials, reducing energy consumption, and expanding the use of renewable energy in new outlet construction or renovation. The Bank also continues to promote the digitisation of transactions in outlets, expanding the scope of electronic applications for receipts, vouchers, and seals, and constantly enriching paperless transaction scenarios. Additionally, the Bank promotes green and low-carbon counter business services, providing clients with online appointment, at-home appointment, and in-branch appointment function, enhancing the synergy between online and offline services.

The Bank strengthens energy-saving management of data centres and requires suppliers to have relevant green qualifications in the procurement of new IT assets such as server rooms, infrastructure, and front-end peripherals. The Bank also prioritises environmental management certification, energy-saving and environmental protection certification, and environmental labelling product certification when making IT assets procurement decisions. The Bank conducts analysis and research to promote the low-carbon and energy-saving measures in green data centre construction, effectively implementing green and low-carbon management practices.

The Bank further advances green procurement initiatives by researching and formulating a *Green Procurement Product Catalogue* to strengthen the foundation of green procurement management. The Bank implements green procurement throughout the entire procurement process, focusing on the green indicators of suppliers and products during selection testing, supplier qualification review, and procurement execution. The Bank also promotes digital procurement and actively promotes online business negotiations, contract signing, and other work to improve the quality and effectiveness of green procurement, while ensuring risk control.

The Bank promotes the construction of a green office culture, eliminates prolonged use of lighting, reduces computer standby consumption; accelerates the promotion of intelligent operations, reduces the use of disposable office supplies, and increases the utilisation rate of video conferencing systems; steadily promotes waste management work and properly handle various types of hazardous and non-hazardous waste; strengthens the promotion of green and environmental protection concepts, organised and carried out energy-saving publicity week activities with themes such as "Saving energy to start a green and low carbon life" and "Implementing the 'Carbon Peaking and Carbon Neutrality' action, building a beautiful home together", to improve employees' awareness of energy conservation and emission reduction.

The following table shows the environmental performance of the Bank's green operations during the indicated period.

	2022	2021	2020
Greenhouse Gas Emission (Tonne of Carbon Dioxide)	1,682,812.20	1,643,454.48	1,481,223.32
Energy Consumption (Tonne of Coal Equivalent)	325,657.59	335,950.96	299,247.57
Water Consumption (Tonne)	18,246,296.32	20,600,497.71	23,171,202.67
Paper Consumption (Tonne)	8,841.62	11,172.33	12,635.51
Proportion of off-counter account transactions (%)	99.64	99.58	99.51
Financial transaction migration rate via electronic channels (%)	97.87	97.34	96.57

Note: The statistic standard of the above date can be referred to CCB's *2022 Social Responsibility Report*. The statistical scope of the environmental performance data for 2021 and 2020 includes the Head Office, 35 domestic branches, Northeastern China College and Eastern China College of CCB Learning Centre, Beijing Production Campus, and the Wuhan Production Campus. The data for 2022 includes the Head Office, 37 domestic branches, Northeastern China College and Eastern China College of CCB Learning Centre, Beijing Production Campus, and Wuhan Production Campus.

SOCIAL DEVELOPMENT

Serving the Development of Agriculture, Rural Areas and Farmers

The Bank has deeply studied and implemented the spirit of the 20th National Congress of the Communist Party of China, fulfilled its designated assistance responsibility, further consolidated and expanded the results of poverty alleviation, which includes promoting the development and comprehensive revitalisation of rural areas in poverty-stricken regions, connecting the consolidation and expansion of poverty alleviation results with effective rural revitalisation. The Bank has deeply implemented the "three major actions" of rural development, construction, and governance, and promoted the "five major revitalisations". The Bank also continued to perform better in the designated assistance areas of Hanbin District, Hanyin County, Ziyang County, and Langao County of Ankang City, Shaanxi Province, continuously supporting the sustainable development of rural areas.

Diversified poverty alleviation

In 2022, the Bank strengthened financial assistance and credit support to areas lifted out of poverty and key counties for national rural revitalisation. The Bank focused on providing financial support for follow-up assistance to the relocation for poverty alleviation, effectively meeting the financing needs of relocated people to develop their production. Continuing to increase support for the construction of supporting infrastructure in centralised resettlement areas, the Bank actively supported the development of industries that help increase local incomes and provide employment assistance in these areas.

Main measures include:

- In terms of consumer support in rural areas, the Bank has set up the "Yunong Excellent Products" programme, which guides financial resources to be precisely allocated to enterprises, organisations, and farmers, helping farmers increase their income and become wealthy.
- In terms of training in rural areas, the Bank has set up the "Yunong School", which collaborates with rural primary and secondary schools, party and mass service centres, rural medical stations, "Yunongtong" service sites, etc. to regularly carry out themed educational activities.
- In terms of social interaction in rural areas, the Bank has set up the "Yunong Friends Circle", which collaborates with local governments and takes serving farmers as the core and social functions as the entry point to provide enjoyable and exclusive comprehensive services for farmers.
- In terms of circulation in rural areas, the Bank set up the "Yunong Market", gradually forming a "rural financial ecosystem" covering products, platforms, scenes, and clients, using financial technology to promote rapid economic development in counties.
- In terms of rural governance, CCB innovates and builds platforms for "The Supervision of Collective Funds, Assets and Resources in Rural Areas", "Rural Property Rights Transaction Services" and "Smart Village Comprehensive Services", promoting the construction of digital rural grassroots governance service scenarios and helping to strengthen the comprehensive service capabilities of town and township governments.

Achievements in poverty alleviation

In 2022, the Bank has directly invested RMB103.44 million in free assistance funds to Hanbin District, Hanyin County, Ziyang County, and Langao County of Ankang City, Shaanxi Province,

Note: The graph shows an aerial view of Cailiang Community in Hanbin District, a village that receives designated assistance from the Bank.

and introduced RMB45.11 million in free assistance funds. It also directly invested RMB1,275.07 million in paid assistance funds and introduce RMB85.26 million in paid assistance funds. The Bank invested RMB382.73 million in project funds attracted throughout the Bank's resources mobilisation and investment promotion. In addition, the Bank provided training for 28,729 grassroots cadres, 17,507 leaders in poverty alleviation, and 20,056 professional and technical personnel.

The Bank has continued to take an active part in consolidating the achievements of poverty alleviation relying on consumption assistance, organised the establishment of special areas for consumption assistance in areas lifted out of poverty, products pavilion of key counties for national rural revitalisation and other special poverty-removal and agricultural sales areas. In 2022, the Bank has carried out more than 90 series of marketing activities to help rural development such as "Working together to help farmers", helping consumption assistance enterprises to reach transactions of nearly RMB200 million. As of the end of 2022, the Bank has helped to sell RMB1,361 million of agricultural products from areas lifted out of poverty, purchased RMB80,253.7 thousand of agricultural products from areas lifted out of poverty, benefited 106,800 registered households who were lifted out of poverty, and promoted the sales of agricultural products in key counties supported by the national rural revitalisation initiative to reach RMB388 million.

Financial services for rural revitalisation

The Bank actively creates a demonstrative and replicable financial model to support rural revitalisation development, actively improves the top-level system design for rural revitalisation, allocates various policy resources, deepens cooperation among all parties, applies technology to empower the construction of rural financial scene platforms, provides excellent financial services for key areas, key regions, and key client groups in rural revitalisation, and meets the diversified and multi-level financial needs of agricultural-related clients, significantly enhance financial services accessibility in underbanked regions.

Building the Yunongtong "Village chain" project

The Bank has built the "Village chain" project and established the "Yunongtong" comprehensive service brand for rural revitalisation that serves agriculture, rural areas, and farmers, which are relied on the "Yunongtong" inclusive financial service sites and mobile app. The project focuses on providing intelligent agricultural services, convenience services, e-commerce services and basic financial services. This enables villagers to handle financial and non-financial services such as small cash withdrawals, livelihood payments, and social security and medical services, which helps promote the implementation of digitalised operations and platform economy in rural areas.

Establishing offline "Yunongtong" inclusive financial service sites. The Bank collaborates with village committees, supply and marketing cooperatives, village supermarkets, health clinics, and retired military service stations to establish "Yunongtong" inclusive financial service sites by deploying intelligent POS electric devices, intelligent agricultural terminals and other electric devices that connect effective social resources in rural areas to provide basic financial services. As of the end of 2022, 440,000 "Yunongtong" service sites have been established nationwide, which can be capable of handling 41 types of government and livelihood services and more than 100,000 life payment projects. The "Yunongtong" service sites covered most townships and administrative villages across China and served more than 52 million people. 250,000 "Yunongtong" service sites were jointly built with the "village committee" and accounted for 56% of the total. The Bank has issued 22.83 million "Rural Revitalisation Yunongtong Card" focusing on large-scale rural farming and breeding households, and people returning to rural areas for innovation and entrepreneurship, with a net increase of 4.3 million cards in the same year. In 2022, "Yunongtong" service sites became the first rural inclusive financial service point with electronic social security card issuance function throughout China.

Promoting online "Yunongtong" APP construction. 31 provinces across China have achieved full coverage to the online promotion of the "Yunongtong" APP. As of the end of 2022, the registered users of the "Yunongtong" APP had exceeded 5 million households, with an addition of 3.04 million households in that year. The cumulative amount of loans issued to farmers was nearly RMB20 billion, and more than 5 million payment transactions were completed. Meanwhile, comprehensive consumer protection work has been carried out, with a focus on promoting consumer protection work in rural areas. The "Multi-colour consumer protection" education area has been established on the "Yunongtong" APP and the "CCB Yunong" WeChat official account. This has created a consumer protection education and propaganda platform that is close to rural areas and farmers, bringing financial knowledge to the countryside and benefiting more rural clients. In 2022, the "Yunongtong" APP launched a service interface for the "Elderly Version" to help elderly clients overcome the "digital divide".

Increasing the allocation of rural credit resources

To support key areas such as ensuring national food security, rural industries, and rural construction, innovative "rural revitalisation loans" series products have been created, such as "high-standard farmland loans", "facility agriculture loans", and "agricultural production trusteeship loans", which serve the precise needs of agricultural and rural production development. "Yunong" series products are developed based on farm households' credit information, asset and transaction information, "Yunongtong" and other client data, as well as agricultural production and other related agricultural data, creating the "Yunong Quick Loan" product package and offline "Yunong Loan" series products, to meet the production and operation capital needs of farmers.

Expanding new ecological scenarios in agriculture

The Bank explores the construction of a "bank + futures + insurance" model, strengthens the market-oriented sharing and compensation mechanism for agricultural credit risks, helps farmers lock in raw material purchases, and stabilises agricultural production and business profits. The national first Financial Application Centre of Intelligent Big Data for Laying Hens is established, the Bank has provided online credit services for laying-hen breeding clients based on transaction data from the laying-hen industry chain. Focusing on 4,500 agricultural wholesale markets and 30,000 farmers' markets nationwide, the Bank has provided comprehensive financial and non-financial services to various agricultural operating entities in the market. Deepening cooperation with the national supply and marketing cooperation system, the Bank focuses on 2.2 million farmer cooperatives nationwide, especially the 192,000 farmer cooperatives led by the National Supply and Marketing Cooperation General Agency, and provides comprehensive services such as credit, settlement, and merchant services to relevant agricultural entities. Focusing on 900,000 socialised agricultural service organisations nationwide, the Bank has built a digital platform for agricultural production trusteeship services. Around the consumption assistance, the Bank has launched the "Yunong Excellent Products" rural e-commerce service to enhance the development of agricultural products.

The Bank has established the "Shanfutong" supply chain service platform, based on existing supply chain relationships with business clients, to provide networked financial services and business collaboration for clients and their upstream and downstream partners. The Bank relies on "Shanfutong" to actively implement the rural revitalisation strategy, focusing on the networked and digital upgrading needs of agricultural-related industry chains. It provides a comprehensive package of "e-commerce + financial" services, including payment settlement, order management, and information sharing, to upstream and downstream entities in the agricultural supply chain. This effectively addresses the transaction bottlenecks such as multiple offline communication channels and long waiting times for payment verification, helping to promote the integration of the primary, secondary, and tertiary industries in rural areas. In 2022, the Bank expanded enterprise clients base to 328 external business clients, built 680 active supply chains, covering over 340,000 active clients upstream and downstream, with a transaction volume of RMB116 billion. More than 400 of these supply chains are related to the agricultural industry, with a transaction volume exceeding RMB13 billion.

Supporting green development in rural areas

The Bank provides quality ecological security, environmental protection and green products to support the green development of the rural areas. The Bank has issued the *Action Plan for Vigorous Development of Green Finance in Rural Revitalisation*, which focuses on enhancing credit support to seven key areas: rural land improvement and restoration, development of ecological circular agriculture, comprehensive improvement of rural living environment, development and utilisation of green resources, pollution control in agriculture, restoration and protection of ecosystems, and development of clean energy and energy-saving and environmental protection industries in counties. The plan aims to enrich the Bank's reserve of green credit projects related to agriculture, and 10 key branches have been selected to jointly with the Head Office to develop customised green financial service plans according to local conditions, to support rural areas in establishing governance structures and organisational systems in line with the carbon peaking and carbon neutrality goals.

Annual achievements

In 2022, the Bank focused on building an ecological financial services system for six characteristic agricultural industry chains, including food security, dairy industry revitalisation, beef cattle, vegetables, fruits, and flowers. The Bank constructed a new business model that serves the entire scene, all client groups, and the entire industry chain, which prioritised allocating financial resources to the key areas and weak links of rural revitalisation. As a result, the balance of agricultural loans exceeded RMB3 trillion, an increase of RMB538,708 million, or 21.85%, compared with the end of the previous year. The balance, growth rate, and new additions were all at historically high levels. Among them, the balance of public agricultural loans was RMB2,065,409 million, and the balance of private agricultural loans was RMB939,117 million; the balance of agricultural loans to households was RMB938,954 million, an increase of RMB217,798 million or 30.20% compared with the end of the previous year, maintaining a high-speed development trend. The Bank continues to lower the comprehensive financing costs of agricultural client groups. In 2022, the weighted average interest rate for new agricultural loans was 3.91%, a decrease of 39 basis points from the previous year. This move helps to solve the problems of difficult and expensive financing for farmers and agricultural enterprises and assists agricultural client groups in increasing their income and becoming prosperous.

Focusing on Inclusive Clients

"CCB Huidongni" platform

The Bank focuses on the characteristics and differentiates demands of inclusive finance clients, and continuously enriches its digital and online service offerings. Through innovative expansion of inclusive financial services accessible to different groups and regions, and adhering to the concept of digitalised operation, the Bank created an exclusive service platform for inclusive groups called the "CCB Huidongni" APP. In November 2022, the Bank launched the upgraded version "CCB Huidongni" 3.0 integrated ecological service platform. Building on a strong foundation of core credit functions, the platform provides a wide range of financial and public services, which covers three major areas: credit, wealth, and operations, creating an open and sustainable comprehensive service ecosystem to help enhance clients' comprehensive service capabilities and promote the long-term development of inclusive financial businesses. The Bank is proud to win the "19th People's Ingenuity Service Award". As of the end of 2022, the "CCB Huidongni" APP has accumulated 210 million visits and over 26.5 million downloads, with 17.73 million registered individual users and 8.97 million certified enterprises, an increase of 2.57 million from the previous year. The number of credit clients reached 1.99 million, with a credit amount of RMB1.64 trillion, an increase of 726.2 thousand clients and RMB646,271 million from the previous year, respectively, reaching a historic record.

Differentiated product system for inclusive finance

The Bank leverages digital technology and technological empowerment to strengthen platform operations, improve market responsiveness, and focus on differentiated needs of inclusive financial groups such as small and micro enterprises, individual businesses, agricultural clients, upstream and downstream clients in the supply chain, and others. The Bank enriches our product system such as "Quick Loan for Small and Micro Businesses", "Quick Loan for Personal Business", "Yunong Quick Loan" and "Quick Loan for Transactions", to enhance our ability to meet client needs and improve service efficiency. "Quick Loan for Small and Micro Businesses" and other new model products has cumulatively provided credit support of RMB8.83 trillion and served 3.52 million clients. The "CCB Start-up Station" supports the sci-tech innovative small and micro client groups and has provided credit support of RMB42 billion for more than 23,000 enterprises.

Boosting the stabilisation of market entities

Actively exploring the establishment of an exclusive credit service system for individual business groups, the Bank organised the "Beneficial market, beneficial enterprise" special action for inclusive finance, to increase financial support for inclusive individual and small business groups such as individual industrial and commercial households, and focus on boosting market confidence and stabilizing the macroeconomic situation. In 2022, "Quick Loan for Personal Business" have provided a cumulative credit support of RMB510 billion and served 0.77 million clients.

Supporting underbanked regions

In regions with underserved financial services such as Tibet, Qinghai, Ningxia, Gansu, and Xinjiang, the Bank actively injected over RMB40 billion in inclusive finance loans, benefiting over 100,000 small and micro-enterprise borrowers. Continuously expanding the breadth and depth of inclusive financial services, the Bank helps to alleviate the difficulties of local small and micro enterprises in financing and high financing costs. The Bank has promoted its "Quick Loan for new client" exclusive products, in 2022, the Bank provided first-time loans to 185,000 small and micro-enterprises, an increase of 25,000 compared to the previous year.

Support for "small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products"

The Bank has signed the *Strategic Cooperation Agreement on Financial Services for Small and Medium-sized Enterprises* with the Ministry of Industry and Information Technology. The cooperation focuses on increasing financing support for small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products, innovating and developing exclusive credit products for research and development, and comprehensively upgrading financial services. The Bank has launched a special action for small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products, and is fully supporting the innovation and high-quality development of small and micro enterprises. As of the end of 2022, there are 2,180 small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products, that have conducted credit business with the Bank, with a loan balance of RMB68,349 million. Among them, the loan balance for large and medium-sized clients is RMB62,755 million, and the loan balance for small and micro clients is RMB5,594 million.

Access to Finance

Outlet coverage in county areas

The Bank actively expands the coverage of urban planning new areas and county-level outlet, and has issued the *Guiding Opinions on Expansion of County-level Business*. In 2022, the Bank established 14 new county-level outlets, accounting for 63.64% of the total number of newly established outlets. The Bank also lowered the profit assessment requirements for newly established county-level outlets in some provinces to further improve the accessibility of county-level financial services. As of the end of 2022, the Bank has more than 14,000 outlets, of which 4,198 are based in county-level, accounting for 29.48% of the total. 1,005 outlets are located within the 832 counties that used to identify as national-level-poverty-stricken-counties. (See section "Entities, Outlets and E-channels" for details)

Construction of characteristic outlet

The Bank has established various characteristic outlets, such as inclusive finance, housing leasing, and auto finance, to accelerate the transformation and upgrade of the outlet service function to a scenario-based ecological service function that combines both integrated services and featured services across financial and non-financial sectors. Leveraging the advantages of outlets, the Bank integrates efficient and quick online support with high-quality offline services. As of the end of 2022, nearly 14,000 outlets were able to provide inclusive financial services, with nearly 20,000 inclusive finance clients manager and more than 250 inclusive finance service centres established, and over 2,500 characteristic outlets for inclusive finance already in operation.

Expanding "Workers' Harbour +" service of outlet

The Bank actively serves the society, opening 13,875 "Workers' Harbours" to the society, and transforming and upgrading to specialised and differentiated services. The Bank continues to deepen the "Workers' Harbour+" model, and cooperates with 2,166 institutions such as the Party and government organisations at all levels, trade unions, China Disabled Persons' Federation, and charitable organisations to expand the service scope in fields such as elderly-friendly and caring services, integrated government affairs services, rural revitalisation, green and low carbon transformation, educational aid, legal aid and popularisation, and barrier-free services. The Bank has implemented several elderly-friendly and barrier-free renovations, issued the *Outlets Barrier-free Service Capacity Enhancement Implementation Plan* and launched the industry's first *Barrier-free Construction Special Guideline for Outlets*, creating "barrier-free service demonstration outlets" to optimise service experiences for elderly and disabled groups. In terms of elderly-friendly, the Bank's more than 14,000 outlets have been fully equipped with service facilities such as courtesy seating, reading glasses, magnifying glasses, additional equipment is provided at outlets with more resources, such as wheelchairs, vibrating pager, blood pressure monitors, communication handwriting boards, mobile form-filling tables, and sugar-free drink areas have been added. As of the end of 2022, 145 outlets from 14 branches of the Bank have been certified by the Group Standard of Service Requirements for the elderly at Bank Outlets, maintaining the industry's leading position in terms of quantity. In terms of barrier-free, all outlets further improve barrier-free services, such as barrier-free entrance, customer service hotline, wheelchairs, guide dogs-allowed signs, lobby guide services, sign language services and door-to-door services to meet the needs of handicapped group and groups with special conditions. The Bank launches series of "Wan Bao Sign Language Class" courses, with over 500,000 people participating, to enhance the sign language service skills of the outlet employees and provide high-quality financial services for the hearing-impaired group. In 2022, a total of 77 outlets of the Bank were awarded the "Most beautiful trade union outdoor worker service station" by the All-China Federation of Trade Unions, ranking first in the national financial system.

Mobile banking

The Bank optimises the operation process of mobile banking and improves financial accessibility. The Bank also improves the registration and login process of mobile banking, allowing users to quickly register and open a mobile banking account online through their mobile phone number, and conduct financial and convenient government services through binding accounts from other banks. The Bank continuously optimises the interactive process of investment and financial services such as wealth management, funds, insurance, cross-border finance, and physical gold redemption, shortens the operational steps through information prompts, and present clients with a more comfortable, convenient, and smooth financial service experience. The Bank connects with national and provincial-level government services to create a mobile banking government service centre. The mobile banking homepage provides centralised display of convenient government services such as local provident fund, pension, social security, medical insurance, traffic tickets and tax payments, allowing users to conduct financial and convenient government services in a one-stop-shop manner through mobile banking.

Remote intelligent banking

The Bank continuously provides high-quality and remote comprehensive financial services to clients through multimedia interconnection, multi-scene penetration, and multi-functional outreach. The intelligent applications have been deeply expanded into multiple fields, such as voice navigation, consultation services, bill payment reminders, and marketing assistance. Telephone voice navigation serves nearly 580,000 clients per day on average, and our intelligent consultation services serve over 1 million clients per day on average. Intelligent payment reminders cover 9 business scenarios, including credit cards, personal loans, small business loans, and agricultural loans, while the intelligent marketing assistance has reached 3.68 million clients. In 2022, 1,077 million client inquiries were handled and achieved a client satisfaction rate of over 99%. The Bank committed to advancing intelligent services, and added convenient service features such as "smart prediction" and "cloud delivery". The Bank also innovatively launched its official account on WeChat and Tik Tok named "CCB customer service" with over 22.5 million followers and serving 129 million users.

Alternative financial services

The Bank's outlets are equipped with 20,000 "Longyixing" mobile intelligent terminals, including 5,246 in county areas, providing clients with 154 mobile financial services in eleven major categories, such as account opening, credit card application, and mobile banking sign-up. For disabled and elderly people with limited mobility, urban migrant workers, and residents of villages in high-altitude or remote areas where financial services are scarce, employees of outlets provide door-to-door service by carrying the "Longyixing" mobile intelligent terminal. As of the end of 2022, the Bank has conducted approximately 500,000 external expansion services using "Longyixing" (including 85,000 targeted services in county areas), with transaction amounts exceeding RMB2.1 billion and transactions volume reaching 38.97 million, with a 40.43% increase.

The Bank actively expands online service functions to improve service convenience. Through the WeChat official account "CCB banking centre" online service capacity, The Bank moves "service with temperature" from offline-at-outlets to online, offering clients professional financial services such as channel navigation, appointment booking, consulting interactions, allowing clients to enjoy the same services and experience as visiting an outlet through their mobile phones. At the same time, the Bank launched remote consultation services for areas and populations with scarce financial services such as counties and rural areas. By building a three-level response service capability of "AI client service +live agent+ outlet employee", instantly identify client needs and provide immediate answers to frequently asked questions. The Bank actively explore new financial service channels and apply mobile financial service vehicles to specified business scenarios, mainly providing relevant financial services such as account opening, and transfer to clients who have difficulty obtaining financial services. Meanwhile, the "village chain" project of Yunongtong, the exclusive service platform "CCB Huidongni" and the customer operation platform of "CCB Lifestyle" further enrich the accessibility and convenience of the Bank's online service.

The Bank has launched the "CCB Doorstep Service" financial service, which focuses on building a contactless service model, expanding outlets service channels, fully integrating online and offline channels, coordinating the Bank's delivery capabilities and third-party logistics companies, and extending outlet services by directly delivering products or services involving physical delivery to clients. The Bank provides an intensive financial service experience without clients leaving their homes, enabling clients with limited mobility to access convenient financial services. This year, the Bank has expanded the functions supported by the "CCB Doorstep Service" financial service to include private banking card application and bank inquiry letter delivery services. As of the end of 2022, the "CCB Doorstep Service" financial service has supported 31 "at-home" products and provided over 14 million home services to 4.6 million clients.

Consumer Protection

Management structure and working system

The Bank continuously improves the top-down consumer protection management system, forming a "horizontally to the edge, vertically to the end" matrix-style consumer protection management mode. The Bank incorporates consumer protection work into the overall business development strategy, corporate culture construction, and risk management. Throughout the year, the related party transactions, social responsibility, and consumer protection committee of the Board reviewed eight consumer protection-related topics, heard reports on the progress of consumer protection work and complaint management, reviewing consumer protection work plans, continuously promoting the improvement of consumer protection work strategies, policies, and goals and supervise and evaluate the implementation of consumer protection work. In 2022, the management reported the results of consumer protection audits to the related party transactions, social responsibility, and consumer protection committee of the Board, the scopes of which involved fair marketing, telephone marketing, client suitability management, client information security protection, elderly-friendly service, debt collection, complaint management, consumer protection review, consumer protection evaluation, and other areas. The consumer protection committee of the management held three plenary meetings and two thematic meetings throughout the year, coordinating and organising the implementation of consumer protection work, reviewing complaint and consumer sentiment reports monthly and making specialised deployments for consumer protection work, such as reducing complaint volumes.

The Bank has established a examination and supervision mechanism and issued the *Consumer Rights Protection Audit Management Measures*. The audit department is required to organise professional audit teams and audit institutions to conduct consumer protection audits annually and supervise the implementation of consumer protection work, including complaint management and other related aspects. This is to continuously improve the quality and effectiveness of consumer protection management. In addition, the Bank has established consumer rights protection departments and full-time positions in the head office and branch offices, responsible for leading various consumer rights protection work, including complaint management, consumer protection review, and consumer education and publicity.

In 2022, the Bank studied and formulated the *Consumer Protection Work Plan (2023-2025)*, in accordance with regulatory requirements and actual work in the industry. The plan clarifies the development vision of "demonstrating social responsibility, improving management systems, and creating industry benchmarks for financial consumer protection", and sets specific goals, including achieving 100% coverage of product and service consumer protection review, reaching approximately 900 million consumers through consumer education and propaganda in 2025, improving consumer satisfaction, reducing the number of individual consumer complaints per million and other specific indicators.

Fine-grained management of complaints

The Bank has been continuously improving its complaint management system. In 2022, the Bank revised and issued multiple regulations and measures, such as *Consumer Complaint Management Measures, Individual Client Issue Resolution Management Measures, Emergency Management Measures and Plans for Major Consumer Protection Events*. These measures have formed a multidimensional complaint management system, including complaint management, handling of major complaints, issue resolution, and diversified solutions.

The Bank is committed to improving its complaint management mechanism, and assigns specialists at all levels and business lines to handle consumer complaints, implementing the first asking responsibility system, requiring personnel who first receive consumer complaints to provide satisfactory responses to consumers in the most timely, efficient, and straightforward manner within their job responsibilities. The Bank continuously optimises the construction of its consumer protection management system, introducing big data and artificial intelligence technology, and innovatively creating complaint dashboards and consumer protection scorecards to improve management and monitoring efficiency. The Bank strengthens problem tracing and rectification, establishes a normalised mechanism for feedback from complaint data to product design and channel operation, and promotes system improvement, product optimisation, and business improvement from the source.

The Bank has fully unblocked complaint acceptance channels, formulating new consumer complaint channels and handling procedures, and enhance the updates of public information for online and offline complaint channels. The Bank sets a remote intelligent banking centre, equipping with dedicated consumer complaint personnel and providing multiple channels, such as the 95533 client service hotline, "CCB customer service" WeChat official account, mobile banking live chat, online banking live chat, and SMS platform. Leveraging a variety of media, including voice, text, and video, the Bank provides clients with enterprise-level, intensive, intelligent, multi-functional, multilingual, and 24/7 services in a "human + AI" manner, to respond to clients request in a timely manner. After online submissions by the clients, client service representatives would try to resolve them by explaining to the clients, proposing solutions, or passing on to the local branch (See the "Consumer Protection" chapter in the CCB Social Responsibility Report 2022 for details) and regularly conduct satisfaction surveys through the remote intelligent banking centre to understand the satisfaction level of complaint handling and provide feedback to the responsible departments.

Consumer complaints

In 2022, the Bank received a total of 224,224 consumer complaints, a decrease of 8.45% compared to the previous year. The complaint incidence rate (number of complaints per million clients) decreased from 337 in 2021 to 303, and the average number of complaints per outlet decreased from 17.2 to 15.7. The main categories of complaints were related to debit cards (64,462 cases, accounting for 28.75%), credit cards (58,676 cases, accounting for 26.17%), loans (21,064 cases, accounting for 9.39%), etc. The main channels of complaints were backend channels (89,169 cases, accounting for 39.77%), outlet offices (59,415 cases, accounting for 26.50%), and electronic channels (55,297 cases, accounting for 24.66%). The complaints were mainly distributed in West China (51,724 cases, accounting for 23.07%) and Central China (47,310 cases, accounting for 21.10%).

Table below presents the distribution of complaint types handled by the Bank in 2022.

Types of Complaint	Percentage
Debit Card	28.75%
Credit Card	26.17%
Loan	9.39%
Debt Collection	9.05%
Payment & Settlement	4.52%
Others[3]	22.12%

Table below presents the distribution of complaint channels handled by the Bank in 2022.

Channels of Complaint	Percentage
Backend Channels	39.77%
Outlet Offices	26.50%
Electronic Channels	24.66%
Self-service Equipment	2.97%
Third-party Channels	1.55%
Others[4]	4.55%

Table below presents the distribution of complaints by regions handled by the Bank in 2022.

Regions	Percentage
West China	23.07%
Central China	21.10%
The Bohai Economic Rim Region	16.31%
The Pearl River Delta	15.98%
The Yangtze River Delta	14.17%
Northeast China	9.37%

3 "Others" include Bank agency business, other intermediary business, RMB savings, proprietary wealth management, personal financial information, and other business types.

4 "Others" include the complaints generated from business consultation or processing via front desk channels except outlet offices, electronic channels, self-service equipment and third-party channels.

Product service review management

The Bank is committed to improving the review mechanism, conscientiously carries out new product risk assessment and review, formulates related system specifications, and strictly stipulates the review requirements before new products are released on the market. The Board is responsible for reviewing the product innovation development strategy and the corresponding risk management policy, supervising the implementation of relevant strategies and policies, regularly listening to product innovation reports, and ensuring that the product innovation work progress, operation and market conditions are known. Before products are released on the market, the product R&D department of the Bank carries out risk assessment and review of the new products, and the relevant departments such as risk, compliance, consumer protection and law review whether the product meets the market requirements, stipulate that all new products which have not passed the review cannot be released on the market, and fully ensure that the new product meets the relevant system specifications and industry regulatory requirements of the Bank. The Bank has formulated the *Measures for the Administration of Advertising* and the operating rules, and strictly abides by the relevant laws and regulations on advertising. The advertising content is comprehensively reviewed by professional departments to accurately express product development and risk considerations, so as to help clients understand their financial needs and make corresponding decisions.

The Bank continues to strengthen consumer protection reviews as well as its digital level. A digital consumer protection review system was developed and launched, covering all branches of the Bank to enhance the professionalism and digitisation level of the review. A consumer protection review control mechanism was established, embedding a system control of whether it has undergone consumer protection review at the front end of the system in regulations, marketing, and other business systems to ensure a thorough review. A consumer protection review system and business system linkage mechanism were constructed to support business systems in initiating consumer protection review applications, accelerating the deep integration of consumer protection work and business operations. The Bank focuses on the whole process of design and development, pricing management, agreement formulation, marketing and publicity for products and services, implements the management requirements for the consumer protection process for products and services provided to financial consumers, and completes a total of 94,951 consumer protection reviews in 2022.

Education, propaganda and training on consumer financial protection

Enhancing employees' consumer protection awareness

The Bank focuses on strengthening employee training and education on consumer protection to enhance their awareness. A consumer protection training plan is developed. Consumer protection training is comprehensively covered for senior and management personnel, grassroots business personnel, and new employees through consumer protection special training, embedded training in business lines, daily training in outlets, and online training in CCB Learning Centre. All employees who directly interact with clients receive at least one consumer protection training per year, with training content covering different aspects such as fair advertising behaviour norms, privacy protection and data security of personal information, debt collection and client complaint management, and consumer protection review. Relying on the "CCB Learning" platform, the Bank has established a public welfare class to create a rich content system of consumer protection knowledge, with a cumulative viewing volume of over 3.64 million. In addition, the Bank conducts special training for all relevant personnel of outbound calls every year, covering policy interpretation, risk control, consumer rights protection and other aspects, so as to ensure that the outbound telephone business of the Bank is carried out in a compliant and orderly manner in accordance with the law.

Public financial education and propaganda

The Bank prioritises enhancing public financial literacy as the key part of the consumer protection efforts. The Bank conducts various education and propaganda activities both online and offline through multiple channels, targeting diverse groups such as children, teenagers, the elderly, ethnic minorities, and new citizens in schools, communities, and military camps. The Bank aims to establish a mechanism that covers both rural and urban areas and promotes financial knowledge deeply integrated into the national education system.

The Bank has established close partnerships with financial education institutions, over 20 branches collaborated with local universities to promote financial knowledge and educational campaign, such as jointly building a "production-education integration training base" with Zhengzhou University of Science and Technology and launching the "youth study society" series of activities in university campuses. It has conducted public welfare propaganda activities at Renmin University of China to popularise financial knowledge, such as guarding against illegal campus loans and protecting personal credit. It has worked with Southwest University to jointly build a "rural revitalisation and rural financial production-education integration training base" and conducted consumer protection education and propaganda activities in rural areas. The Bank has continuously carried out various financial education activities, including the "3•15 Consumer rights protection education propaganda week", "Protect your wallet", and "Financial education propaganda month". More than 14,000 outlets and 300,000 employees of the Bank actively participated in more than 164,000 online and offline activities, reaching more than 1.13 billion clients. The Bank received awards for being an excellent organising unit during the "3•15 Education propaganda week" and "Financial education propaganda month." The Bank has conducted various characteristic education and propaganda activities tailored to different groups, such as organising photography contests and theme speeches for the elderly and painting contests and "Golden bee" campus education and propaganda activities for teenagers, which raised the level of public financial knowledge through lively education. Moreover, the Bank has invested in digital education and established a digital financial education and propaganda zone during marketing activities, receiving more than 700 million visits. It has also utilised "intelligent VR+AI+3D" technology to create an online "Consumer protection 3D digital exhibition hall", allowing clients to immerse themselves in learning financial knowledge.

Fair advertising policies

The Bank strictly complies with the requirements of laws and regulations such as the *Advertising Law of the People's Republic of China*, and is committed to continuously improving the fair advertising policy. In the design of marketing activities, the Bank requires strict implementation of the whole process integration of consumer protection, and regulates marketing behaviours in accordance with the *Administrative Measures for Marketing Work of Individual Users and Clients*, so as to avoid non-compliant marketing behaviours such as false and exaggerated publicity. The Bank standardises marketing behaviour, strictly reviews the content of marketing promotion plans and promotional materials, and promptly corrects the content with consumer protection risks to ensure the compliance of promotional content. The Bank has established a monitoring and review mechanism for marketing activities, and the consumer protection committee regularly hears the development of consumer protection work, including marketing activities, and supervises relevant departments to ensure the fairness and compliance of marketing activities.

Loan contracts modification

The Bank clearly stipulates the modification to the contract with consumers in mortgage contracts, including changing the loan period, payment method and etc.; provides offline and online channels to facilitate clients' loan contract modification applications; strengthens the construction of client demand response mechanism, establishing a rapid processing mechanism, actively understanding and answering questions related to client loan contracts modification, and improving client service quality and efficiency. The consumer protection committee of the management regularly supervises the development of work related to loan contracts modification and reviews the implementation of policies related to loan contract modification. In addition, in 2022, the Bank carried out consumer protection audits, covering modification to loan contracts, issued audit opinions and put forward management suggestions to further protect the legitimate rights and interests of consumers.

Debt collection management

The Bank attaches great importance to debt collection management work. Based on the *Guidelines for Credit Card Debt Collection of the China Banking Association (Trial Implementation)* and other laws and regulations, as well as internal policies and requirements related to debt collection, the Bank establishes a standardised debt collection procedure, regulates debt collection methods, frequency, and requirements, eliminating violent debt collection. And the Bank incorporates debt collection into its annual consumer insurance audit to effectively protect the legitimate rights and interests of consumers. The remote intelligent banking centre of the Bank adopted an "AI + Human" approach to carry out a "warm" payment reminder service for clients who are about to expire or are overdue. In the process of providing this service, the Bank strictly implements regulatory requirements to ensure that the reminders are carried out in a standardised and orderly manner, ensuring satisfactory client experience.

The Bank sets relevant departments to be responsible for debt collection and the review of overdue and non-performing loans, strictly complying with Chinese laws, regulations, and regulatory requirements. The Bank requires legal means to be used for collection, and prohibits violent collection, while strengthening supervision, assessment, and management. The Bank conducts online and offline training for post-loan management employees, client managers and remote intelligent banking centre payment reminder personnel. In the daily management of outsourced collection business, the Bank strictly implements the access and exit management of external collection agencies and conducts training and inspection of cooperative collection agencies to ensure that cooperative external collection agencies collect in accordance with the law.

Information Security and Privacy Protection

Privacy and data security policies

The Bank attaches great importance to data security and privacy protection, and has established a comprehensive governance process. The risk management committee of the Board pays great importance to personal information privacy protection and data security risks. In 2022, it conducted a special study on the progress of relevant work in the Bank and regularly listened to network security reports to effectively guide the work of personal information privacy protection and data security. The management sets up the fintech and digitalisation promotion committee, which is responsible for implementing the strategic requirements and decisions of the Bank's party committee, the Board, and the President, and regularly reporting on the progress of relevant work to the risk management committee of the Board. It coordinates and makes decisions on the overall promotion of the Group's fintech and digitalisation business, including information data security and financial data statistics. The committee convened 5 plenary sessions and 3 thematic meetings in 2022. The data management department is responsible for managing data security, organising data security management, implementation, and data security emergency response. The fintech department and the operation data centre are responsible for implementing data security in the field of information technology. The risk management department and the internal control and compliance department implement data security risk management, internal control evaluation, accountability, and disposal work within their respective responsibilities, and the audit department conducts data security audits.

The Bank continues to improve its internal management standards and has formulated and issued system standards such as the *Data Governance Measures*, *Data Security Grading Standards*, *External Data Management Measures, Client Information Management Measures*, etc. The data security policies cover all business lines through domestic and overseas institutions. Overseas institutions must also comply with the laws, regulations, and industry regulatory requirements of the located country. In 2022, the Bank organised the revision of relevant systems related to data security and privacy protection in accordance with laws and regulations such as the *Data Security Law*.

- The Bank developed the *2022 Client Information Protection Work Plan* and promoted the implementation of 21 measures of personal information protection throughout its entire lifecycle, covering six stages of collection, storage, processing, transmission, public disclosure, and deletion.
- The Bank conducted a comprehensive review of regulations and systems related to personal information protection. A total of 49 regulations and systems were developed or revised, covering many areas such as personal client information management, employee behaviour management, and data analysis management. Continued revisions were made to personal information protection policies, privacy authorisation agreements, and other related agreement texts for channels and product services, and the "inform-authorise" business processing flow was improved.
- The Bank developed the *Third-Party Internet Application Access Security Management Regulations (2022 Edition)* to clarify the third-party internet application access process, the data security responsibilities of relevant parties, and management boundaries, strengthening the data security protection and management of third-party internet applications.
- The Bank developed *the Data Security Management Work Plan*, and built a data security management system framework from dimensions such as "data security management" "data security protection" and "data security operations and maintenance", clarifying the responsibilities and implementation plans for data security work in each department and conduct a comprehensive review of relevant regulations and rules, such as the *Data Security Management Method*, to strengthen data security management from multiple dimensions such as data governance, data risk, and data security classification, and fully protect client personal information and data security;
- The Bank organised and carried out the data security self-assessment, developed a comprehensive data security assessment plan, and ensure that data security self-assessment is completed for clients in key business areas. The Bank actively promoted the implementation of data security assessment in new product launch scenarios, adding data security assessment requirements to the new saleable product process and execute the assessment.

Privacy and data security protection measures

The Bank actively improves information security and privacy protection measures and continues to implement measures for privacy and data security protection:

- The Bank rapidly promotes system optimisation based on four main lines of work: channels, product services, data management and basic technology. It develops an enterprise-level IT solution for personal privacy protection based on the privacy authorisation common components, covering client information access control and business client information desensitisation.
- The Bank builds a data access control security platform to achieve precise access control and dynamic desensitisation of personal information data during its use. Establishes a secure computing platform for data access, to ensure the security of third-party data usage. To address various data security application scenarios such as data development, testing, production and operations, the Bank is using enterprise-level data security technology to implement differentiated data security protection measures.
- The Bank builds a data security technical protection system that covers the entire data lifecycle and implements a "prevention of external attacks and theft, prevention of internal data leakage, and comprehensive security monitoring" approach. This system integrates various technical measures such as user permission management, data permission control, data masking, control of bulk data downloads, application data security access control, and regular monitoring of employee abnormal queries to effectively protect client information and data security in the information system.

During the reporting period, the Bank regularly conducted internet system penetration testing, comprehensively covering network security and data security, proactively identifying threats and improving the data security protection level of the information systems. The Bank organised group-wide network security attack and defence exercises to verify the effectiveness of the network and data security protection technology system and enhance the security protection capabilities.

Education, propaganda and training on privacy and data security

The Bank continuously strengthens privacy and data security training and education, enriches training courses, establishes data security training assessment indicators, and incorporates them into the data work assessment and evaluation system of branch offices.

- The Bank launched privacy protection and data security education and propaganda campaigns, relying on the "CCB Learning" platform, created a dedicated client information protection area, and provided specialised training sessions for all Bank employees. The Bank introduced data security-related courses through "CCB Learning" and enterprise WeChat channels, providing data security training and promotion to all employees (including labour dispatch employees).
- The Bank strengthened the training of data security professionals, adding data security courses to the data analyst certification training programme which covers the data line personnel of the head office, improving the data security training system; held CISP (Certified information security professional) certification training courses, CTF skills training courses, security attack and defence practical training courses, and security research and technology training courses for information security practitioners.
- The Bank conducted training on protecting trade secrets, introducing relevant laws and regulations, and management requirements to enhance the ability to protect our company's trade secrets, client information, and private data. The course covered to all employees, and participants were required to take a test and obtain a qualified certificate.

Privacy and data security audit

The Bank continues to enhance internal and external audits of privacy and data security, strengthen the supervision and evaluation of information security and data privacy, further strengthen the construction of security mechanisms, controllable privacy and security technology, classification and other aspects according to the audit results. The Bank conducts special audits on data security annually, with a three-year cycle to achieve full coverage of information technology audits for the head office, branches and the CCB Fintech.

Human Capital Development

Talent development strategy

The Bank introduced the *"14th Five-Year Plan" Talent Development Plan of CCB*, focusing on key areas such as financial technology, wealth management, risk compliance, digitalised operation, platform operation, green finance, rural revitalisation, and fund business. Major talent projects and special talent plans were implemented, and various measures were taken to improve key talent training through special campus recruitment, precise market-oriented talent introduction, and establishment of talent training bases. Efforts were made to build three teams of personal wealth management client managers, investment research experts, and wealth consultants, improve the service for corporate clients' system, establish more than 10 professional talent pools such as anti-money laundering, data analysis, inclusive finance, and consumer protection, and focus on "high-end, professional, top-notch, rare" to cultivate elite talents.

The Bank is committed to build a broad development platform for employees, using the concept of "one centre, two mind-sets, three stages, and four levels". This means that the Bank places employees at the centre, adheres to both business and product thinking, and follows three stages of productisation, systematization, and ecological, promoting the development of a CCB-style employee growth system across four levels: training and operation, capacity enhancement, talent growth, and enterprise strategy. The Bank integrates ESG concepts and sustainable development goals into all staff development and training, guides employees towards continuous and lifelong learning.

The Bank is using a digital human resources approach to promote refined management. An online management platform for the Bank's talent pool and a hierarchical experts information library have been established. This allows for the approval and daily management of expert talents, such as financial technology talents and three-level marketing support system talents. The establishment of expert retrieval indexes based on business segments, allowing intelligent recommendation of the best expert talents for various business scenarios, such as the three-level marketing support system.

The Bank actively implements the national policy requirements for stable employment and employment assurance, strengthens human resource reserves, and pays attention to the equality and diversity of employees. In 2022, the Bank recruited nearly 17,000 people through campus recruitment, achieving a continuous expansion of recruitment scale in the past five years. At the same time, the Bank strictly implements the requirements of the employment fairness policy, clearly stipulates that it is not allowed to set discriminatory conditions for employment such as gender, ethnicity, race, and religious belief, and fully guarantees the openness and fairness of employee recruitment. The Bank has achieved significant results in promoting equal employment opportunities for female employees, with the proportion of female employees recruited through campus recruitment exceeding 55% in the past three years.

Leadership development training

The Bank has established a concise and clear job system, smoothed the career development channel of employees, implemented succession plans for managers at all levels, improved the whole chain mechanism for the selection, training, management and use of young managers, clarified the goal of normalising the proportion of young managers at all levels of management, built a special training platform for outstanding young managers, selected outstanding young employees who have been in the industry for 3 to 5 years and established a pool of new seedlings and talents, so as to achieve early detection, early tracking and early training. At the same time, the Bank has continuously improved the core leadership course system, and carried out targeted training for managers at different levels. The Bank launched the competency enhancement learning programme and established a leadership enhancement e-learning zone to provide a variety of learning resources.

Professional talents cultivation

Establishing an internal qualification certification system. The Bank has independently constructed a wealth management professional talent certification and training system, and built qualification certification systematic courses and online learning areas by leveraging the "CCB Learning" platform. As of the end of 2022, the Bank cumulatively trained and certified 101,000 "China Construction Bank financial planner (CUFP)" professionals. The Bank also launched a qualification certification system for outlet client service managers throughout the Bank and independently developed initial, intermediate, and advanced outlet client service manager qualification certification courses and organised online learning. In 2022, the Bank launched the first batch of outlet manager qualification certification, with more than 50,000 applicants.

Co-cultivation with external institutions. The Bank, together with the China Banking Association, the Hong Kong University of Science and Technology and Shenzhen University, has launched the fintech certification training to promote the new profession of fin technologist in China, and is compiled into the *National Occupational Classification Dictionary* of the Ministry of Human Resources and Social Security. Additionally, the Bank has innovatively launched a pilot project for a new professional qualification certification training programme that integrates "internationalisation, new professions, and professional capabilities," in collaboration with the Tsinghua University PBC School of Finance and the China Banking Association. The trainees receive the dual qualification certificates of China Banking Association and International Capital Market Association CFC.

Establishing a job level examination system for professional and technical positions. The Bank has established a perfect study and examination system covering all employees, so that "learning, doing, and competition" has become the main way for professional talents to be promoted. The job level examination system covers more than 30 job series, basically realises the full coverage of the business line of examination subjects, equipped with 56 review reference textbooks and organising expert pre-exam tutoring live broadcasts, integrating 543 learning reference textbooks and various review reference materials, and the cumulative number of learners in the online learning area has exceeded 3.13 million. In 2022, the Bank organised two batches of unified online exams, with a total of 156,000 participants, accounting for nearly 44% of the Bank's employees.

Establishing an overseas talent pool mechanism. The Bank regards the overseas talent pool as a fundamental arrangement for international talent reserve and development, actively implementing a talent training plan for foreign language specialists, increasing recruitment efforts for foreign language specialists on campuses. The Bank collaborates with renowned universities such as Peking University HSBC, Beijing Foreign Studies University, Shanghai International Studies University, and conducts international talent training programmes for middle and senior management personnel, as well as overseas talent pool members, in a layered and classified manner, to enhance their comprehensive management and language abilities. As of the end of 2022, the Bank's overseas talent pool has a total of 1,156 employees in 14 positions across five major lines of business, including corporate business, retail business, risk compliance, operational management, and human resources integration.

"Your future with CCB" new employee training

The Bank has cultivated the "Your future with CCB" new employee training brand, with three main pillars: "onboarding training + integration follow-up cultivation + management trainee development", to accompany the growth of employees.

In terms of new employee training, in 2022, the new employee onboarding training invited 15 relevant department heads from the head office and 5 industry experts to conduct live lectures. The course content covers corporate culture, business development, leadership improvement, mental health, etc., covering the head office, 37 first-level branches, 12 directly managed institutions, 13 domestic subsidiaries and 2 overseas institutions, to achieve integrated training for new employees across the Group.

In terms of integration follow-up cultivation, the Bank pays special attention to career development and growth needs of employees within their first two years of employment. Based on the learning path method, the key competencies required for critical positions in network branches are identified, and a complete set of learning products is developed for reference by each first-level branch. At the same time, a dedicated online learning zone is established for employees within their first two years of employment.

In terms of cultivating management trainees, the Bank explores a "2+N" high-potential youth talent training system, with "design thinking" as the main theme and "research topics" as the means to guide management trainees in establishing a problem-solving mind-set based on the user's perspective. This helps them grow into versatile talents with innovative awareness, who are well-prepared for the future. Furthermore, this system provides strong support for building the employer brand and reserving strategic talents for our company.

"CCB intern" internship programme

The Bank launches the "CCB intern" internship programme during summer for all students of all majors in domestic and overseas universities, and implements a special summer internship programme for financial technology under this programme, deepening the understanding of IT majors on the Bank's financial technology strength and financial technology positions, attracting and reserving high-potential talents in the field of financial technology. At the same time, supporting activities such as the "CCB star" selection and the "fintech superstar" competition are carried out to give preferential policies for campus recruitment to students with excellent internship performance, and to reserve excellent student sources for campus recruitment in advance. Since 2019, the "CCB Intern" Programme has attracted nearly 30,000 college students to intern at the Bank, significantly improving the Bank's employer image and attractiveness in the job market.

Certifications and degree programme support

The Bank provides external professional qualification resources support to all employees. The Bank offers free preparatory resources for chartered financial analyst (CFA) exams to all Bank employees. The Bank organises employees to participate in the international anti-money laundering qualification certification every year, and currently, the number of certified students has reached 1,850. For professionals in related fields such as client managers, wealth consultants, and compliance managers, those who participate in and pass professional qualification certifications such as certified public accountant (CPA), chartered financial analyst (CFA), financial risk manager (FRM), accredited financial planner (AFP), certified financial planner (CFP), certified tax agent (CTA), corporate financial consultant (CFC), international finance and treasury manager (CTP), private banker (CPB), certified anti-money laundering specialist (CAMS), international sanctions and compliance specialist (CGSS), etc., will receive fee support. Under equal conditions, they can be given priority for professional and technical job positions.

The Bank actively cooperates with domestic and foreign colleges and universities, supports employees to improve professional ability and obtain certificates, and jointly carries out employee degree programmes with colleges and universities. In 2022, the Bank collaborated with the University of Hong Kong to host the second "certified data analyst training programme," aimed at selecting and developing young business elites engaged in data analysis related work. Students who passed the project assessment were awarded professional certificates accredited by the Hong Kong Accreditation Bureau, which are equivalent to a master's degree. This programme won the special award in the talent development category in the "2022 excellent practice awards" organised by the European Management Development Fund. It is the first Chinese corporate case to win the award since its inception 16 years ago. In addition, the Bank is collaborating with the Hong Kong University of Science and Technology (HKUST) to create a "financial technology talent professional master's programme". The Bank establishes a joint research centre for financial technology and provide a one-year full-time learning opportunity for recommended students from the Bank, relying on the existing curriculum of the HKUST financial technology master's programme.

Feature article No. 20: Collaboration between the bank and universities

The Bank actively collaborates with domestic and foreign universities to develop joint training programmes for employees and students, and actively empowers the community while promoting the training of employees for key positions. In cooperation with Xi'an Jiaotong University, the Bank created a two-year auxiliary training programme called the "CCB financial technology elite class" to cultivate composite talents with emerging cutting-edge technology and first-class financial corporate culture. The "CCB financial technology elite class" is open to undergraduate, graduate, and doctoral students majoring in science and engineering at Xi'an Jiaotong University. After completing the required credits, students can obtain bachelor degrees in economics and relevant certificates. As of the end of 2022, three terms of this programme have been offered, with a total of 101 students.

Education, training and think tank resource support

The Bank has established the CCB Learning Centre (International Institution), an integrated education and training institution that combines industry, academia, and research. The centre is committed to building a first-class professional talent training base, a first-class professional research high-end think tank, and a first-class integration platform for industry and education incubation. With the help of technological advancements, the CCB Learning Centre (International Institution) integrates the training centres or training venues of all levels of the Bank, the network training platform of the head office and branches, domestic and foreign cooperative schools, teachers, teaching materials, courses, lectures and training research results into an organic whole, creating a lifelong learning ecosystem of interconnectivity, mutual use and sharing for employees. As the decision-making "brain" of the management, the CCB Learning Centre (International Institution) continuously focuses on the major issues affecting macro and management, the "three strategies", New Finance and other fields, providing theoretical support and practical solutions for the major strategies of the Bank, contributing the wisdom of CCB to the social pain points, and demonstrating the original mission and political responsibility of a state-owned bank. In 2021, CCB was selected as a "national integration of industry and education enterprise", and the CCB Learning Centre (International Institution) was honoured with the first place in the 2021 China enterprise benchmark learning platform and the China demonstrative enterprise university.

The Bank built the "CCB learning" platform to provide abundant resources for all employees and the general public, creating a digital learning zone for different types and levels of employees, providing rich training resources for career development, and guiding employees to actively learn and pursue lifelong learning. The platform also offers a "serving the society" learning section, providing various learning resources on consumer protection, inclusive finance, financial technology, economic development, human psychology, family education, and more for entrepreneurs, college students, community members, and others. The Bank places high value on and continually strengthens its ESG capacity building. Regular ESG training sessions are conducted for all employees to enhance their understanding of ESG concepts, awareness, and related work skills in strategy, management, and disclosure. In 2022, a total of 6,135 ESG-related training sessions were held, training 2,504.2 thousand industry employees.

Employee Rights Protection and Employee Care

The Bank has always adhered to the concept of "people-oriented", attaches importance to protecting employees' rights, practises caring for employees, establishes a non-salary benefits system covering all employees and is committed to building a good corporate atmosphere of equality, solidarity, and mutual progress.

Democratic management of employees

The Bank has established a democratic management system for enterprises with employee congresses as the basic form, improved the election process of trade union member congresses and trade union organisations, enriched forms of democratic participation, improved the ability of employee representatives to perform their duties, explored innovative models of democratic management in line with the characteristics of the grassroots level, and built a harmonious labour relationship with win-win development between enterprises and employees. The Bank actively implements the proposal collection and handling system, carries out various forms of employee opinion solicitation work, opens employee opinion cloud mailbox, "Love Home Harbour" advice column, etc., collects employees' opinions and suggestions in career development, labour relations, salary and benefits and other aspects, further expedites the communication channels between upper and lower, and optimises and improves the interactive feedback mechanism.

The Bank attaches great importance to and listens carefully to the voices of its employees. It has independently developed and launched the voice of experience (VOX) user community for operation and experience, providing a convenient and effective channel for employees to participate in Bank management from the bottom up. All outlet employees can speak up in the community anonymously or with real names to reflect issues. The Bank strengthens the closed-loop management mechanism of "collection-sorting-solution-tracking-feedback" of the VOX community, arranges a dedicated team to collect and sort feedback, send it to relevant units for timely research and resolution, and continue to follow up on progress and provide feedback to employees. In addition, a green channel across departments has been established to further improve problem-solving efficiency and effectively safeguard the democratic communication rights of employees. Since its launch in June 2020 until the end of 2022, the VOX community has collected 2,760 suggestions, and the majority of them have been processed and resolved, receiving widespread praise from employees.

Non-salary benefits

The Bank strictly complies with the laws and regulations such as the *Labour Law* and the *Labour Contract Law*, and implements a full-coverage labour contract management system to effectively safeguard the legitimate labour rights and interests of all employees. The Bank establishes various types of paid annual leave, home leave, marriage leave, bereavement leave, maternity leave, nursing leave, sick leave, work-related injury leave, personal leave, and public holiday leave, etc. The Bank optimises and adjusts the policies of the system, such as extending maternity leave, paternity leave for male employees, and spousal child-rearing leave, in accordance with local regulations.

The Bank strictly complies with national policy requirements to fully contribute to basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund for all employees. The Bank also establishes enterprise annuity plans and supplementary medical insurance plans for all employees. The supplementary medical insurance plan mainly includes commercial group medical insurance, which covers outpatient and inpatient treatment, major diseases, death, accidents, and other aspects. In addition, the Bank also provides employees with a high cost-effective health insurance product group purchase platform, contacts social security agencies to provide maternity allowance application services for female employees, and builds a complete medical security system through multi-channel and all-round means.

The Bank has established a "three-level mutual aid" mechanism for head office, primary branches and secondary branches (outlets) to organise and provide assistance to employees with special difficulties. The Bank has formulated and launched the "One Heart Plan" comprehensive health protection plan for employees, creating a corporate culture of compassion and mutual assistance in adversity, promoting all employees to achieve dual protection for serious illness and death, effectively playing the role of "back-up" protection, and avoiding employees from "returning to poverty due to illness".

The Bank carried out the "two festivals" Spring Festival and New Year's Day in-depth and normalised warmth delivery, and made overall arrangements for sending warmth funds according to the number of employees in difficulty, per capita union funds, etc. During the "two festivals" in early 2023, the Bank raised over RMB52 million in care, visited 9,708 care institution outlets, comforted more than 60,000 employees in various difficulties, and provided living assistance and medical assistance to employees in difficulty.

The Bank continues to strengthen the physical and mental health care of employees, provides health check-up benefits for all employees (including labour workers) every year, helps employees regularly monitor their physical health, and pays heat prevention and cooling fees to all employees (including labour workers) every summer, so as to provide cost support for employees to improve their summer working and living conditions and ensure their physical comfort and health. The Bank offers seminars on mental health, covering topics such as positive attitude, stress management, intimacy, investment psychology, etc. In 2022, a series of mental health lecture courses and epidemic prevention courses for all employees were launched, teaching employees the scientific knowledge of mental health, and popularizing the knowledge and skills of applied psychology and scientific prevention, with a total of 225,000 views.

The Bank continues to deepen the special care of female employees, actively solves the problems of salary distribution, rest and vacation, education and training, growth and talents, maternity insurance, gynaecological physical examination, welfare benefits and other issues that female employees are generally concerned about. The Bank has carried out the joint construction of the female employee care room to create a female employee care harbour integrating female employees breastfeeding, stress reduction, learning and communication, and significantly improving employees' sense of gain, happiness and security. In the past five years, the Bank has built 3,890 "care rooms for female employees".

The Bank regularly carries out diverse cultural and sports activities, including calligraphy, flower arrangement, dance, yoga, ball sports, etc. A series of lectures on aesthetic improvement titled "seeing action and seeing beauty" has been held, covering 238 courses in 10 categories such as philosophy, history and economic management, enriching employees' leisure life. In 2022, "rose fragrance and joyful reading" reading and writing activity was held among female employees across the Bank, advocating the cultivation of a learning spirit, enhancing the taste of life, and writing a wonderful life.

Employee satisfaction

The Bank conducts a bi-annual employee satisfaction survey for employees at all outlets, to promptly follow up on the implementation of measures concerning their rights and interests. The survey covers aspects such as salary allocation, welfare benefits, career development, and training. In July 2022, a survey was conducted among employees at selected outlet, with 15,955 survey questionnaires returned. The average satisfaction score was 4.40 out of 5, with an improvement of 0.07 points compared to the end of 2021. In December 2022, a survey was conducted among all employees through all outlets, with 135,138 survey questionnaires returned. The average satisfaction score was 4.48 out of 5, with an improvement of 0.15 points compared to the end of 2021, achieving three consecutive years of satisfaction improvement.

The Bank promptly summarises and analyses the results of the satisfaction surveys, solicits opinions and suggestions from grassroots employees across the Bank for caring about their work in 2023, and focuses on reflecting issues such as the need for continuous optimisation of incentive policies, relief of work pressure, and continuous strengthening of employee training and development. The Bank researches and formulates the implementation plan for the 2023 grassroots employee care project, constantly upgrades and enriches work measures, promotes the tilt of salary distribution towards the front line, optimises the career development path for grassroots employees, continuously streamlines administrative work at the outlet level, and improves the outlet position training system, etc., to continuously improve the level of satisfaction among grassroots employees.

In addition, the Bank conducts specialised satisfaction surveys for all types of employees at all levels and through online and offline channels, covering young employees and frontline employees, on various themes such as union satisfaction, leadership satisfaction, and ideological trends. In 2022, the Bank conducted a survey on the job satisfaction of the employees' psychological well-being, which showed that 19.57% of respondents were "very satisfied" with their current life status, while 70.28% were "satisfied". Providing life and welfare benefits and caring for employees' well-being and mental health are the most popular forms of employee care, followed by holiday welfare benefits and convenient access to education, pensions, and medical care.

Charity

The Bank actively practises social responsibility, participates in public welfare and charity activities, contributes to society, and always adheres to the concept of sustainable development, implementing sustainable practices and enhancing social influence.

In 2022, the Bank donated a total of RMB128 million, focusing on supporting the consolidation of poverty alleviation achievements, rural revitalisation and long-term public welfare projects, and adding the San Jiang Yuan ecological and environmental protection project and the care for the left-behind elderly in rural areas. The Bank continues to build the long-term public welfare brand, and carries out four long-term public welfare projects, including the mother's health express, the high school growth programme, the "good building a home" rural revitalisation project and the CCB hope primary school. In combination with the green finance strategy, the Bank has explored and carried out ecological and environmental protection projects in San Jiang Yuan to help the green and low-carbon development of the society. In addition, the Bank held the second "top 30" (top 10 public welfare brands, top 10 public-spirited people, and top 10 public welfare ideas), which fully stimulated the enthusiasm of all employees to devote themselves to the innovation of the "three belts and one integration" and actively practises their social responsibilities, enhanced the cohesion, centripetal force, sense of responsibility, pride and sense of belonging of all employees, and created good conditions for building a public welfare culture with CCB characteristics.

The Bank is firmly committed to practicing social responsibility. In 2022, the Bank achieved a breakthrough in corporate social responsibility awards. The authoritative financial magazine *Asia Money* awarded the Bank the title of "best CSR bank in China". Based on the Bank's ESG management practices, the report *adhering to the New Development philosophy and practicing New Finance initiative* was successfully included in the "global sustainable development business case library" and was released at the China pavilion during the united nations climate conference in 2022. At the 14th China CSR annual meeting, the Bank continues to rank first on the CSR list for Banks and received "outstanding CSR bank of the year" "outstanding CSR enterprise of the year" "exemplary CSR enterprise of the year" and "CSR governance of the year" four awards.

Progress in sustainable development investment and financing

The Bank actively promotes the development of green finance and achieves sustainable development goals through its New Finance initiatives, helping to address development issues in the three dimensions of society, economy, and environment. The Bank's sustainable development financing activities[5] are highly aligned with the United Nations' 2030 sustainable development goals. The specific progress is as follows:

Level I	Level II	Investment Performance	SDGs
1 Basic infrastructure	1.1 Affordable, accessible transportation	At the end of 2022, the balance of loans in the construction and operation of urban and rural public transportation systems of the Bank was RMB307,693 million.	SDG 9、11
	1.4 Energy system	At the end of 2022, the balance of loans used by the Bank to support the construction and operation of green energy facilities was RMB418,219 million.	SDG 7、13、14
	1.5 Environmental sanitation management	At the end of 2022, the balance of loans in the field of environmental sanitation, including sewage treatment and household waste disposal, was RMB117,304 million.	SDG 6、9、13、14、15
	1.7 Information and communication technologies (ICT)	At the end of 2022, the balance of loans in the Information and Communication Technology industry held by the Bank was RMB421,116 million.	
2 Affordable housing	2.4 Housing for low income groups	As of the end of 2022, the balance of loans used by the Bank to support projects that obtain certification as secure rental housing in various regions was RMB80,066 million. The loan balance for supporting the development of affordable housing projects was RMB128,249 million.	SDG 1、2、10、11
3 Health	3.1 Medical care and sanitation services	In 2022, the Bank provided loans totalling RMB81,738 million to medical and health care institutions.	SDG 3、10
	3.3 Manufacturing for medical and sanitation industries	At the end of 2022, the balance of loans provided by the Bank to the medical and health-related manufacturing industry was RMB73,925 million.	SDG 3、9、10
4 Education, Technology, and Culture	4.1 Education	Over the past five years, the Bank has provided a cumulative total of RMB138,771 million in loans to the education sector, and its market share has consistently remained a leader in the industry.	SDG 4、5、10
	4.2 Technology mainstreaming	At the end of 2022, the balance of technology loans for the Bank was RMB1.23 trillion.	SDG 8、9、11、12
5 Food Security	5.1 Agricultural production	At the end of 2022, the balance of agricultural, forestry, animal husbandry, and fishery loans for the Bank was RMB121,377 million, an increase of RMB13,654 million from the previous year.	SDG 2
	5.4 Agricultural production inputs and facilities	At the end of 2022, the balance of agricultural inputs and facilities loans from the Bank was RMB37,386 million[6], an increase of RMB7,863 million compared to the previous year.	SDG 2
6 Financial Services	6.1 Savings and current account financial services	In 2022, the personal deposits within the Bank's domestic territory exceeded RMB13 trillion, which is an increase of RMB1.8 trillion compared to the previous year.	SDG 1、8、9、10
	6.2 Credit financial services	At the end of 2022, the balance of inclusive finance loans was RMB2.35 trillion, and the number of loan clients reached 2,525.9 thousand.	SDG 1、5、8、9

5 This table was complied by the Bank with reference to the *SDG Finance Taxonomy (China) (2020)*.

6 The measurement standard has been adjusted, and the data is not comparable to the 2021 Annual Report.

MAJOR ISSUES

Performance of Undertakings

In September 2004, Huijin made a commitment of "Non-Compete", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; and (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2022, Huijin had not breached any of the above undertakings.

Misappropriation of Funds for Non-operational Purpose

During the reporting period, there was no misappropriation of the Bank's fund by the controlling shareholder or other related parties for non-operational purpose.

Illegal Guarantees

During the reporting period, the Bank had not entered into any guarantee contract in violation of relevant regulations.

Auditors' Remuneration

Ernst & Young Hua Ming LLP was appointed as the domestic auditor of the Bank and its domestic subsidiaries for the year of 2022 and Ernst & Young was appointed as the international auditor of the Bank and its overseas subsidiaries for the year of 2022. Ernst & Young Hua Ming LLP was appointed as the auditor of internal control of the Bank for the year of 2022. This is the fourth year for Ernst & Young Hua Ming LLP and Ernst & Young to provide audit service to the Bank.

The fees for the audit of financial statements (including the audit of internal control) of the Group and other services paid to Ernst & Young Hua Ming LLP, Ernst & Young and its other member firms by the Group for the year ended 31 December 2022 are set out as follows.

(In millions of RMB)	2022	2021	2020
Fees for the audit of financial statements	140.96	140.96	140.96
Other service fees[1]	12.61	12.71	10.90

1. Other services mainly include professional services provided for bond issuance and verification of tax declaration.

Material Litigations and Arbitrations

During the reporting period, the Bank was not subject to any material litigation or arbitration.

Penalties

During the reporting period, the Bank was not subject to any investigations in accordance with laws for any suspected crimes. Neither the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to coercive measures in accordance with the law for any suspected crimes or were detained by disciplinary inspection and supervision authorities for suspected serious violations of disciplines and laws or for duty-related crimes and were unable to fulfil duties due to such reasons. Neither the Bank, the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to criminal penalties, investigations or administrative penalties by the CSRC for suspected violations of laws and regulations, material administrative punishments by other relevant authorities, or administrative supervision measures by the CSRC or disciplinary actions by the stock exchanges. Neither the directors, the supervisors nor senior executives of the Bank were subject to coercive measures by other relevant authorities for suspected violations of laws and regulations and were unable to fulfil duties due to such reason.

Integrity

During the reporting period, the Bank and its controlling shareholder had no unperformed obligations rendered by valid legal documents of the courts, or significant outstanding matured debts.

Material Related Party Transactions

During the reporting period, the Bank had no material related party transactions.

Material Contracts and Their Performance

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business. The Bank did not have any material guarantee that is required to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that is required to be disclosed.

Major Events

In September 2022, the Bank received the approval from the CBIRC in respect of the establishment of CCB Consumer Finance Co., Ltd. to expand the coverage of consumer finance through corporate-based and professional operations. Please refer to the announcement published by the Bank on 27 September 2022 for details.

In October 2022, the Bank invested in the establishment of CCB Housing Rental Fund (Limited Partnership) to explore the new pattern of real estate development that encourages both housing rentals and purchases. With a size of RMB30 billion, CCB Housing Rental Fund has obtained business license and completed filing procedures. As of December 31, 2022, the Bank has made a paid-in contribution of RMB5 billion to CCB Housing Rental Fund. CCB Housing Rental Fund established a sub-fund in cooperation with China Vanke Co., Ltd. and its subsidiaries, with a fund size of RMB10 billion, of which CCB Housing Rental Fund subscribed for up to RMB7,999 million. CCB Housing Rental Fund and Beijing Public Housing Centre Co., Ltd., Beijing Capital Development Holding (Group) Co., Ltd. and Beijing Daxing Investment Group Co., Ltd., or their subordinate entities, jointly established a sub-fund of RMB5 billion. CCB Housing Rental Fund would contribute up to RMB3,499 million to the sub-fund. Please refer to the announcements published by the Bank on 23 September 2022, 25 October 2022, 16 January 2023 and 28 February 2023 for details.

For other major events during the reporting period, please refer to announcements disclosed by the Bank on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

Other Shareholding or Share Participation

During the reporting period, the Bank did not take control of or invest in other new entities.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2022		Change during the reporting period					31 December 2022	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Numbers of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	95,223,114,769	38.09	–	–	–	+8,303,730	+8,303,730	95,231,418,499	38.09
3. Others[1]	145,194,205,111	58.07	–	–	–	-8,303,730	-8,303,730	145,185,901,381	58.07
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares, convertible bonds or preference shares.

According to the resolution of the 2020 first extraordinary general meeting of the Bank and upon approvals from the CBIRC and PBC, in January 2022, the Bank issued fixed-rate Tier 2 capital bonds of USD2 billion with a term of ten years in Hong Kong and the Bank has a conditional right to redeem the bonds at the end of the fifth year; the coupon rate is 2.85%. All proceeds raised are used to replenish the Bank's Tier 2 capital.

According to the resolution of the 2021 second extraordinary general meeting of the Bank and upon approvals from the CBIRC and PBC, in June 2022, the Bank issued fixed-rate Tier 2 capital bonds of RMB45 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively; the coupon rates are 3.45% and 3.65% respectively. In November, the Bank issued fixed-rate Tier 2 capital bonds of RMB25 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.00% and 3.34% respectively. All proceeds are used to replenish the Bank's Tier 2 capital. In August, the Bank issued undated additional Tier 1 capital bonds of RMB40 billion in domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year; the coupon rate is 3.20%. All proceeds raised are used to replenish the Bank's Tier 1 capital.

For details of the issuance of other debt securities, please refer to Note "Debt securities issued" to the financial statements.

ORDINARY SHAREHOLDERS

At the end of the reporting period, the Bank had a total of 371,815 ordinary shareholders, of whom 39,294 were holders of H-shares and 332,521 were holders of A-shares. As at 28 February 2023, the Bank had 369,481 ordinary shareholders, of whom 39,195 were holders of H-shares and 330,286 were holders of A-shares.

Unit: share

Total number of ordinary shareholders				371,815 (Total number of registered holders of A-shares and H-shares as at 31 December 2022)
Particulars of shareholding of top ten ordinary shareholders				
Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held
Huijin	State	57.03	–	142,590,494,651 (H-shares)
		0.08	–	195,941,976 (A-shares)
HKSCC Nominees Limited[1]	Foreign legal person	37.54	-6,353,926	93,842,507,543 (H-shares)
China Securities Finance Corporation Limited	State-owned legal person	0.88	–	2,189,259,672 (A-shares)
State Grid[2]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)
Yangtze Power	State-owned legal person	0.26	-8,303,730	648,993,000 (H-shares)
Central Huijin Asset Management Ltd.	State-owned legal person	0.20	–	496,639,800 (A-shares)
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	0.16	-172,948,761	389,554,068 (A-shares)
China Life Insurance Company Limited－Traditional – Ordinary insurance product－005L – CT001SH	Others	0.15	+334,595,807	376,638,307 (A-shares)
Baowu Steel Group	State-owned legal person	0.13	–	335,000,000 (H-shares)

1. It includes H-shares of the Bank held by Temasek Holdings (Private) Limited. As at 31 December 2022, State Grid, Yangtze Power and Baowu Steel Group held 1,611,413,730 H-shares, 648,993,000 H-shares and 335,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid, Yangtze Power and Baowu Steel Group, 93,842,507,543 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
2. As at 31 December 2022, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares.
3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
4. None of the shares held by the aforesaid shareholders were subject to selling restrictions. None of the aforesaid shares were pledged, labelled or frozen except that the status of the shares held under the name of HKSCC Nominees Limited was unknown.

SUBSTANTIAL SHAREHOLDER OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million. Its legal representative is Mr. Peng Chun. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial business activities, nor does it interfere with daily operations of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2022, information on the enterprises directly held by Huijin is as follows.

No.	Name of the Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	Industrial and Commercial Bank of China Limited[1, 2]	34.71
3	Agricultural Bank of China Limited[1, 2]	40.03
4	Bank of China Limited[1, 2]	64.02
5	China Construction Bank Corporation[1, 2, 3]	57.11
6	China Everbright Group Ltd.	63.16
7	Evergrowing Bank Co., Limited	53.95
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation[2]	71.56
10	New China Life Insurance Company Limited[1, 2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holding Co., Ltd.	69.07
13	Shenwan Hongyuan Group Co., Ltd.[1, 2]	20.05
14	China International Capital Corporation Limited[1, 2]	40.11
15	China Securities Co., Ltd.[1, 2]	30.76
16	China Galaxy Asset Management Co., Ltd.	13.30
17	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2022.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2022.
3. Besides the enterprises above controlled or held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion, and engages in assets management business.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank except for HKSCC Nominees Limited, nor were there any internal employee shares.

DETAILS OF PREFERENCE SHARES

At the end of the reporting period, the Bank had 22 preference shareholders, all of which were domestic preference shareholders. As at 28 February 2023, the Bank had 25 preference shareholders, all of which were domestic preference shareholders.

At the end of 2022, the particulars of shareholding of the top ten domestic preference shareholders of the Bank were as follows.

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held
Shanghai Branch of Bank of China Limited	Others	15.00	–	90,000,000
Hwabao Trust Co., Ltd.	Others	14.36	–	86,140,000
Bosera Asset Management Co., Limited	Others	10.17	–	61,000,000
China Life Insurance Company Limited	Others	8.33	–	50,000,000
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000
Jiangsu International Trust Corporation Limited	Others	7.71	+400,000	46,260,000
CITIC Securities Co., Ltd.	Others	6.08	-1,150,000	36,470,000
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000
Truvalue Asset Management Co., Limited	Others	4.17	-2,000,000	25,022,000

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders. None of the aforesaid shares had restoration of voting rights of the preference shares, or were pledged, labelled or frozen.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the board of directors of the Bank held on 28 October 2022 considered and approved the dividend distribution plan of domestic preference shares of the Bank. Dividends of preference shares are paid in cash by the Bank to preference shareholders on an annual basis. Dividends not fully distributed to preference shareholders are not accumulated to the next year. After the preference shareholders receive dividends at the agreed dividend rate, they are not entitled to the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 26 December 2022. Please refer to the announcement published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution for preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows.

(In millions of RMB, except percentages)	2022		2021		2020	
	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)
Domestic preference shares	4.75%	2,850	4.75%	2,850	4.75%	2,850
Offshore preference shares[1]	–	–	–	–	4.65%	1,030

1. The Bank redeemed its offshore preference shares in December 2020.

In accordance with *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF of the PRC, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

Pursuant to the relevant terms of the *Prospectus of China Construction Bank Corporation in respect of Non-public Issuance of Preference Shares*, the coupon rate adjustment interval of domestic preference shares issued by the Bank through a non-public issuance in December 2017 ("建行優1", stock code: 360030) is five years, namely, the coupon rate will be adjusted every five years, and the dividend rate in each adjustment period will remain unchanged. On 28 October 2022, the Board of the Bank considered and approved the *Proposal on not Exercising the Redemption Right and Resetting the Nominal Dividend Rate of Domestic Preference Shares*, resolving that the Bank would reset the coupon rate of the preference shares in accordance with the terms of issuance. Since 26 December 2022, the benchmark interest rate, the fixed interest margin and the coupon rate of"建行優1" will be 2.68%, 0.89% and 3.57%, respectively, during the second dividend rate adjustment period. The dividend shall be paid annually. Please refer to the announcements published by the Bank on the websites of Shanghai Stock Exchange, HKEXnews of Hong Kong Stock Exchange and the Bank for more details of resetting the coupon rate of domestic preference shares of the Bank.

The Bank had not issued preference shares in the past three years. During the reporting period, the Bank had no redemption or conversion of preference shares.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2022.

Principal activities

The Group is engaged in a range of banking services and related financial services.

Business review

The business review of the Group for the year ended 31 December 2022 is set out in the "Management Discussion and Analysis" of this annual report.

Profit and dividends

The profit of the Group for the year 2022 and the Group's financial position at the end of 2022 are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position and related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions of the 2021 annual general meeting, the Bank paid a cash dividend of RMB0.364 per share (including tax) for 2021, totalling approximately RMB91,004 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 7 July 2022.

The Board proposes a cash dividend of RMB0.389 per share (including tax) for 2022, totalling RMB97,254 million, subject to deliberation and approval of the 2022 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 13 July 2023. The expected payment date of A-share annual cash dividend for 2022 is 14 July 2023, and the expected payment date of H-share annual cash dividend is 4 August 2023.

The Bank's H-share register of members will be closed from 8 July 2023 to 13 July 2023 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the cash dividend for 2022, the Bank's H-shares holders who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 7 July 2023. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The last trading day of the Bank's H-shares before ex-dividend is 5 July 2023, and the ex-dividend day is 6 July 2023.

Annual general meeting and closure of register of members

The Bank's 2022 annual general meeting will be held on 29 June 2023. In order to determine the H-share shareholders entitled to attend the annual general meeting, the Bank's H-share register of members will be closed from 30 May 2023 to 29 June 2023 (both days inclusive), during which period no transfer of H-shares will be effected. In order to attend the 2022 annual general meeting, H-share holders must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 29 May 2023.

Formulation and implementation of profit distribution policy

The Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. To make adjustment to the profit distribution policy, the Board shall conduct a specific discussion to elaborate on the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank's formulation and implementation of profit distribution policies conforms to the provisions of the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and fulfilled their duties in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2020 to 2022 are as follows.

(In millions of RMB, except percentages)	2022	2021	2020
Cash dividends	97,254	91,004	81,504
Ratio of cash dividends to net profit[1]	30.0%	30.0%	30.0%

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" to the financial statements of annual reports of the related years for details of cash dividends.

Please refer to "Details of Preference Shares" of this annual report for details of the profit distribution of preference shares.

Taxation and tax reduction and exemption

Shareholders of the Bank pay relevant taxes according to tax laws and regulations and enjoyed potential tax reduction and exemption in line with actual situations and should seek advice from tax professionals and legal consultants for specific taxation matters. As at the end of 2022, the relevant tax laws and regulations are as follows:

Holders of A-share

According to *the Circular Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (Cai Shui [2012] No.85) and *Circular Concerning the Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (Cai Shui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends shall be included in the taxable income in full amount. Individual income taxes on the aforesaid incomes shall be collected at a uniform rate of 20%. Individual income taxes on dividends from listed companies for securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends and other equity investment income between qualified resident enterprises are tax-free incomes.

According to article 83 of the *Regulations for the Implementation of the Law on Enterprise Income Tax*, the "dividends and other equity investment income between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equities and other equity investment income" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from outstanding stocks publicly issued by a resident enterprise on stock exchanges that are held less than 12 months.

According to the *Law on Enterprise Income Tax* and the regulations for its implementation, the enterprise income tax on dividend income obtained by non-resident enterprise shareholders shall be levied at the reduced rate of 10%.

Holders of H-share

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends for Hong Kong-listed shares of domestic non-foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between the Chinese mainland and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non-resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at a uniform rate of 10%.

According to current practice of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

Preference shareholders

Individual income tax payment related to dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

As prescribed by the *Law on Enterprise Income Tax and the Regulation for Implementation of the Law on Enterprise Income Tax*, dividends of domestic preference shares between qualified resident enterprises are tax-free. Enterprise income tax on dividends of domestic preference shares obtained by non-resident enterprises, in general, shall be collected at the preferential rate of 10%.

Summary of financial information

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the years 2018-2022.

Reserves

Please refer to "Consolidated Statement of Changes in Equity" of this annual report for details of movements in reserves of the Group for the year 2022.

Donations

Charitable donations made by the Group for the year 2022 were RMB128 million.

Fixed assets

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year 2022.

Retirement benefits

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided for employees of the Group.

Major customers

For the year 2022, the aggregate amount of interest income and other business income generated from the five largest customers of the Group accounted for less than 30% of the total interest income and other business income of the Group.

Ultimate parent company and its subsidiaries

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholder of the Bank" of this annual report and Note "Long-term Equity Investments" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at the end of 2022.

Top ten shareholders and their shareholdings

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at the end of 2022.

Issuance of shares

During the reporting period, the Bank had not issued any ordinary shares, convertible bonds or preference shares.

Issuance of debt securities

Please refer to "Changes in Share Capital and Particulars of Shareholders – Securities Issuance and Listing" of this annual report for details of the issuance of Tier 2 capital bonds and undated additional Tier 1 capital bonds of the Bank.

Equity-linked agreements

The Bank made a non-public issuance of domestic preference shares of RMB60 billion in total in the domestic market on 21 December 2017. During the reporting period, other than above preference shares, the Bank had not entered into or maintained any other equity-linked agreement.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event would happen when the common equity Tier 1 ratio decreases to 5.125% or below and when the CBIRC determines that the Bank will not be able to operate if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to operate if there is no capital injection from public sectors or equivalent supports. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary shares. If such trigger events happen to the Bank and all preference shares need to be coercively converted into ordinary shares at their initial conversion price, the total amount of the domestic preference shares which are converted into ordinary A-shares will not exceed 11,538,461,538 shares. During the reporting period, the Bank did not experience any trigger event in which the preference shares need to be coercively converted into ordinary shares.

Share capital and public float

Up to the publishing of this report, according to public information, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares), which complied with the relevant requirements for public float under relevant laws and regulations as well as the listing rules of its listing venues.

Purchase, sale and redemption of shares

During the reporting period, there was no purchase, sale or redemption of shares of the Bank by the Bank or any of its subsidiaries.

Pre-emptive rights

The Articles of Association of the Bank does not contain such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association specifies that if the Bank wishes to increase its capital, it may issue new shares to investors, issue or distribute new shares to existing shareholders, convert its capital reserve to share capital, or by other means permitted by laws and regulations.

Profiles of directors, supervisors, senior management, and remuneration policy

Please refer to "Corporate Governance Report – Profiles of Directors, Supervisors and Senior Management" of this annual report for the detail of profiles of directors, supervisors and senior management and remuneration policy.

Independence of the independent non-executive directors

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

Interests and short positions of substantial shareholder and other persons

Name	Type of shares	Number of shares	Nature of rights and interests	% of A-shares issued	% of H-shares issued	% of total ordinary shares issued
Huijin[1]	A-share	692,581,776	Long position	7.22	–	0.28
Huijin[2]	H-share	133,262,144,534	Long position	–	59.31	57.03

1. On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and the ordinary shares issued (250,010,977,486 shares) respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2022, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Ltd. directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and the ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2022, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and the ordinary shares issued (250,010,977,486 shares) respectively.

Directors' and supervisors' interests and short positions in shares, underlying shares and debentures of the Bank or its associated corporations

Some of the Bank's directors and supervisors indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed current positions. As at 31 December 2022, the number of shares held is as follows: Mr. Lin Hong held 15,555 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Liu Jun held 12,447 H-shares; Mr. Wang Jiang, the resigned vice chairman of the Board, executive director and president, held 15,417 H-shares; Mr. Yang Fenglai, the resigned supervisor, held 16,789 H-shares; Mr. Deng Aibing, the resigned supervisor, held 17,009 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2022, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

Directors' financial, business and family relationships

There are no financial, business, family or other material relationships among the directors of the Bank.

Directors' and supervisors' interests in contracts, service contracts and liability insurance

During the reporting period, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank effected liability insurance for all directors and supervisors in 2022.

Directors' and supervisors' interests in competing businesses

Save as disclosed in the biographical details of the directors and supervisors of the Bank, none of the directors or supervisors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

Corporate governance

The Bank established a science-based, standardised and efficient corporate governance system, continuously improved its corporate governance system and mechanism, and consolidated the institutional foundation for corporate governance. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the *Corporate Governance Code*.

Amendments to the Articles of Association

In 2022, in accordance with national laws and regulations and the latest regulatory requirements, as well as its own needs for strategic development and operation and management, the Bank thoroughly re-examined and revised the Articles of Association of the Bank, the amendment to which was approved by the shareholders' general meeting and the board of directors, and is awaiting ratification by regulators.

Connected transactions

In 2022, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the criteria for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related party relationships and transactions" to the financial statements of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

Significant investments

As of 31 December 2022, the Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange.

Environmental policies and performance

For details of the Bank's environmental policies and performance, please refer to the "Environmental and Social Responsibilities (Environment, Society and Governance)" of this annual report and the Bank's *Corporate Social Responsibility Report 2022*.

Relationships with employees, suppliers and customers

Employees are the valuable assets to the Bank. The Bank ensures the rights of employees according to laws and regulations and is committed to building a broad development platform for its employees. Furthermore, the Bank constantly safeguards the career development of its employees in terms of remunerations, benefits, training, and promotions. The Bank attaches great importance to the sound partnership with its suppliers, adheres to the principles of openness, fairness, impartiality and good faith, and treats suppliers as equals, in a bid to build a conducive supply ecosystem. Adhering to the "customer-centric" concept, the Bank practises New Finance initiatives and vigorously promotes service function innovation, enabling customers to obtain services anytime and anywhere. The Bank is trying to offer smart, convenient and excellent customer service experience, and meet the financial service demands of its customers. For details of the Bank's relationships with employees, suppliers and customers, please refer to the "Environmental and Social Responsibility (Environment, Society and Governance)" of this annual report and the Bank's *Corporate Social Responsibility Report 2022*.

Information disclosure

In 2022, the Bank strictly abided by relevant laws, regulations and regulatory requirements for information disclosure, strengthened the building of information disclosure systems and mechanisms, and optimised the preparation procedures for periodic reports. The Bank proactively fulfilled its information disclosure obligations, continued to conduct relevant training, and ensured the truthfulness, accuracy, completeness and timeliness of the information disclosure. It strengthened active communication, focused on demonstrating the effects of New Finance initiatives, continuously optimised information disclosure, and supported the effective operation of corporate governance.

Management of insider information

The Bank managed inside information strictly in accordance with laws, regulations, regulatory requirements, and rules of the Bank. The Bank formulated the *Management Measures on Personnel with Inside Information*, and strictly implemented the confidentiality requirements regarding inside information, timely collected the contents of confidential information, standardised information transmission process, controlled the scope of insiders, and prepared and disclosed relevant information in accordance with laws and regulations. The Bank was not aware of any insider trading of the shares of the Bank by taking the advantage of inside information during the reporting period.

Events after the reporting period

On 24 March 2023, the Bank issued RMB10 billion three-year term green finance bonds maturing in 2026 with a fixed coupon rate of 2.80%. Proceeds raised are used for green industry projects specified in the *Green Bond Endorsed Projects Catalogue (2021 Edition).*

On 28 March 2023, the Bank issued RMB20 billion Tier 2 capital bonds, in which RMB5 billion Tier 2 capital bonds have a 10-year term with conditional redemption right by the issuer at the end of the fifth year and a fixed coupon rate of 3.49%; while the other RMB15 billion Tier 2 capital bonds have a 15- year term with conditional redemption right by the issuer at the end of the tenth year and a fixed coupon rate of 3.61%. All proceeds raised are used to replenish the Bank's Tier 2 capital.

By order of the board of directors

Tian Guoli

Chairman

29 March 2023

REPORT OF THE BOARD OF SUPERVISORS

In 2022, pursuant to the provisions of laws, regulations, regulatory requirements and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties. The board of supervisors adhered to a problem-oriented approach, conducted in-depth investigations and research, refined supervision mechanism, and enhanced the effectiveness of supervision, so as to improve corporate governance and boost the Bank's high-quality development.

Particulars of Major Work

Supervising the proceedings of meetings pursuant to laws and regulations in a standardised manner. During the year, the board of supervisors convened six meetings, at which 22 resolutions had been reviewed and deliberated, including the Bank's periodic reports, reports on performance assessment and nomination of supervisors. The performance and due diligence supervision committee held five meetings. The finance and internal control supervision committee held five meetings. The board of supervisors also held 10 meetings for panel discussion, and special topic communications with senior management and external auditors. The board of supervisors further optimised the proceedings of meetings and operation mechanism, focused on important aspects of the Bank, including but not limited to serving the national development goals, supporting economic and social development, pressing ahead with key strategies, and reinforcing risk management in key areas and internal control and compliance management, and listened to 33 special reports, including but not limited to the implementation of the "14th Five-Year Plan", and support for major regional strategies and regional coordinated development strategies. The board of supervisors reviewed 23 written reports, such as the quality of credit assets and the progress of the work on consumer rights and interests protection, conducted in-depth studies and discussions focusing on key focus areas, and produced opinions and suggestions on deepening strategy implementation, promoting business development, improving management and mechanism, thus giving full play to the efficiency of proceedings of meetings.

Earnestly carrying out performance and due diligence supervision. Members of the board of supervisors attended shareholders' general meetings, meetings of the Board and the special committees under the Board and important meetings of senior management, and actively participated in major events of the Bank. The board of supervisors reviewed the meeting papers and documents and agenda arrangements and supervised the compliance with laws and regulations regarding the procedures of meetings, decision-making process and results, and information disclosure, so as to promote standardised and efficient corporate governance. Through investigation and studies, panel discussions, interviews, information review and other methods, the board of supervisors gained an in-depth understanding of the operation and management conditions and supervised the implementation of resolutions of the shareholders' general meeting and the Board meetings. Based on actual supervision, the board of supervisors further improved its work plan for performance supervision and evaluation, reviewed annual work materials of business lines, and sent questionnaires to understand opinions and suggestions of dedicated directors on corporate governance and operation and management. Based on routine supervision, the board of supervisors formed assessment opinion of the annual performance of the Board and its members, and senior management and its members, prepared annual self-assessment opinion of the performance of board of supervisors and its members, and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

Continuously deepening financial supervision. The Group continued to strengthen communication with senior management and external auditors, focused on contents and procedures of financial statements, reported key business matters during each reporting period, carried out supervision on periodic reports in a standardised manner, and earnestly performed supervision responsibilities in financial statements. It followed up on the implementation of annual business plan and put forward suggestions such as increasing efforts in tapping the potential for cost saving, strengthening cost control and further improving quality and efficiency. It attached great importance to performance appraisal management, and put forward suggestions such as optimising the performance appraisal system, giving full play to its guiding role and effectively reducing the burden for grass-roots branches. It focused on deposit business development and pricing management, and provided suggestions on improving deposit development strategy, and on adhering to balanced development of volume and pricing to promote coordinated development of assets and liabilities. Furthermore, the Group steadily carried out consolidation management and capital management supervision, focused on IT integration process and implementation of Basel III at the group level, and promoted its capacity enhancement in basic consolidated management and refined capital management. It supervised information disclosure, proceeds, disposal and acquisition of material assets, and registration of insiders of inside information in accordance with laws and regulations.

Continuously strengthening risk management supervision. The Group actively analysed changes in internal and external landscape, echoed regulatory trends, and assisted in the establishment of a long-term mechanism for risk management. It thoroughly implemented requirements for safeguarding financial security, carried out supervision over matters with characteristics of systemic risks, and paid attention to key areas such as real estate and risks of small and medium-sized banks. The Group strengthened supervision of key risks such as credit risk, market risk, liquidity risk and reputational risk, paid close attention to changes in economic and financial landscapes and market fluctuations, took stress testing management, liquidity emergency management, risk prevention of precious metals and commodities as its priorities in supervision, and suggested further strengthening the building of a comprehensive, proactive and intelligent risk management system in key areas. It expanded the breadth and depth of supervision, carried out supervision on risks in emerging fields, continuously monitored model risks, data risks, green transformation risks and information technology risks, and promoted effective integration of relevant risk management into business processes. It supervised implementation of the ECL approach and risk management of off-balance sheet activities, so as to promote the implementation of new regulations.

Continuously strengthening internal control and compliance supervision. The Group centred on key areas of internal control and compliance, including anti-money laundering, related party transactions, case prevention and control, and employee behaviour governance to carry out supervision work, tracked progress in a timely manner, analysed existing problems, and contributed to the building of its internal control and compliance governance system. It brought forward supervision opinions and suggestions on key matters related to the construction of anti-gambling and anti-fraud system across the bank and the promotion of key matters, anti-money laundering and financial sanctions management, external regulatory penalties and rectification progress, and employee behaviour management, to facilitate coordination of "three lines of defence" and risk compliance governance. It carried out case prevention and control supervision, checked the efficiency of digital management of employee behaviour and the application of intelligent means for case prevention and control, and put forward suggestions on further emphasising the construction of case prevention system and strengthening governance of key areas. It followed up on compliance management of overseas institutions and suggested further optimising management mechanism of overseas institutions, improving overseas business development strategies, and consolidating management foundation. It paid attention to progress of rectification and implementation of issues notified by regulators and key internal audit findings, urged for the rectification of key issues, and promoted continuous improvement of the compliance management level at the group level.

Fully exerting the efficacy of supervision. The Group adhered to the development and supervision of systematic concepts, duly performed its duties and took proactive measures to improve the quality and efficiency of corporate governance and supervision, so as to facilitate its development through supervision. The Group actively explored the application of the Party's leadership to all aspects of corporate governance and supervision. The focus was put on the implementation of the central government's policies and deployment. It also attached importance to the real economy, prevention of financial risks and thorough implementation of financial reform, promoted overall governance efficiency and business operation of the Bank. The Group organized and carried out special research of "Fundamental Management and Mechanism Construction" and "Sci-tech Enterprises in Financial Services", and proposed suggestions such as construct on- and inter-segment operation mechanism with systematic thinking and coordination, optimizing the tool system, enhancing credit service capability by accelerating product development, etc., and solving difficulties in equity financing through multiple channels. In addition, it coordinated the regulatory requirements and the Bank's actual conditions, to continuously improve the quality of the meeting by carefully selecting topics with in-depth discussions and effective communication. It continued to strengthen coordination with the Board and senior management, fully communicated significant matters, and put forward constructive suggestions. Moreover, it attached importance to strengthening self-development, completed re-election of supervisors, strengthening learning and training, and enhanced the capacity to perform duties. By adhering to the principle of solidarity and coordination, all supervisors were devoted to their duties and properly completed tasks of the board of supervisors.

Independent Opinions on Relevant Matters of the Bank

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with provisions of laws, regulations and the Bank's Articles of Association. The directors and senior management fulfilled their duties diligently. The board of supervisors was not aware of any of their acts in breach of applicable laws, regulations or the Bank's Articles of Association, or detrimental to the Bank's interests in performance of their duties.

Financial reporting

The Bank's financial statements for 2022 truly and fairly reflected the Bank's financial position and operating results.

Use of proceeds

During the reporting period, the Bank issued RMB40 billion domestic perpetual bonds. The proceeds had all been used to replenish additional tier 1 capital; the Bank issued RMB100 billion domestic Tier 2 capital bonds and US$2 billion overseas Tier 2 capital bonds. The proceeds had all been used to replenish the Bank's Tier 2 capital. The use of proceeds was consistent with the Bank's commitments.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in the acquisition or sale of assets.

Related party transactions

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

Internal control

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the Internal Control Assessment Report 2022.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities earnestly. The board of supervisors had no objection to the Social Responsibility Report 2022.

Implementation of information disclosure management system

During the reporting period, the Bank earnestly implemented the information disclosure management rules, fulfilled its information disclosure obligations, and the board of supervisors was not aware of any violations of laws or regulations in information disclosure.

Assessment of the performance of directors, supervisors and senior management

All directors, supervisors and senior management who participated in the performance assessment for the year 2022 had been evaluated as qualified.

By order of the board of supervisors
Wang Yongqing
Chairman of the board of supervisors
29 March 2023

ORGANISATIONAL STRUCTURE

BRANCHES AND SUBSIDIARIES

Tier-one branches in the Chinese mainland

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 2358, Yungu Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry.4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No.298, Jiangbin Middle Avenue, Taijiang District, Fuzhou Postcode: 350009	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, North Zhonghua Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696371
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 88601010	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 58683642	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 85486656	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731) 84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84203649	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 40, Naner Road, Taiyuan Street, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22857427
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890
Ningbo Branch	No. 255, Baohua Street, Ningbo Postcode: 315040	(0574) 87328212	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Xingqing District, Yinchuan Postcode: 750001	(0951) 4126266	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261287	(0971) 8261287

BRANCHES AND SUBSIDIARIES

Branches	Address	Telephone	Facsimile
Shandong Branch	No. 168, North Long'ao Road, Jinan Postcode: 250099	(0531) 82088734	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87606007	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Shenzhen CCB Building, No.8 Pengcheng 1st Road, Futian Central District, Shenzhen Postcode: 518038	(0755) 81686666	(0755) 81683333
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Avenue West, Suzhou Industrial Park, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 58751166	(022) 58751811
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6834852
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060333	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

Branches outside the Chinese mainland

Astana Branch	26th Floor, Talan Towers, 16 Dostyk street, Esil district, Nur-Sultan City, The Republic of Kazakhstan Telephone: 007-7172738888 Facsimile: 007-7172736666
Macau Branch	5th Floor, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: 00853-82911880 Facsimile: 00853-82911800
DIFC Branch	31st Floor, Tower 2, Al Fattan Currency House, DIFC, 128220 Dubai, UAE Telephone: 00971-4-5674888 Facsimile: 00971-4-5674777
Tokyo Branch	13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan Telephone: 0081-3-52935218 Facsimile: 0081-3-32145157
Osaka Branch	*1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan* *Telephone: 0081-6-61209080* *Facsimile: 0081-6-62439080*
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: 001-647-7777700 Facsimile: 001-647-7777739
Frankfurt Branch	Bockenheimer Landstrasse 75,60325 Frankfurt am Main, Germany Telephone: 0049-69-9714950 Facsimile: 0049-69-97149588, 97149577
Ho Chi Minh City Branch	11th Floor Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: 0084-28-38295533 Facsimile: 0084-28-38275533
Luxembourg Branch	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
London Branch	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
Labuan Branch	Level 13(E), Main Office Tower, Financial Park, Jalan Merdeka Labuan, Malaysia Telephone: 006087-582018 Facsimile: 006087-451188
New York Branch	33rd Floor, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: 001-646-7812400 Facsimile: 001-212-2078288
Seoul Branch	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: 0082-2-67303600 Facsimile: 0082-2-67303601
Zurich Branch	Beethovenstrasse 33, 8002 Zurich, Switzerland Telephone: 0041-43-5558800 Facsimile: 0041-43-5558898
Taipei Branch	1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: 00886-2-87298088 Facsimile: 00886-2-27236633

BRANCHES AND SUBSIDIARIES

Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: 0061-2-80316100 Facsimile: 0061-2-92522779
Brisbane Branch	*Level 9. 123 Eagle Street, Brisbane, QLD 4000, Australia* *Telephone: 0061-7-30691900* *Facsimile: 0061-2-92522779*
Melbourne Branch	*Level 40, 525 Collins Street, Melbourne, VIC 3000, Australia* *Telephone: 0061-3-94528500* *Facsimile: 0061-2-92522779*
Perth Branch	*Level 9, 32 St Georges Terrace, Perth, WA 6000, Australia* *Telephone: 0061-8-62463300* *Facsimile: 0061-2-92522779*
Hong Kong Branch	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
Singapore Branch	9 Raffles Place, #39-01/02, Republic Plaza, Singapore 048619 Telephone: 0065-65358133 Facsimile: 0065-65356533
New Zealand Branch	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
Johannesburg Branch	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: 0027-11-5209400 Facsimile: 0027-11-5209411
Cape Town Branch	*15th Floor, Portside Building, 4 Bree Street, Cape Town, South Africa* *Telephone: 0027-21 – 4432660* *Facsimile: 0027-21-4432671*
Chile Branch	Isidora Goyenechea 2800, 30th Floor, Santiago, Chile Postcode: 7550000 Telephone: 0056-2-27289100

Subsidiaries

CCB Property & Casualty Insurance Co., Ltd.	Floor 6, 7, 11, 12, 13 and 16, China Children Welfare Tower, 16 Wangjiayuan Hutong, Dongcheng District, Beijing Postcode: 100027 Telephone: 010-85098000 Facsimile: 010-85098007 Website: www.ccbpi.com.cn
CCB Private Equity Investment Management Co., Ltd.	Room 1106, South Building of No. 35 Tower, 35 Jinshifang Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-58527200 Facsimile: 010-58527209
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-66228888 Facsimile: 010-66228889 Website: www.ccbfund.cn
CCB FinTech Co., Ltd.	Floor 12 and 15, 99 Yincheng Road, China (Shanghai) Pilot Free Trade Zone Postcode: 200120 Telephone: 021-60633500 Facsimile: 021-60633500 Website: www. ccbft.com
CCB Financial Asset Investment Co., Ltd.	Unit 1601-01, 16/F, No.9A Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-67590600 Facsimile: 010-67590601
CCB Financial Leasing Co., Ltd.	6/F, Building 4, ChangAnXingRong Centre, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67594013 Facsimile: 010-66275808 Website: www.ccbleasing.com
CCB Wealth Management Co., Ltd.	89-92/F, Shenzhen Ping An Financial Centre, No.5033, Yitian Road, Futian District, Shenzhen Postcode: 518000 Telephone: 0755-88338101 Facsimile: 0755-88338085
CCB Futures Co., Ltd.	5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: 021-60635551 Facsimile: 021-60635520 Website:www.ccbfutures.com
CCB Life Insurance Co., Ltd.	29/F-33F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode:200120 Telephone: 021-60638288 Facsimile: 021-60638204 Website: www.ccb-life.com.cn
CCB Trust Co., Ltd.	10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67596584 Facsimile: 010-67596590 Website: www.ccbtrust.com.cn
CCB Pension Management Co., Ltd.	11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing Postcode:100191 Telephone: 010-56731294 Facsimile: 010-56731203 Website: www.ccbpension.com
CCB Housing Services Co., Ltd.	3/F, Tower A, Fengming International Building, 22 Fengsheng Hutong, Xicheng District, Beijing Postcode: 100032 Telephone: 010-61979287 Facsimile: 010-61979291

BRANCHES AND SUBSIDIARIES

CCB Housing Rental Private Fund Management Co., Ltd.	8/F, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031
CCB Engineering Consulting Co., Ltd.	7/F, No. 2 Building, No.2A North Xisanhuan Road, Haidian District, Beijing Postcode: 100081 Telephone: 010-60910300 Facsimile: 010-88512310 Website: www.ccbconsulting.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39118000 Facsimile: 00852-25301496 Website: www.ccbintl.com.hk
Sino-German Bausparkasse Co., Ltd.	No.19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: 022-58086699 Facsimile: 022-58086808 Website: www.sgb.cn
China Construction Bank (Brasil) Banco Múltiplo S/A	Avenida Brigadeiro Faria Lima, 4440, 2 and 5F, Itaim Bibi – São Paulo – SP – 04538 – 132 Telephone: 0055-11-21739000 Facsimile: 0055-11-21739309
China Construction Bank (Russia) Limited	Lubyanskiy proezd, 11/1, building 1, 101000 Moscow, Russia Telephone: 007-495-6759800-140 Facsimile: 007-495-6759810
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
China Construction Bank (Malaysia) Berhad	Level 20, Menara CCB, Quill 6, No.6, Leboh Ampang, City Centre, Kuala Lumpur, Malaysia Postcode: 50100 Telephone: 00603-21601888 Facsimile: 00603-27121819
China Construction Bank (Europe) S.A.	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
Amsterdam Branch	*Claude Debussylaan 32, 1082MD Amsterdam, the Netherlands* *Telephone: 0031-0-205047899* *Facsimile: 0031-0-205047898*
Paris Branch	*86-88 bd Haussmann 75008 Paris, France* *Telephone: 0033-155309999* *Facsimile: 0033-155309998*
Barcelona Branch	*Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain* *Telephone: 0034-935225000* *Facsimile: 0034-935225078*
Warsaw Branch	*Warsaw Financial Centre, ul. Emilii Plater 53, 00-113 Warsaw, Poland* *Telephone: 0048-22-1666666* *Facsimile: 0048-22-1666600*
Milan Branch	*Via Mike Bongiorno 13, 20124 Milan, Italy* *Telephone: 0039-02-32163000* *Facsimile: 0039-02-32163092*
Hungary Branch	*Szabadság tér 7, 1054 Budapest, Hungary* *Telephone: 0036-1-336688* *Facsimile: 0036-1-3366801*
China Construction Bank (New Zealand) Limited	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
China Construction Bank (Asia) Corporation Limited	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
PT Bank China Construction Bank Indonesia Tbk	Sahid Sudirman Centre 15th Floor, Jl. Jend. Sudirman Kav. 86, Jakarta Postcode: 10220 Telephone: 0062-2150821000 Facsmile: 0062-2150821010 Website: www.idn.ccb.com

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APPENDIX I: INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Construction Bank Corporation

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

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 231 to 365, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant 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 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers measured at amortised cost The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 *Financial Instruments*. Significant judgments and assumptions are involved in the measurement of expected credit losses, for example: • Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgmental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgments and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for multiple probability-weighted economic scenarios; • Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. As at 31 December 2022, loans and advances to customers measured at amortised cost amounted to RMB20,101,516 million, accounting for 58.09% of total assets. Allowances for impairment losses of such loans and advances totalled RMB704,088 million. As the measurement of expected credit losses involves many significant judgments and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(27)(b), Note 25 and Note 62(1) to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management, deferrals in loan principal repayment and interest payment as well as management, implementation and monitoring of expected credit losses approach, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures, focusing on loans granted to industries affected by macroeconomic changes and to real estate enterprises with bond defaults and negative news coverage. We assessed the debtors' repayment capacity and evaluated the Group's judgment in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgments and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Taking into account macroeconomic changes, industry risk factors, and results of validation, reassessment and optimization of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, and whether there had been a significant increase in credit risk; • We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios; • We performed back-testing and assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals. (2) Design and operating effectiveness of key controls: • With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system; • We evaluated and tested key controls over the management, implementation and monitoring of expected credit losses approach, including approval of management system, important policies and models, key parameters and their adjustments, ongoing monitoring of model performance, model validation, monitoring and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment and disclosures of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investment, asset management and credit asset transfer. Such interests in structured entities include wealth management products ("WMPs"), funds, asset management plans, trust plans, and asset-backed securities. As at 31 December 2022, within unconsolidated structured entities, the balance of non-principal guaranteed WMPs issued by the Group totalled RMB2,014,032 million, and the balance of trust plans, funds and asset management plans established by the Group totalled RMB2,876,694 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(27)(f) and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, the magnitude and variability of the variable returns from its involvement with structured entities and linkage between these two matters on the basis of comprehensive consideration of all relevant facts and circumstances. We analysed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through inspection of contractual documents, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities initiated by itself, such as wealth management products. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
Valuation of financial instruments	
The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions. As at 31 December 2022, the carrying amount of the Group's financial assets measured at fair value totalled RMB3,645,526 million, accounting for 10.54% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2022, RMB171,415 million or 4.70% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(27)(c), Note 23, Note 25, Note 26 and Note 62(5) to the consolidated financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments. We selected samples to perform audit procedures and evaluated the appropriateness of valuation techniques, inputs, assumptions and comparable companies adopted by CCB, including comparison with valuation techniques commonly used in the market by industry peers, validation of observable inputs using external market data, and comparison with valuation results calculated using various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is *Choi Kam Cheong, Geoffrey*.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	2022	2021
Interest income		**1,169,900**	1,057,334
Interest expense		**(526,836)**	(451,914)
Net interest income	6	**643,064**	605,420
Fee and commission income		**130,830**	138,637
Fee and commission expense		**(14,745)**	(17,145)
Net fee and commission income	7	**116,085**	121,492
Net trading gain	8	**4,531**	7,816
Dividend income	9	**6,135**	5,921
Net (loss)/gain arising from investment securities	10	**(9,189)**	10,498
Net gain on derecognition of financial assets measured at amortised cost	11	**322**	4,634
Other operating (expense)/income, net:			
– Other operating income		**61,346**	68,025
– Other operating expense		**(64,139)**	(59,100)
Other operating (expense)/income, net	12	**(2,793)**	8,925
Operating income		**758,155**	764,706
Operating expenses	13	**(222,314)**	(219,182)
		535,841	545,524
Credit impairment losses	14	**(154,539)**	(167,949)
Other impairment losses	15	**(479)**	(766)
Share of profits of associates and joint ventures		**1,194**	1,603
Profit before tax		**382,017**	378,412
Income tax expense	18	**(58,851)**	(74,484)
Net profit		**323,166**	303,928

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	2022	2021
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(275)	(25)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		(211)	(463)
Others		33	115
Subtotal		(453)	(373)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		(12,341)	12,943
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		3,145	556
Reclassification adjustments included in profit or loss due to disposals		11	(423)
Net gain on cash flow hedges		485	320
Exchange difference on translating foreign operations		8,712	(6,445)
Subtotal		12	6,951
Other comprehensive income for the year, net of tax		(441)	6,578
Total comprehensive income for the year		322,725	310,506
Net profit attributable to:			
Equity shareholders of the Bank		323,861	302,513
Non-controlling interests		(695)	1,415
		323,166	303,928
Total comprehensive income attributable to:			
Equity shareholders of the Bank		323,316	308,803
Non-controlling interests		(591)	1,703
		322,725	310,506
Basic and diluted earnings per share (in RMB yuan)	19	1.28	1.19

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	31 December 2022	31 December 2021
Assets:			
Cash and deposits with central banks	20	3,159,296	2,763,892
Deposits with banks and non-bank financial institutions	21	185,380	155,107
Precious metals		119,329	121,493
Placements with banks and non-bank financial institutions	22	429,676	188,162
Positive fair value of derivatives	23	49,308	31,550
Financial assets held under resale agreements	24	1,040,847	549,078
Loans and advances to customers	25	20,495,117	18,170,492
Financial investments	26		
Financial assets measured at fair value through profit or loss		567,716	545,273
Financial assets measured at amortised cost		5,992,582	5,155,168
Financial assets measured at fair value through other comprehensive income		1,979,851	1,941,478
Long-term equity investments	27	22,700	18,875
Fixed assets	29	157,014	156,698
Construction in progress	30	9,971	11,628
Land use rights	31	13,225	13,630
Intangible assets	32	6,496	5,858
Goodwill	33	2,256	2,141
Deferred tax assets	34	113,533	92,343
Other assets	35	257,620	331,113
Total assets		34,601,917	30,253,979
Liabilities:			
Borrowings from central banks	37	774,779	685,033
Deposits from banks and non-bank financial institutions	38	2,584,271	1,932,926
Placements from banks and non-bank financial institutions	39	351,728	299,275
Financial liabilities measured at fair value through profit or loss	40	303,132	229,022
Negative fair value of derivatives	23	46,747	31,323
Financial assets sold under repurchase agreements	41	242,676	33,900
Deposits from customers	42	25,020,807	22,378,814
Accrued staff costs	43	49,355	40,998
Taxes payable	44	84,169	86,342
Provisions	45	50,826	45,903
Debt securities issued	46	1,646,870	1,323,377
Deferred tax liabilities	34	881	1,395
Other liabilities	47	566,916	551,549
Total liabilities		31,723,157	27,639,857

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	31 December 2022	31 December 2021
Equity:			
Share capital	48	250,011	250,011
Other equity instruments	49		
Preference shares		59,977	59,977
Perpetual bonds		79,991	39,991
Capital reserve	50	135,653	134,925
Other comprehensive income	51	20,793	21,338
Surplus reserve	52	337,527	305,571
General reserve	53	444,786	381,621
Retained earnings	54	1,527,995	1,394,797
Total equity attributable to equity shareholders of the Bank		2,856,733	2,588,231
Non-controlling interests		22,027	25,891
Total equity		2,878,760	2,614,122
Total liabilities and equity		34,601,917	30,253,979

Approved and authorised for issue by the Board of Directors on 29 March 2023.

Zhang Jinliang
Vice Chairman, executive director and president

Kenneth Patrick Chung
Independent non-executive director

Tian Bo
Non-executive director

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2022	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122
Movements during the year	–	–	40,000	728	(545)	31,956	63,165	133,198	(3,864)	264,638
(1) Total comprehensive income for the year	–	–	–	–	(545)	–	–	323,861	(591)	322,725
(2) Changes in share capital										
i Capital injection/(deduction) by other equity instruments holder	–	–	40,000	(9)	–	–	–	–	(3,335)	36,656
ii Acquisition of subsidiaries	–	–	–	–	–	–	–	–	32	32
iii Change in shareholdings in subsidiaries	–	–	–	737	–	–	–	–	462	1,199
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	31,956	–	(31,956)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	63,165	(63,165)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(91,004)	–	(91,004)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(4,538)	–	(4,538)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(432)	(432)
As at 31 December 2022	250,011	59,977	79,991	135,653	20,793	337,527	444,786	1,527,995	22,027	2,878,760

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353
Movements during the year	–	–	–	662	6,290	29,576	31,393	155,502	1,346	224,769
(1) Total comprehensive income for the year	–	–	–	–	6,290	–	–	302,513	1,703	310,506
(2) Changes in share capital										
i Change in shareholdings in subsidiaries	–	–	–	662	–	–	–	–	109	771
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	29,576	–	(29,576)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	31,393	(31,393)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(81,504)	–	(81,504)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(4,538)	–	(4,538)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(466)	(466)
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	2022	2021
Cash flows from operating activities:			
Profit before tax		382,017	378,412
Adjustments for:			
– Credit impairment losses	14	154,539	167,949
– Other impairment losses	15	479	766
– Depreciation and amortisation	13	25,388	27,295
– Interest income from impaired financial assets		(5,021)	(4,810)
– Revaluation loss/(gain)on financial instruments measured at fair value through profit or loss		12,359	(6,551)
– Share of profits of associates and joint ventures		(1,194)	(1,603)
– Dividend income	9	(6,135)	(5,921)
– Unrealised foreign exchange loss/(gain)		2,869	(348)
– Interest expense on bonds issued		23,981	19,405
– Interest income from investment securities and net income from disposal		(246,871)	(236,164)
– Net gain on disposal of fixed assets and other long-term assets		(251)	(251)
		342,160	338,179
Changes in operating assets:			
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions		(152,657)	368,327
Net (increase)/decrease in placements with banks and non-bank financial institutions		(169,074)	86,583
Net (increase)/decrease in financial assets held under resale agreements		(490,627)	52,784
Net increase in loans and advances to customers		(2,371,471)	(2,125,561)
Net (increase)/decrease in financial assets held for trading purposes		(17,420)	47,290
Net decrease/(increase) in other operating assets		56,835	(105,043)
		(3,144,414)	(1,675,620)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		86,362	(93,844)
Net increase in deposits from customers and from banks and non-bank financial institutions		3,155,433	1,706,255
Net increase/(decrease) in placements from banks and non-bank financial institutions		39,402	(45,999)
Net increase/(decrease) in financial liabilities measured at fair value through profit or loss		73,013	(24,632)
Net increase/(decrease) in financial assets sold under repurchase agreements		207,137	(22,366)
Net increase in certificates of deposit issued		213,154	265,824
Income tax paid		(79,283)	(77,540)
Net increase in other operating liabilities		85,455	66,461
		3,780,673	1,774,159
Net cash from operating activities		978,419	436,718

The notes on pages 238-365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Notes	2022	2021
Cash flows from investing activities:			
Proceeds from sales and redemption of financial investments		1,795,566	1,891,859
Interest and dividends received		251,007	236,568
Proceeds from disposal of fixed assets and other long-term assets		3,743	2,953
Purchase of investment securities		(2,674,813)	(2,623,732)
Purchase of fixed assets and other long-term assets		(23,751)	(21,235)
Acquisition of subsidiaries, associates and joint ventures		(3,420)	(4,961)
Net cash used in investing activities		(651,668)	(518,548)
Cash flows from financing activities:			
Issue of bonds		145,495	210,676
Proceeds from issuance of other equity instruments		39,991	–
Cash received from subsidiaries' capital injection by non-controlling interests holders		–	771
Dividends paid		(95,855)	(86,364)
Repayment of borrowings		(62,388)	(81,899)
Cash payment for redemption of other equity instruments held by non-controlling interests		(3,335)	–
Interest paid on bonds issued		(22,369)	(17,805)
Cash payment for other financing activities		(7,964)	(9,256)
Net cash (used in)/from financing activities		(6,425)	16,123
Effect of exchange rate changes on cash and cash equivalents		17,726	(7,624)
Net increase/(decrease) in cash and cash equivalents		338,052	(73,331)
Cash and cash equivalents as at 1 January	55	805,600	878,931
Cash and cash equivalents as at 31 December	55	1,143,652	805,600
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		900,047	823,053
Interest paid, excluding interest expense on bonds issued		(445,923)	(360,694)

The notes on pages 238-365 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the Bank's function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2022, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, the regulator was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate finance business, personal finance business, treasury and asset management business and others. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, the Chinese mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than the Chinese mainland.

The Bank is under the supervision of the banking regulators empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 29 March 2023.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivatives are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; and (iv) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities is further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant impact on the financial statements and estimates that are very likely to result in material adjustments in the subsequent period are discussed in Note 4(27).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following amendments for the first time for the current year.

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*
Annual Improvements to IFRS Standards 2018-2020	

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for 2022 financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(11). If the consideration is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date on which the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or when the capital is injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(13).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in 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 over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures realise net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows of financial assets managed by the Group will result from collecting contractual cash flows, selling financial assets or both. 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 performance of those assets is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the business are compensated.

The characteristics of the contractual cash flows of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the underlying financial assets, That is, the contractual cash flows generated by the underlying financial assets on a specific date solely payments of principal and interest on the principal amount outstanding. The principal is the fair value of the financial asset at initial recognition, but its amount may change over the life of the financial asset (for example, if there are repayments of principal); interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks, and costs, as well as a profit margin.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(21)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payments of principal and interest ("SPPI") test and the equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial recognition, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(a) *Classification (continued)*

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) *Derivatives and hedge accounting*

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could ultimately affect the profit or loss.

The effective portion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

The cumulative gains or losses in other comprehensive income are reclassified to profit or loss in the same periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income at that time remains in other comprehensive income and is reclassified to profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that has been recognised in other comprehensive income is immediately transferred to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is a financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not a financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at FVPL. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial asset, but has given up control of the financial asset or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial assets, but has given up control of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in profit or loss.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus or minus, in the case of a financial instrument not measured at FVPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at FVPL are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, FVOCI or FVPL respectively. Financial liabilities other than those measured at FVPL are measured at amortised cost using the effective interest method.

Financial assets measured at FVPL

Gains and losses from changes in fair value of financial assets measured at FVPL are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial liabilities measured at FVPL

Financial liabilities measured at FVPL are measured at fair value, where the gains or losses arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, the gains or losses are accounted for in accordance with the following requirements: (i) the amount of changes in fair value of the financial liabilities arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as measured at FVPL is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains or losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include reclassification to profit or loss from other comprehensive income. For equity investments designated as measured at FVOCI, once the designation is made, changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured at the amount initially recognised after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that amount initially recognised and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, or amortised.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or originated credit impaired financial assets, the interest income shall be determined by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; (ii) for financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets, the interest income shall be determined by applying the effective interest rate. to the amortised cost of the financial asset in subsequent reporting periods. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment and recognises loss provisions based on expected credit loss on debt instruments measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable in accordance with the contract and all cash flows expected to be received discounted at the original effective interest rate by the Group, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that have been purchased or originated by the Group shall be discounted according to the credit-adjusted effective interest rate of the financial assets.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) an unbiased and probability-weighted average amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has been credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and recognises the resulting reversal of the loss provision as an impairment gain in profit or loss.

For financial assets that have been considered as purchased or originated credit impaired, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in profit or loss.

(g) Write-offs

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through credit impairment losses.

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but leads to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, by comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit or loss. The recalculated gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(i) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsets

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or by realising the asset and settling the liability simultaneously.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the derecognised financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash paid or received is recognised as financial assets held under resale agreements or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The differences between the purchase and resale considerations, and that between the sale and repurchase considerations, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals acquired by the Group for trading purposes are initially recognised at fair value at the date of acquisition and subsequently measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets and Construction in progress

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss as incurred.

The cost of construction in progress is determined based on actual construction expenditures, which include all necessary construction expenses and other related expenses incurred during construction.

(b) Depreciation and impairment

Depreciation is calculated to write off through profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated allowance for impairment losses.

The estimated useful lives, net residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the estimated useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

The Group reviews the estimated useful life and estimated net residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

For the accounting treatment of the Group as a lessee, see Note 4(7) and(15).

Lease modifications

Lease modification is a change in the scope of a lease, the consideration or the term for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Short-term leases and leases of low-value assets

If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease payments receivable and derecognises finance lease assets. The Group presents lease payments receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Contingent lease payments are charged to profit or loss as incurred. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Right-of-use assets

The right-of-use assets of the Group mainly include bank premises and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

(8) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Depreciation is calculated using the straight-line method to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, over their estimated useful lives. Impaired investment properties are depreciated net of accumulated impairment losses.

The estimated useful life, estimated net residual value rate and annual depreciation rate of the Group's investment properties are as follows:

Types of asset	Estimated useful life	Estimated net residual value rate	Annual depreciation rate
Premises	30-35 years	3%	2.8%-3.2%

The amortisation period of land use rights is shown in Note 4(9).

(9) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated allowance for impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(13).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated allowance for impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

(11) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(13).

(12) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognises repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognised at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognised at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(13).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Allowances for impairment losses on assets

The Group determines the impairment of long-term equity investments and non-financial assets such as fixed assets, construction in progress, right-of-use assets and intangible assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs of disposal and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Impairment test for CGU containing goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU or group of CGUs containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in the Chinese mainland have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in the Chinese mainland who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Employee benefits (continued)

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, through profit or loss. The Group is required to recognise termination benefits at the earlier of when it can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss as incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(15) Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

(16) Insurance contracts

Separating components from an insurance contract

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be distinguished and separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) Insurance contracts (continued)

Recognition of insurance premium income

Insurance premium income is recognised when all of the following criteria are met:

(a) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(b) The related economic benefits are likely to flow to the Group; and

(c) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(17) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(18) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the loss provisions required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement income.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined allowance for ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(20) Fiduciary and custody business

Asset custody business refers to a fee-based business of the Group, as an independent third party, enters into custody contracts with trustors, managers, or trustees in accordance with laws and regulations, maintains entrusted assets in accordance with the contracts, discharges rights and obligations as agreed in the custody contracts, provides custody services, and charges fiduciary and custody fees. The Group fulfills its fiduciary obligations and collects relevant fees in accordance with these contracts, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans (the "entrusted loans") to third parties according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no allowance for impairment losses are made for these entrusted loans.

(21) Revenue recognition

(a) Interest income

Interest income for debt instruments measured at amortised cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(22) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(23) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(24) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(25) Related parties

If the Group has the power, directly or indirectly, 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. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

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4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Related parties (continued)

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control over the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

(26) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments, which management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(27) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers of the business are compensated.

In assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangement, the Group uses the following key judgements: whether the principals may change because of the changes of time distribution or amount over the life due to reasons such as prepayment; whether the interest includes only the consideration for the time value of money, for credit risk, for other basic lending risks and costs, as well as a profit margin. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Measurement of expected credit losses

The measurement of expected credit loss for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour (e.g. the likelihood of default by customers and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 62(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase and credit-impaired in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Determining the forward-looking information and weightings for different types of products when measuring expected credit losses; and

– Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 62(1) Credit risk.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(27) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(d) 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 legislations. 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.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's 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.

NOTES TO THE FINANCIAL STATEMENTS

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5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is deducted to the extent allowed under the relevant income tax laws of the PRC.

6 NET INTEREST INCOME

	2022	2021
Interest income arising from:		
Deposits with central banks	39,177	36,775
Deposits with banks and non-bank financial institutions	4,495	9,653
Placements with banks and non-bank financial institutions	8,950	5,245
Financial assets held under resale agreements	15,024	12,894
Financial investments	256,237	225,706
Loans and advances to customers		
– Corporate loans and advances	440,582	394,804
– Personal loans and advances	395,219	365,833
– Discounted bills	10,216	6,424
Total	1,169,900	1,057,334
Interest expense arising from:		
Borrowings from central banks	(20,470)	(20,384)
Deposits from banks and non-bank financial institutions	(48,330)	(36,052)
Placements from banks and non-bank financial institutions	(8,409)	(4,937)
Financial assets sold under repurchase agreements	(1,520)	(817)
Debt securities issued	(45,857)	(31,483)
Deposits from customers		
– Corporate deposits	(178,832)	(155,532)
– Personal deposits	(223,418)	(202,709)
Total	(526,836)	(451,914)
Net interest income	643,064	605,420

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 NET INTEREST INCOME (CONTINUED)

(1) Interest income from impaired financial assets is listed as follows:

	2022	2021
Impaired loans and advances	4,844	4,770
Other impaired financial assets	177	40
Total	5,021	4,810

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

7 NET FEE AND COMMISSION INCOME

	2022	2021
Fee and commission income		
Settlement and clearing fees	36,567	37,265
Agency service fees	19,231	19,283
Commission on trust and fiduciary activities	17,738	17,284
Bank card fees	17,098	21,148
Asset management business fees	16,185	18,550
Consultancy and advisory fees	10,731	11,658
Others	13,280	13,449
Total	130,830	138,637
Fee and commission expense		
Bank card transaction fees	(6,288)	(5,976)
Inter-bank transaction fees	(1,151)	(1,277)
Others	(7,306)	(9,892)
Total	(14,745)	(17,145)
Net fee and commission income	116,085	121,492

8 NET TRADING GAIN

	2022	2021
Debt securities	2,603	4,132
Derivatives	1,030	2,909
Equity investments	(111)	(251)
Others	1,009	1,026
Total	4,531	7,816

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

9 DIVIDEND INCOME

	2022	2021
Dividend income from equity investments measured at fair value through profit or loss	6,117	5,904
Dividend income from equity investments measured at fair value through other comprehensive income	18	17
Total	6,135	5,921

10 NET (LOSS)/GAIN ARISING FROM INVESTMENT SECURITIES

	2022	2021
Net gain related to financial assets designated as measured at fair value through profit or loss	–	2,579
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(10,930)	(11,815)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	1,512	18,246
Net gain related to financial assets measured at fair value through other comprehensive income	133	1,449
Others	96	39
Total	(9,189)	10,498

11 NET GAIN ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2022, the Group has no gain on derecognition of financial assets measured at amortized cost arising from the issuance of asset-backed securitization products (for the year ended 31 December 2021: net gains of RMB4,533 million).

12 OTHER OPERATING (EXPENSE)/INCOME, NET

	2022	2021
Other operating income		
Insurance related income	42,939	44,148
Foreign exchange gains	495	7,333
Rental income	6,049	3,679
Others	11,863	12,865
Total	61,346	68,025
Other operating expense		
Insurance related costs	(48,706)	(46,972)
Others	(15,433)	(12,128)
Total	(64,139)	(59,100)
Other operating (expense)/income, net	(2,793)	8,925

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 OPERATING EXPENSES

	2022	2021
Staff costs		
– Salaries, bonuses, allowances and subsidies	84,349	79,673
– Defined contribution plans	15,549	14,664
– Housing funds	7,567	7,273
– Union running costs and employee education costs	3,302	3,463
– Early retirement benefits	5	1
– Compensation to employees for termination of employment relationship	7	5
– Others	15,815	13,159
	126,594	118,238
Premises and equipment expenses		
– Depreciation charges	22,103	24,055
– Rent and property management expenses	4,111	4,164
– Maintenance	2,997	3,205
– Utilities	1,889	1,810
– Others	2,764	2,308
	33,864	35,542
Taxes and surcharges	8,154	7,791
Amortisation expenses	3,285	3,240
Other general and administrative expenses	50,417	54,371
Total	222,314	219,182

14 CREDIT IMPAIRMENT LOSSES

	2022	2021
Loans and advances to customers	139,741	160,324
Financial investments		
– Financial assets measured at amortised cost	1,883	15,830
– Financial assets measured at fair value through other comprehensive income	2,143	468
Off-balance sheet credit business	6,184	2,704
Others	4,588	(11,377)
Total	154,539	167,949

15 OTHER IMPAIRMENT LOSSES

	2022	2021
Other impairment losses	479	766

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

	2022				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (v)) RMB'000	Total (Note (i)) RMB'000
Executive directors					
Tian Guoli (Note (vi))	–	656	58	159	873
Zhang Jinliang (Notes (ii) &(vi))	–	437	40	101	578
Non-executive directors					
Xu Jiandong (Note (iii))	–	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–	–
Shao Min (Note (iii))	–	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–	–
Li Lu (Notes (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Malcolm Christopher McCarthy	410	–	–	–	410
Kenneth Patrick Chung	440	–	–	–	440
Graeme Wheeler	440	–	–	–	440
Michel Madelain	420	–	–	–	420
William Coen	390	–	–	–	390
Leung Kam Chung, Antony	410	–	–	–	410
Supervisors					
Wang Yongqing (Note (vi))	–	656	58	159	873
Lin Hong (Note (vi))	–	1,195	58	211	1,464
Wang Yi (Note (iv))	50	–	–	–	50
Liu Jun (Note (iv))	50	–	–	–	50
Zhao Xijun	290	–	–	–	290
Liu Huan	260	–	–	–	260
Ben Shenglin	250	–	–	–	250
Former executive directors					
Wang Jiang (Notes (ii) & (vi))	–	163	14	44	221
Former non-executive directors					
Zhang Qi (Notes (ii) & (iii))	–	–	–	–	–
Former supervisors					
Yang Fenglai (Notes (ii) & (vi))	–	1,096	36	194	1,326
Deng Aibing (Notes (ii) & (iv))	46	–	–	–	46
	3,456	4,203	264	868	8,791

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	2021			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances RMB'000	Other monetary income RMB'000	Total RMB'000
Executive directors				
Tian Guoli (Note (vii))	900	206	–	1,106
Non-executive directors				
Xu Jiandong (Note (iii))	–	–	–	–
Zhang Qi (Notes (ii) & (iii))	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–
Shao Min (Note (iii))	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–
Independent non-executive directors				
Malcolm Christopher McCarthy	410	–	–	410
Kenneth Patrick Chung	440	–	–	440
Graeme Wheeler	440	–	–	440
Michel Madelain	410	–	–	410
William Coen	195	–	–	195
Leung Kam Chung, Antony	101	–	–	101
Supervisors				
Wang Yongqing (Note (vii))	900	206	–	1,106
Yang Fenglai (Notes (ii) & (vii))	2,132	253	–	2,385
Lin Hong	–	–	–	–
Wang Yi (Note (iv))	50	–	–	50
Liu Jun	–	–	–	–
Deng Aibing (Note (ii))	–	–	–	–
Zhao Xijun	290	–	–	290
Liu Huan	270	–	–	270
Ben Shenglin	250	–	–	250
Former executive directors				
Wang Jiang (Notes (ii) & (vii))	825	191	–	1,016
Lyu Jiajin (Note (vii))	337	75	–	412
Former non-executive directors				
Feng Bing (Note (iii))	–	–	–	–
Anita Fung Yuen Mei	195	–	–	195
Carl Walter	220	–	–	220
Former supervisors				
Wu Jianhang (Note (vii))	1,066	132	–	1,198
Lu Kegui (Note (iv))	50	–	–	50
Cheng Yuanguo (Note (iv))	13	–	–	13
	9,494	1,063	–	10,557

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2022 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2021 annual general meeting of the Bank and approval of the Board of the Bank, Mr. Zhang Jinliang commenced his position as vice chairman and executive director of the Bank from June 2022. Upon election at the 2022 first extraordinary general meeting of the Bank considered and approval of the CBIRC, Ms. Li Lu commenced her position as non-executive director of the Bank from March 2023.

Due to change of job, Mr. Wang Jiang ceased to serve as vice chairman and executive director of the Bank from March 2022. Due to change of job, Mr. Zhang Qi ceased to serve as non-executive director of the Bank from December 2022.

Due to change of job, Mr. Yang Fenglai ceased to serve as shareholder representative supervisors of the Bank from November 2022. By reason of age, Mr. Deng Aibing ceased to serve as employee representative supervisors of the Bank from November 2022.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2022 and 2021.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2022 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2022. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2021 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2021 financial statements were published. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2021 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2022 and 2021.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowance	**8,865**	12,329
Variable compensation	**28,632**	25,142
Contributions to defined contribution retirement schemes	**473**	758
Other benefits in kind	**2,054**	574
Total	**40,024**	38,803

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2022	2021
RMB6,500,001 – RMB7,000,000	–	1
RMB7,000,001 – RMB7,500,000	1	2
RMB7,500,001 – RMB8,000,000	3	–
RMB8,000,001 – RMB8,500,000	–	–
RMB8,500,001 – RMB9,000,000	–	2
RMB9,000,001 – RMB9,500,000	–	–
RMB9,500,001 – RMB10,000,000	1	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2022 and 2021.

18 INCOME TAX EXPENSE

(1) Income tax expense

	2022	2021
Current tax	77,397	79,228
– The Chinese mainland	75,509	77,135
– Hong Kong	1,055	1,231
– Other countries and regions	833	862
Adjustments for prior years	(456)	(709)
Deferred tax	(18,090)	(4,035)
Total	58,851	74,484

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2022	2021
Profit before tax		382,017	378,412
Income tax calculated at the 25% statutory tax rate		95,504	94,603
Effects of different applicable rates of tax prevailing in other countries/regions		(1,070)	(89)
Non-deductible expenses	(a)	19,222	28,519
Non-taxable income	(b)	(54,349)	(47,840)
Adjustments on income tax for prior years which affect profit or loss		(456)	(709)
Income tax expense		58,851	74,484

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs and impairment losses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

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19 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2022 and 2021 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2022 and 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2022	2021
Net profit attributable to equity shareholders of the Bank	**323,861**	302,513
Less: Profit for the year attributable to other equity instruments holders of the Bank	**(4,538)**	(4,538)
Net profit attributable to ordinary shareholders of the Bank	**319,323**	297,975
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.28**	1.19
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.28**	1.19

20 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	**31 December 2022**	31 December 2021
Cash		**47,534**	48,613
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,305,301**	2,160,485
– Surplus deposit reserves	(2)	**771,473**	520,700
– Fiscal deposits and others		**33,725**	33,032
Accrued interest		**1,263**	1,062
Total		**3,159,296**	2,763,892

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in the Chinese mainland were as follows:

	31 December 2022	31 December 2021
Reserve rate for RMB deposits	**9.50%**	10.00%
Reserve rate for foreign currency deposits	**6.00%**	9.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries and regions are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2022	31 December 2021
Banks	177,040	146,243
Non-bank financial institutions	7,618	8,003
Accrued interest	1,060	986
Gross balances	185,718	155,232
Allowances for impairment losses (Note 36)	(338)	(125)
Net balances	185,380	155,107

(2) Analysed by geographical sectors

	31 December 2022	31 December 2021
The Chinese mainland	152,435	122,172
Overseas	32,223	32,074
Accrued interest	1,060	986
Gross balances	185,718	155,232
Allowances for impairment losses (Note 36)	(338)	(125)
Net balances	185,380	155,107

As at 31 December 2022 and 2021, all of the Group's and the Bank's deposits with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2022 and 2021, neither the book values nor the impairment allowances had any migrations between stages.

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2022	31 December 2021
Banks	254,704	96,021
Non-bank financial institutions	173,148	91,551
Accrued interest	2,657	1,004
Gross balances	430,509	188,576
Allowances for impairment losses (Note 36)	(833)	(414)
Net balances	429,676	188,162

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

(2) Analysed by geographical sectors

	31 December 2022	31 December 2021
The Chinese mainland	**276,535**	115,485
Overseas	**151,317**	72,087
Accrued interest	**2,657**	1,004
Gross balances	**430,509**	188,576
Allowances for impairment losses (Note 36)	**(833)**	(414)
Net balances	**429,676**	188,162

As at 31 December 2022, all of the Group's placements with banks and non-bank financial institutions were designated as Stage 1 (31 December 2021: The Group's placements with banks and non-bank financial institutions had predominantly been designated as Stage 1).

23 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contracts

		31 December 2022			31 December 2021		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		**654,559**	**7,202**	**4,312**	584,102	1,870	2,296
Exchange rate contracts		**2,685,521**	**40,119**	**38,820**	3,183,567	27,578	27,772
Other contracts	(a)	**127,641**	**1,987**	**3,615**	130,138	2,102	1,255
Total		**3,467,721**	**49,308**	**46,747**	3,897,807	31,550	31,323

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2022	31 December 2021
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**6,479**	3,387
– Exchange rate contracts		**50,168**	39,036
– Other contracts	(a)	**14,869**	16,082
Subtotal		**71,516**	58,505
Risk-weighted assets for credit valuation adjustment		**16,952**	13,618
Total		**88,468**	72,123

The notional amounts of derivatives only represent the unsettled transaction volume as at the balance sheet date, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments which are calculated based on counterparty conditions and maturity characteristics and include back-to-back client-driven transactions. From 1 January 2019, the Group measures default risk-weighted assets for derivatives counterparties in accordance with the *Rules on Measuring Derivative Counterparty Default Risk Assets*.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives disclosed above.

	31 December 2022			31 December 2021		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**52,664**	**2,147**	**1,290**	47,695	197	522
Cross currency swaps	**2,403**	**5**	**17**	29	–	–
Cash flow hedges						
Foreign exchange swaps	**18,394**	**76**	**72**	11,102	49	55
Cross currency swaps	**–**	**–**	**–**	636	–	48
Interest rate swaps	**3,105**	**210**	**–**	2,894	7	18
Total	**76,566**	**2,438**	**1,379**	62,356	253	643

(a) *Fair value hedges*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	2022	2021
Hedging instruments	**1,166**	686
Hedged items	**(1,139)**	(672)

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the years ended 31 December 2022 and 2021.

(b) *Cash flow hedges*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2022, the Group's net gain from the cash flow hedges of RMB485 million was recognised in other comprehensive income (for the year ended 31 December 2021: net gain from cash flow hedges of RMB320 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

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24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	31 December 2022	31 December 2021
Debt securities		
– Government bonds	**413,548**	259,628
– Debt securities issued by policy banks, banks and non-bank financial institutions	**562,011**	253,753
Subtotal	**975,559**	513,381
Discounted bills	**64,964**	35,590
Accrued interest	**530**	199
Total	**1,041,053**	549,170
Allowances for impairment losses (Note 36)	**(206)**	(92)
Net balances	**1,040,847**	549,078

As at 31 December 2022 and 2021, the Group's financial assets held under resale agreements were all designated as Stage 1. For the year ended 2022 and 2021, the book value and the impairment loss allowances do not involve the transfer between stages.

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by measurement

	Notes	31 December 2022	31 December 2021
Gross loans and advances to customers measured at amortised cost		**20,101,516**	18,380,916
Less: allowances for impairment losses		**(704,088)**	(637,338)
Net loans and advances to customers measured at amortised cost	(a)	**19,397,428**	17,743,578
Loans and advances to customers measured at fair value through other comprehensive income	(b)	**1,048,651**	379,469
Loans and advances to customers measured at fair value through profit or loss	(c)	**–**	3,761
Accrued interest		**49,038**	43,684
Total		**20,495,117**	18,170,492

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2022	31 December 2021
Corporate loans and advances		
– Loans	**11,653,882**	10,267,665
– Finance leases	**118,290**	135,601
	11,772,172	10,403,266
Personal loans and advances		
– Residential mortgages	**6,547,659**	6,449,580
– Personal consumer loans	**301,416**	240,147
– Personal business loans	**415,344**	226,463
– Credit cards	**928,101**	899,127
– Others	**136,824**	162,333
	8,329,344	7,977,650
Gross loans and advances to customers measured at amortised cost	**20,101,516**	18,380,916
Stage 1 – allowances for impairment losses	**(339,557)**	(310,207)
Stage 2 – allowances for impairment losses	**(176,141)**	(154,465)
Stage 3 – allowances for impairment losses	**(188,390)**	(172,666)
Allowances for impairment losses at amortised cost (Note 36)	**(704,088)**	(637,338)
Net loans and advances to customers measured at amortised cost	**19,397,428**	17,743,578

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2022	31 December 2021
Discounted bills	**1,048,651**	379,469

(c) Loans and advances to customers measured at fair value through profit or loss

	31 December 2022	31 December 2021
Corporate loans and advances	**–**	3,761

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of expected credit losses

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**19,128,592**	**680,099**	**292,825**	**20,101,516**
Less: allowances for impairment losses	**(339,557)**	**(176,141)**	**(188,390)**	**(704,088)**
Carrying amount of loans and advances to customers measured at amortised cost	**18,789,035**	**503,958**	**104,435**	**19,397,428**
Provision percentage for loans and advances to customers measured at amortised cost	**1.78%**	**25.90%**	**64.34%**	**3.50%**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**1,038,161**	**10,490**	**–**	**1,048,651**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(2,610)**	**(553)**	**–**	**(3,163)**

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	17,525,964	588,881	266,071	18,380,916
Less: allowances for impairment losses	(310,207)	(154,465)	(172,666)	(637,338)
Carrying amount of loans and advances to customers measured at amortised cost	17,215,757	434,416	93,405	17,743,578
Provision percentage for loans and advances to customers measured at amortised cost	1.77%	26.23%	64.89%	3.47%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	376,355	3,114	–	379,469
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(900)	(216)	–	(1,116)

For loans and advances to customers designated as Stages 1 and Stage 2 as well as personal loans and advances, and corporate loans and advances under portfolio management designated as Stage 3, the Group assessed ECL using risk parameter modelling approach that incorporated relevant parameters such as Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"). For other corporate loans and advances and discounted bills designated as Stage 3, management calculated ECL using the discounted cash flow method on expected recoverable cash flows.

The segmentation of the loans mentioned above is defined in Note 4(3)(f).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

		2022			
	Notes	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2022		**310,207**	**154,465**	**172,666**	**637,338**
Transfers:					
Transfers in/(out) to Stage 1		**16,596**	**(16,120)**	**(476)**	**–**
Transfers in/(out) to Stage 2		**(8,324)**	**14,805**	**(6,481)**	**–**
Transfers in/(out) to Stage 3		**(4,035)**	**(22,533)**	**26,568**	**–**
Newly originated or purchased financial assets		**154,797**	**–**	**–**	**154,797**
Transfer out/repayment	(a)	**(120,384)**	**(29,647)**	**(52,014)**	**(202,045)**
Remeasurements	(b)	**(9,300)**	**75,171**	**84,033**	**149,904**
Write-offs		**–**	**–**	**(51,434)**	**(51,434)**
Recoveries of loans and advances written off		**–**	**–**	**15,528**	**15,528**
As at 31 December 2022		**339,557**	**176,141**	**188,390**	**704,088**

		2021			
	Notes	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		275,428	108,099	172,536	556,063
Transfers:					
Transfers in/(out) to Stage 1		9,277	(8,793)	(484)	–
Transfers in/(out) to Stage 2		(10,303)	12,817	(2,514)	–
Transfers in/(out) to Stage 3		(2,551)	(21,749)	24,300	–
Newly originated or purchased financial assets		153,274	–	–	153,274
Transfer out/repayment	(a)	(107,775)	(19,250)	(47,119)	(174,144)
Remeasurements	(b)	(7,143)	83,341	72,186	148,384
Write-offs		–	–	(59,999)	(59,999)
Recoveries of loans and advances written off		–	–	13,760	13,760
As at 31 December 2021		310,207	154,465	172,666	637,338

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provisions due to repayment of debts in the form of other assets, as well as repayment of loans.

(b) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.

For the year ended 31 December 2022, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in the Chinese mainland, including:

For the year ended 31 December 2022, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 was RMB165,437 million (for the year ended 31 December 2021: RMB186,590 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB51,923 million (for the year ended 31 December 2021: RMB62,236 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 was RMB47,495 million (for the year ended 31 December 2021: RMB27,972 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 was not significant (for the year ended 31 December 2021: not significant). For the year ended 31 December 2022, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant (for the year ended 31 December 2021: not significant).

For the year ended 31 December 2022, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition was not significant (for the year ended 31 December 2021: not significant).

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	31 December 2022				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	23,342	19,039	9,643	1,785	53,809
Guaranteed loans	16,446	13,246	21,106	4,079	54,877
Loans secured by property and other immovable assets	43,931	30,768	21,018	4,602	100,319
Other pledged loans	4,278	1,701	3,176	652	9,807
Total	87,997	64,754	54,943	11,118	218,812
As a percentage of gross loans and advances to customers	0.41%	0.31%	0.26%	0.05%	1.03%

	31 December 2021				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	15,751	19,292	8,068	4,137	47,248
Guaranteed loans	8,809	14,063	27,182	6,087	56,141
Loans secured by property and other immovable assets	22,588	19,086	20,726	4,178	66,578
Other pledged loans	1,698	2,708	1,657	431	6,494
Total	48,846	55,149	57,633	14,833	176,461
As a percentage of gross loans and advances to customers	0.26%	0.29%	0.31%	0.08%	0.94%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2022, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB3,052 million (for the year ended 31 December 2021: RMB5,985 million).

(6) Write-offs

According to the Group's Write-offs policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2022, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB15,655 million (for the year ended 31 December 2021: RMB21,081 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS

(1) Analysed by measurement

	Notes	31 December 2022	31 December 2021
Financial assets measured at fair value through profit or loss	(a)	**567,716**	545,273
Financial assets measured at amortised cost	(b)	**5,992,582**	5,155,168
Financial assets measured at fair value through other comprehensive income	(c)	**1,979,851**	1,941,478
Total		**8,540,149**	7,641,919

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Notes	31 December 2022	31 December 2021
Held-for-trading purposes			
– Debt securities	(i)	**140,689**	123,857
– Equity instruments and funds	(ii)	**1,007**	931
		141,696	124,788
Others			
– Credit investments	(iii)	**58,796**	19,613
– Debt securities	(iv)	**140,547**	136,747
– Funds and others	(v)	**226,677**	264,125
		426,020	420,485
Total		**567,716**	545,273

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2022	31 December 2021
Government	**16,227**	16,936
Central banks	**7,453**	211
Policy banks	**23,612**	34,105
Banks and non-bank financial institutions	**38,997**	28,966
Enterprises	**54,400**	43,639
Total	**140,689**	123,857
Listed (Note)	**129,534**	123,461
– of which in Hong Kong	**622**	1,326
Unlisted	**11,155**	396
Total	**140,689**	123,857

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

Held-for-trading purposes (continued)

(ii) Equity instruments and funds

	31 December 2022	31 December 2021
Banks and non-bank financial institutions	796	575
Enterprises	211	356
Total	1,007	931
Listed	281	405
– of which in Hong Kong	89	91
Unlisted	726	526
Total	1,007	931

Others

(iii) Credit investments

	31 December 2022	31 December 2021
Banks and non-bank financial institutions	34,008	4,071
Enterprises	24,788	15,542
Total	58,796	19,613
Unlisted	58,796	19,613
Total	58,796	19,613

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

Others (continued)

(iv) Debt securities

	31 December 2022	31 December 2021
Policy banks	**11,353**	7,499
Banks and non-bank financial institutions	**126,889**	128,045
Enterprises	**2,305**	1,203
Total	**140,547**	136,747
Listed (Note)	**138,442**	135,766
– of which in Hong Kong	**29**	265
Unlisted	**2,105**	981
Total	**140,547**	136,747

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(v) Funds and others

	31 December 2022	31 December 2021
Banks and non-bank financial institutions	**83,702**	116,539
Enterprises	**142,975**	147,586
Total	**226,677**	264,125
Listed	**36,791**	51,408
– of which in Hong Kong	**1,394**	1,283
Unlisted	**189,886**	212,717
Total	**226,677**	264,125

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2022	31 December 2021
Government	5,164,591	4,417,350
Central banks	–	4,799
Policy banks	336,182	293,199
Banks and non-bank financial institutions	153,605	141,458
Enterprises	245,356	214,569
Special government bond	49,200	49,200
Subtotal	5,948,934	5,120,575
Accrued interest	78,530	68,821
Gross balances	6,027,464	5,189,396
Allowances for impairment losses		
– Stage 1	(17,782)	(17,737)
– Stage 2	(199)	(1,427)
– Stage 3	(16,901)	(15,064)
Subtotal	(34,882)	(34,228)
Net balances	5,992,582	5,155,168
Listed (Note)	5,878,554	5,039,270
– of which in Hong Kong	5,994	5,500
Unlisted	114,028	115,898
Total	5,992,582	5,155,168
Market value of listed bonds	6,031,740	5,166,941

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2022	31 December 2021
Debt securities	(i)	**1,972,404**	1,934,061
Equity instruments	(ii)	**7,447**	7,417
Total		**1,979,851**	1,941,478

Analysed by type of issuers

(i) Debt securities

	31 December 2022	31 December 2021
Government	**1,217,594**	1,200,061
Central banks	**40,064**	38,103
Policy banks	**425,149**	413,845
Banks and non-bank financial institutions	**135,828**	99,382
Enterprises	**107,421**	120,348
Accumulated change of fair value charged in other comprehensive income	**21,167**	36,527
Subtotal	**1,947,223**	1,908,266
Accrued interest	**25,181**	25,795
Total	**1,972,404**	1,934,061
Listed (Note)	**1,872,550**	1,865,916
– of which in Hong Kong	**61,905**	68,435
Unlisted	**99,854**	68,145
Total	**1,972,404**	1,934,061

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments

	31 December 2022		31 December 2021	
	Fair value	Dividend income during the year	Fair value	Dividend income during the year
Equity instruments	**7,447**	**18**	7,417	17

For the years ended 31 December 2022 and 2021, the Group did not sell any of the investments above, nor did it transfer any cumulative gains or losses in equity.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		17,737	1,427	15,064	34,228
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(60)	60	–	–
Transfers in/(out) to Stage 3		(34)	(610)	644	–
Newly originated or purchased financial assets		3,106	–	–	3,106
Financial assets derecognised during the year		(2,288)	(699)	(306)	(3,293)
Remeasurements	(i)	(713)	14	2,769	2,070
Foreign exchange translation and other movements		34	7	(1,270)	(1,229)
As at 31 December 2022		17,782	199	16,901	34,882

		2021			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		13,211	282	6,745	20,238
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(13)	13	–	–
Transfers in/(out) to Stage 3		–	(111)	111	–
Newly originated or purchased financial assets		5,073	916	7,364	13,353
Financial assets derecognised during the year		(1,494)	(112)	(623)	(2,229)
Remeasurements	(i)	878	429	3,399	4,706
Foreign exchange translation and other movements		82	10	(1,932)	(1,840)
As at 31 December 2021		17,737	1,427	15,064	34,228

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

		2022			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2022		**3,640**	**101**	**70**	**3,811**
Transfers:					
Transfers in/(out) to Stage 1		**3**	**(3)**	**–**	**–**
Transfers in/(out) to Stage 2		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(56)**	**56**	**–**
Newly originated or purchased financial assets		**2,501**	**–**	**–**	**2,501**
Financial assets derecognised during the year		**(1,152)**	**(20)**	**(70)**	**(1,242)**
Remeasurements	(i)	**548**	**20**	**316**	**884**
Foreign exchange translation and other movements		**4**	**–**	**–**	**4**
As at 31 December 2022		**5,544**	**42**	**372**	**5,958**

		2021			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		3,334	11	–	3,345
Transfers:					
Transfers in/(out) to Stage 1		11	(11)	–	–
Transfers in/(out) to Stage 2		(9)	9	–	–
Transfers in/(out) to Stage 3		(1)	–	1	–
Newly originated or purchased financial assets		641	3	–	644
Financial assets derecognised during the year		(856)	–	–	(856)
Remeasurements	(i)	417	159	104	680
Foreign exchange translation and other movements		103	(70)	(35)	(2)
As at 31 December 2021		3,640	101	70	3,811

(i) Remeasurements mainly consist of updates to PD, LGD, and EAD, as well as provisioning/reversal of loss provisions for financial investments due to migration between stages.

As at 31 December 2022, the Group's financial assets measured at amortised cost with carrying amount of RMB19,768 million (as at 31 December 2021: RMB18,296 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB175 million (as at 31 December 2021: RMB74 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB1,273 million (as at 31 December 2021: RMB5,241 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB467 million (as at 31 December 2021: 1,469 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2022, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB1,802,961 million (for the year ended 31 December 2021: RMB1,568,530 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB943,911 million (for the year ended 31 December 2021: RMB833,474 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS

(1) Investments in subsidiaries

(a) Investment balance

	Notes	31 December 2022	31 December 2021
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**27,000**	27,000
CCB Wealth Management Co., Ltd.("CCB Wealth Management")		**15,000**	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**11,163**	11,163
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**6,962**	6,962
CCB Housing Rental Fund (Limited Partnership) ("CCB Housing Rental Fund")	(i)	**5,000**	–
China Construction Bank (Europe) S.A. ("CCB Europe")		**4,406**	4,406
China Construction Bank (London) Limited ("CCB London")	(ii)	**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**2,215**	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")	(iii)	**1,610**	1,955
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**98,657**	94,002
Less: Allowance for impairment losses		**(8,672)**	(8,110)
Total		**89,985**	85,892

(i) In October 2022, as approved by the CBIRC, CCB Housing Rental Fund was invested in and established by the Bank. The fund will raise a total of RMB30 billion, including RMB29,999 million from the Bank. As at 31 December 2022, the Bank had invested RMB5 billion in the fund.

(ii) The Group steadily pressed ahead with business integration of its London entities. As at 31 December 2022, CCB London's application for termination of business has been approved by domestic and overseas regulators, and subsequent work is still underway.

(iii) On December 2022, as approved by the CBIRC, the Bank completed the transfer of 15% equity in CCB Pension. After the transfer, the Bank held 70% equity in CCB Pension.

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27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Housing Rental Fund	Beijing, the PRC	RMB5,000 million	Limited Partnership	Investment	99.99%	0.01%	100%	Establishment
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	70%	–	70%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2022, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

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27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	2022	2021
As at 1 January	18,875	13,702
Increase in capital during the year	3,420	4,961
Decrease in capital during the year	(551)	(1,152)
Share of profits	1,194	1,603
Cash dividend receivable	(603)	(150)
Accrual of allowances for impairment losses (Note 36)	(44)	–
Effect of exchange difference and others	409	(89)
As at 31 December	22,700	18,875

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianyuan Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB11,864 million	Equity investment	50.00%	50.00%	13,523	330	584	496
National Green Development Fund Co., Ltd.	Shanghai, the PRC	RMB20,713 million	Investment	9.04%	9.04%	21,127	157	470	190
Jianyuan Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	4,109	–	151	151
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,647	1,597	180	51
Guomin Pension&Insurance Co., Ltd	Beijing, the PRC	RMB11,150 million	Insurance	8.97%	8.97%	14,006	2,812	606	44

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28 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, which are issued or established by the Group for providing wealth management services to customers and earning management fees, commissions and custodian fees in return.

As at 31 December 2022 and 2021, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. Relevant carrying amounts and maximum risk exposures were as follows:

	31 December 2022	31 December 2021
Financial investments		
Financial assets measured at fair value through profit or loss	130,468	121,693
Financial assets measured at amortised cost	15,425	25,692
Financial assets measured at fair value through other comprehensive income	187	617
Long-term equity investments	15,394	13,340
Other assets	3,444	4,431
Total	164,918	165,773

For the years ended 31 December 2022 and 2021, gains and losses from the Group's unconsolidated structured entities were as follows:

	2022	2021
Interest income	957	3,347
Fee and commission income	16,432	18,858
Net trading gain	282	169
Dividend income	1,468	937
Net (loss)/gain arising from investment securities	(243)	3,163
Share of profits of associates and joint ventures	818	1,252
Total	19,714	27,726

As at 31 December 2022, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB2,014,032 million (as at 31 December 2021: RMB2,372,279 million), and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB2,876,694 million (as at 31 December 2021: RMB3,182,800 million). In 2022, average daily balance of purchase and resale agreements with structured entities related to non-principal guaranteed WMPs issued by the Group was RMB7,219 million. As at 31 December 2022, the balance of such agreements was RMB17,200 million (as at 31 December 2021: RMB3,800 million). These transactions had been conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

Structured entities included into the Group's scope of consolidation consisted mainly of asset management plans and trust plans invested by the Group.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 FIXED ASSETS

	Bank premises	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost					
As at 1 January 2022	146,606	56,232	35,529	47,048	285,415
Additions	327	4,354	8,551	3,489	16,721
Transfer in	1,720	70	–	1,667	3,457
Other movements	(606)	(6,963)	(849)	(2,379)	(10,797)
As at 31 December 2022	148,047	53,693	43,231	49,825	294,796
Accumulated depreciation					
As at 1 January 2022	(52,501)	(37,661)	(7,082)	(30,683)	(127,927)
Charge for the year	(5,036)	(5,906)	(2,144)	(4,563)	(17,649)
Other movements	125	6,553	467	1,919	9,064
As at 31 December 2022	(57,412)	(37,014)	(8,759)	(33,327)	(136,512)
Allowances for impairment losses (Note 36)					
As at 1 January 2022	(390)	–	(397)	(3)	(790)
Charge for the year	(4)	–	(440)	–	(444)
Other movements	2	–	(38)	–	(36)
As at 31 December 2022	(392)	–	(875)	(3)	(1,270)
Net carrying value					
As at 1 January 2022	93,715	18,571	28,050	16,362	156,698
As at 31 December 2022	90,243	16,679	33,597	16,495	157,014

	Bank premises	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost					
As at 1 January 2021	141,234	52,750	34,698	46,834	275,516
Additions	905	5,645	3,356	2,080	11,986
Transfer in	5,188	2,374	–	2,679	10,241
Other movements	(721)	(4,537)	(2,525)	(4,545)	(12,328)
As at 31 December 2021	146,606	56,232	35,529	47,048	285,415
Accumulated depreciation					
As at 1 January 2021	(47,755)	(35,927)	(5,872)	(30,207)	(119,761)
Charge for the year	(4,947)	(6,155)	(1,483)	(5,016)	(17,601)
Other movements	201	4,421	273	4,540	9,435
As at 31 December 2021	(52,501)	(37,661)	(7,082)	(30,683)	(127,927)
Allowances for impairment losses (Note 36)					
As at 1 January 2021	(392)	–	(96)	(3)	(491)
Charge for the year	–	–	(304)	–	(304)
Other movements	2	–	3	–	5
As at 31 December 2021	(390)	–	(397)	(3)	(790)
Net carrying value					
As at 1 January 2021	93,087	16,823	28,730	16,624	155,264
As at 31 December 2021	93,715	18,571	28,050	16,362	156,698

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 31 December 2022, the ownership documentation for the Group's bank premises with a net carrying value of RMB6,587 million (as at 31 December 2021: RMB11,997 million) was being finalised. However, management took the view that the aforesaid matter would not affect the Group's rights to these assets, nor would it have any significant impact on the Group's business operation.

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30 CONSTRUCTION IN PROGRESS

	2022	2021
Cost/Deemed cost		
As at 1 January	**11,628**	17,242
Additions	**2,407**	5,373
Transfer into fixed assets (Note 29)	**(3,457)**	(10,241)
Other decreases	**(607)**	(746)
As at 31 December	**9,971**	11,628
Allowances for impairment losses (Note 36)		
As at 1 January	**–**	(1)
Disposals	**–**	1
As at 31 December	**–**	–
Net carrying value		
As at 1 January	**11,628**	17,241
As at 31 December	**9,971**	11,628

31 LAND USE RIGHTS

	2022	2021
Cost/Deemed cost		
As at 1 January	**22,692**	22,652
Additions	**166**	145
Disposals	**(115)**	(105)
As at 31 December	**22,743**	22,692
Amortisation		
As at 1 January	**(8,927)**	(8,399)
Charge for the year	**(528)**	(546)
Disposals	**70**	18
As at 31 December	**(9,385)**	(8,927)
Allowances for impairment losses (Note 36)		
As at 1 January	**(135)**	(135)
Disposals	**2**	–
As at 31 December	**(133)**	(135)
Net carrying value		
As at 1 January	**13,630**	14,118
As at 31 December	**13,225**	13,630

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32 INTANGIBLE ASSETS

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2022	16,175	1,033	17,208
Additions	2,829	4	2,833
Disposals	(105)	(115)	(220)
As at 31 December 2022	18,899	922	19,821
Amortisation			
As at 1 January 2022	(10,904)	(437)	(11,341)
Charge for the year	(1,980)	(94)	(2,074)
Disposals	70	29	99
As at 31 December 2022	(12,814)	(502)	(13,316)
Allowances for impairment losses (Note 36)			
As at 1 January 2022	–	(9)	(9)
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2022	–	(9)	(9)
Net carrying value			
As at 1 January 2022	5,271	587	5,858
As at 31 December 2022	6,085	411	6,496

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2021	13,494	1,475	14,969
Additions	2,779	129	2,908
Disposals	(98)	(571)	(669)
As at 31 December 2021	16,175	1,033	17,208
Amortisation			
As at 1 January 2021	(9,100)	(581)	(9,681)
Charge for the year	(1,883)	(93)	(1,976)
Disposals	79	237	316
As at 31 December 2021	(10,904)	(437)	(11,341)
Allowances for impairment losses (Note 36)			
As at 1 January 2021	–	(9)	(9)
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2021	–	(9)	(9)
Net carrying value			
As at 1 January 2021	4,394	885	5,279
As at 31 December 2021	5,271	587	5,858

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 GOODWILL

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	2022	2021
As at 1 January	2,141	2,210
Effect of exchange difference	115	(69)
As at 31 December	2,256	2,141

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2022, the Group's goodwill impairment provision amounted to RMB365 million (as at 31 December 2021: RMB321 million), mainly due to goodwill impairment of CCB Brasil CGU.

34 DEFERRED TAX

	31 December 2022	31 December 2021
Deferred tax assets	113,533	92,343
Deferred tax liabilities	(881)	(1,395)
Total	112,652	90,948

(1) Analysed by nature

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(19,164)	(4,993)	(46,115)	(11,538)
– Allowances for impairment losses	488,591	121,921	432,616	107,959
– Employee benefits	20,603	5,111	18,237	4,538
– Others	(25,920)	(8,506)	(26,222)	(8,616)
Total	464,110	113,533	378,516	92,343
Deferred tax liabilities				
– Fair value adjustments	(2,646)	(475)	(6,059)	(1,382)
– Others	(2,468)	(406)	(361)	(13)
Total	(5,114)	(881)	(6,420)	(1,395)

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 DEFERRED TAX (CONTINUED)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2022	**(12,920)**	**107,959**	**4,538**	**(8,629)**	**90,948**
Recognised in profit or loss	**3,838**	**13,962**	**573**	**(283)**	**18,090**
Recognised in other comprehensive income	**3,614**	**–**	**–**	**–**	**3,614**
As at 31 December 2022	**(5,468)**	**121,921**	**5,111**	**(8,912)**	**112,652**
As at 1 January 2021	(5,983)	101,782	3,801	(8,201)	91,399
Recognised in profit or loss	(2,451)	6,177	737	(428)	4,035
Recognised in other comprehensive income	(4,486)	–	–	–	(4,486)
As at 31 December 2021	(12,920)	107,959	4,538	(8,629)	90,948

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

35 OTHER ASSETS

	Note	31 December 2022	31 December 2021
Repossessed assets	(1)		
– Buildings		**1,181**	1,336
– Land use rights		**24**	64
– Others		**239**	248
		1,444	1,648
Right-of-use assets	(2)	**25,972**	26,416
Fee and commission receivables		**20,721**	23,724
Policyholder account assets and accounts receivable of insurance business		**12,542**	12,825
Clearing and settlement accounts		**9,386**	83,268
Leasehold improvements		**3,327**	2,520
Deferred expenses		**2,161**	1,569
Others	(3)	**191,753**	185,793
Gross balance		**267,306**	337,763
Allowances for impairment losses (Note 36)			
– Repossessed assets		**(891)**	(980)
– Others		**(8,795)**	(5,670)
		(9,686)	(6,650)
Net balance		**257,620**	331,113

(1) For the year ended 31 December 2022, the original cost of repossessed assets disposed of by the Group amounted to RMB166 million (for the year ended 31 December 2021: RMB376 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

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35 OTHER ASSETS (CONTINUED)

(2) Right-of-use assets

	Bank premises	**Others**	**Total**
Cost			
As at 1 January 2022	**43,543**	**98**	**43,641**
Additions	**8,651**	**54**	**8,705**
Other movements	**(4,500)**	**(10)**	**(4,510)**
As at 31 December 2022	**47,694**	**142**	**47,836**
Accumulated depreciation			
As at 1 January 2022	**(17,174)**	**(51)**	**(17,225)**
Charge for the year	**(7,707)**	**(54)**	**(7,761)**
Other movements	**3,112**	**10**	**3,122**
As at 31 December 2022	**(21,769)**	**(95)**	**(21,864)**
Net carrying value			
As at 1 January 2022	**26,369**	**47**	**26,416**
As at 31 December 2022	**25,925**	**47**	**25,972**

	Bank premises	Others	Total
Cost			
As at 1 January 2021	38,685	80	38,765
Additions	9,955	30	9,985
Other movements	(5,097)	(12)	(5,109)
As at 31 December 2021	43,543	98	43,641
Accumulated depreciation			
As at 1 January 2021	(12,745)	(38)	(12,783)
Charge for the year	(8,013)	(22)	(8,035)
Other movements	3,584	9	3,593
As at 31 December 2021	(17,174)	(51)	(17,225)
Net carrying value			
As at 1 January 2021	25,940	42	25,982
As at 31 December 2021	26,369	47	26,416

(3) As at 31 December 2022, the carrying value of the Group's investment properties was RMB8,659 million.

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36 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2022				
	Notes	As at 1 January	Charge/ (reversal) for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	125	213	–	–	338
Precious metals		13	(8)	–	–	5
Placements with banks and non-bank financial institutions	22	414	400	19	–	833
Financial assets held under resale agreements	24	92	114	–	–	206
Loans and advances to customers measured at amortised cost	25	637,338	137,694	(19,510)	(51,434)	704,088
Financial assets measured at amortised cost	26(2)(a)	34,228	1,883	657	(1,886)	34,882
Long-term equity investments	27	–	44	–	–	44
Fixed assets	29	790	444	38	(2)	1,270
Land use rights	31	135	–	–	(2)	133
Intangible assets	32	9	–	–	–	9
Goodwill	33	321	–	44	–	365
Other assets	35	6,650	5,201	52	(2,217)	9,686
Total		680,115	145,985	(18,700)	(55,541)	751,859

		2021				
	Notes	As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	298	(173)	–	–	125
Precious metals		9	4	–	–	13
Placements with banks and non-bank financial institutions	22	310	95	–	9	414
Financial assets held under resale agreements	24	167	(75)	–	–	92
Loans and advances to customers measured at amortised cost	25	556,063	160,048	(18,774)	(59,999)	637,338
Financial assets measured at amortised cost	26(2)(a)	20,238	15,830	(913)	(927)	34,228
Fixed assets	29	491	304	–	(5)	790
Construction in progress	30	1	–	–	(1)	–
Land use rights	31	135	–	–	–	135
Intangible assets	32	9	–	–	–	9
Goodwill	33	377	–	(56)	–	321
Other assets	35	5,435	4,302	–	(3,087)	6,650
Total		583,533	180,335	(19,743)	(64,010)	680,115

Transfer in/(out) includes exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

37 BORROWINGS FROM CENTRAL BANKS

	31 December 2022	31 December 2021
The Chinese mainland	**732,001**	640,154
Overseas	**34,882**	37,992
Accrued interest	**7,896**	6,887
Total	**774,779**	685,033

38 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2022	31 December 2021
Banks	**243,754**	219,393
Non-bank financial institutions	**2,326,601**	1,703,197
Accrued interest	**13,916**	10,336
Total	**2,584,271**	1,932,926

(2) Analysed by geographical sectors

	31 December 2022	31 December 2021
The Chinese mainland	**2,422,967**	1,773,838
Overseas	**147,388**	148,752
Accrued interest	**13,916**	10,336
Total	**2,584,271**	1,932,926

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

39 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2022	31 December 2021
Banks	**314,867**	275,835
Non-bank financial institutions	**34,747**	22,294
Accrued interest	**2,114**	1,146
Total	**351,728**	299,275

(2) Analysed by geographical sectors

	31 December 2022	31 December 2021
The Chinese mainland	**157,209**	156,883
Overseas	**192,405**	141,246
Accrued interest	**2,114**	1,146
Total	**351,728**	299,275

40 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Financial liabilities related to precious metals	**28,271**	31,372
Structured financial instruments	**274,861**	197,650
Total	**303,132**	229,022

The structured financial instruments of the Group's financial liabilities measured at fair value through profit or loss are designated as financial liabilities measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2022 and 2021.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2022	31 December 2021
Debt securities		
– Government bonds	229,422	20,768
– Debt securities issued by policy banks, banks and non-bank financial institutions	7,480	9,565
– Corporate bonds	5,012	2,764
Subtotal	241,914	33,097
Discounted bills	585	778
Accrued interest	177	25
Total	242,676	33,900

42 DEPOSITS FROM CUSTOMERS

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	6,726,781	6,616,784
– Personal customers	5,456,284	4,920,726
Subtotal	12,183,065	11,537,510
Time deposits (including call deposits)		
– Corporate customers	4,647,535	3,949,459
– Personal customers	7,790,643	6,541,654
Subtotal	12,438,178	10,491,113
Accrued interest	399,564	350,191
Total	25,020,807	22,378,814

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers include:

		31 December 2022	31 December 2021
(1)	Pledged deposits		
	– Deposits for acceptance	**187,434**	79,552
	– Deposits for guarantee	**35,996**	38,268
	– Deposits for letter of credit	**22,923**	17,944
	– Others	**162,252**	191,702
	Total	**408,605**	327,466
(2)	Outward remittance and remittance payables	**19,576**	12,824

43 ACCRUED STAFF COSTS

	Notes	2022 As at 1 January	2022 Increased	2022 Decreased	2022 As at 31 December
Salaries, bonuses, allowances and subsidies		**27,716**	**84,349**	**(78,433)**	**33,632**
Housing funds		**308**	**7,567**	**(7,593)**	**282**
Union running costs and employee education costs		**6,907**	**3,302**	**(2,096)**	**8,113**
Post-employment benefits	(1)	**637**	**15,861**	**(15,699)**	**799**
Early retirement benefits		**918**	**12**	**(72)**	**858**
Compensation to employees for termination of employment relationship		**–**	**7**	**(7)**	**–**
Others	(2)	**4,512**	**15,815**	**(14,656)**	**5,671**
Total		**40,998**	**126,913**	**(118,556)**	**49,355**

	Notes	2021 As at 1 January	2021 Increased	2021 Decreased	2021 As at 31 December
Salaries, bonuses, allowances and subsidies		23,230	79,673	(75,187)	27,716
Housing funds		251	7,273	(7,216)	308
Union running costs and employee education costs		5,764	3,463	(2,320)	6,907
Post-employment benefits	(1)	596	14,842	(14,801)	637
Early retirement benefits		1,005	12	(99)	918
Compensation to employees for termination of employment relationship		–	5	(5)	–
Others	(2)	4,614	13,159	(13,261)	4,512
Total		35,460	118,427	(112,889)	40,998

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

43 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) Defined contribution plans

	2022			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**732**	**9,460**	**(9,707)**	**485**
Unemployment insurance	**45**	**313**	**(307)**	**51**
Annuity contribution	**721**	**5,776**	**(5,625)**	**872**
Total	**1,498**	**15,549**	**(15,639)**	**1,408**

	2021			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	529	8,981	(8,778)	732
Unemployment insurance	49	318	(322)	45
Annuity contribution	874	5,365	(5,518)	721
Total	1,452	14,664	(14,618)	1,498

There were no contributions into the Group's basic retirement insurance and annuity scheme that had been forfeited and that could be used to deduct contributions payable by the Group according to the above plans.

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (ShenZhen) Co., Ltd.

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net assets of defined benefit plans**	
	2022	2021	**2022**	2021	**2022**	2021
As at 1 January	**5,083**	5,266	**5,944**	6,122	**(861)**	(856)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**134**	160	**157**	190	**(23)**	(30)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial (gains)/losses	**(37)**	178	**–**	–	**(37)**	178
– Returns on plan assets	**–**	–	**(312)**	153	**312**	(153)
Other changes						
– Benefits paid	**(495)**	(521)	**(495)**	(521)	**–**	–
As at 31 December	**4,685**	5,083	**5,294**	5,944	**(609)**	(861)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

43 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	31 December 2022	31 December 2021
Discount rate	**2.75%**	2.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**10.2 years**	11.0 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) The sensitivity analysis of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	**Decrease in assumption by 0.25%**
Discount rate	**(90)**	**93**
Health care cost increase rate	**37**	**(36)**

(iii) As at 31 December 2022, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.8 years (as at 31 December 2021: 8.0 years).

(iv) Plan assets of the Group are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	**621**	590
Equity instruments	**474**	823
Debt instruments and others	**4,199**	4,531
Total	**5,294**	5,944

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 TAXES PAYABLE

	31 December 2022	31 December 2021
Income tax	71,077	73,128
Value added tax	10,591	10,665
Others	2,501	2,549
Total	84,169	86,342

45 PROVISIONS

	Notes	31 December 2022	31 December 2021
Expected credit losses on the off-balance sheet credit business	(1)	40,742	34,515
Expected losses from other businesses	(2)	10,084	11,388
Total		50,826	45,903

(1) Movements of the provisions – expected credit losses on the off-balance sheet credit business:

		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		28,193	5,620	702	34,515
Transfers:					
Transfers in/(out) to Stage 1		473	(471)	(2)	–
Transfers in/(out) to Stage 2		(85)	131	(46)	–
Transfers in/(out) to Stage 3		(2)	(402)	404	–
Newly originated		23,964	–	–	23,964
Decreased		(15,279)	(4,248)	(306)	(19,833)
Remeasurements	(a)	(3,707)	4,957	846	2,096
As at 31 December 2022		33,557	5,587	1,598	40,742

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 PROVISIONS (CONTINUED)

(1) Movements of the provisions – expected credit losses on the off-balance sheet credit business: (continued)

		2021			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		26,480	4,009	1,344	31,833
Transfers:					
Transfers in/(out) to Stage 1		56	(56)	–	–
Transfers in/(out) to Stage 2		(112)	141	(29)	–
Transfers in/(out) to Stage 3		(1)	(37)	38	–
Newly originated		19,758	–	–	19,758
Decreased		(16,691)	(3,247)	(728)	(20,666)
Remeasurements	(a)	(1,297)	4,810	77	3,590
As at 31 December 2021		28,193	5,620	702	34,515

(a) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

46 DEBT SECURITIES ISSUED

	Notes	**31 December 2022**	31 December 2021
Certificates of deposit issued	(1)	**1,023,084**	792,112
Bonds issued	(2)	**154,396**	141,864
Subordinated bonds issued	(3)	**7,999**	45,996
Eligible Tier 2 capital bonds issued	(4)	**453,197**	337,358
Accrued interest		**8,194**	6,047
Total		**1,646,870**	1,323,377

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe, CCB New Zealand and CCB International.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2022	31 December 2021
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	600	600
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	–	3,817
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	–	636
09/11/2017	09/11/2022	3.93%	Auckland	NZD	–	652
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	–	2,544
08/06/2018	08/06/2023	3M LIBOR+0.83%	Hong Kong	USD	4,140	3,817
19/06/2018	19/06/2023	4.01%	Auckland	NZD	439	435
12/07/2018	12/07/2023	3M LIBOR+1.25%	Hong Kong	USD	2,760	2,545
21/08/2018	19/06/2023	4.005%	Auckland	NZD	154	152
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	2,962	2,536
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	1,380	1,272
26/06/2019	24/06/2022	0.21%	Japan	JPY	–	1,105
26/08/2019	26/08/2022	3.30%	The Chinese mainland	RMB	–	6,300
26/08/2019	26/08/2024	3.40%	The Chinese mainland	RMB	3,000	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	1,937	1,908
12/09/2019	12/08/2022	3M LIBOR+0.68%	Auckland	USD	–	637
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	–	3,600
24/10/2019	24/10/2024	3M LIBOR+0.77%	Hong Kong	USD	4,616	4,262
22/11/2019	22/11/2024	2.393%	Auckland	NZD	373	370
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	–	391
20/12/2019	20/06/2022	3M LIBOR+0.63%	Luxembourg	USD	–	1,904
16/03/2020	15/03/2023	2.68%	The Chinese mainland	RMB	7,000	6,000
16/03/2020	15/03/2025	2.75%	The Chinese mainland	RMB	5,000	5,000
19/03/2020	19/03/2022	2.95%	Hong Kong	RMB	–	802
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	3,073	2,876
25/09/2020	25/09/2023	0.954%	Auckland	NZD	658	652
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	1,380	1,272
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	690	636
27/10/2020	29/10/2023	3.50%	The Chinese mainland	RMB	20,000	20,000
03/11/2020	05/11/2023	3.70%	The Chinese mainland	RMB	2,600	2,600

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46 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2022	31 December 2021
26/01/2021	26/01/2024	3.30%	The Chinese mainland	RMB	**20,000**	20,000
02/02/2021	04/02/2024	3.65%	The Chinese mainland	RMB	**2,240**	2,240
07/04/2021	12/04/2024	3.55%	The Chinese mainland	RMB	**2,200**	2,200
22/04/2021	22/04/2023	2.85%	Singapore	RMB	**1,997**	1,997
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	**5,909**	5,760
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	**4,140**	3,817
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	**3,795**	3,499
27/05/2021	01/06/2024	3.33%	The Chinese mainland	RMB	**1,950**	1,950
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	**5,909**	5,760
22/07/2021	22/07/2026	1.80%	Hong Kong	USD	**3,276**	2,690
15/09/2021	15/09/2026	1.60%	Hong Kong	USD	**2,446**	2,232
29/09/2021	29/09/2026	1.50%	Hong Kong	USD	**4,825**	4,453
21/12/2021	21/12/2024	SOFR+0.50%	Hong Kong	USD	**3,443**	3,078
17/05/2022	17/05/2025	3.125%	Hong Kong	USD	**6,900**	–
17/05/2022	17/05/2024	3.40%	United Kingdom	RMB	**1,000**	–
23/05/2022	25/05/2025	2.60%	The Chinese mainland	RMB	**10,000**	–
13/06/2022	13/06/2024	2.85%	Singapore	SGD	**1,795**	–
12/12/2022	14/12/2025	2.92%	The Chinese mainland	RMB	**10,000**	–
Total nominal value					**154,587**	141,997
Less: Unamortised issuance costs					**(191)**	(133)
Carrying value					**154,396**	141,864

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBC and the CBIRC is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Notes	31 December 2022	31 December 2021
20/11/2012	22/11/2027	4.99%	RMB	(a)	**–**	40,000
28/01/2021	01/02/2031	4.30%	RMB	(b)	**6,000**	6,000
18/03/2022	22/03/2032	3.70%	RMB	(c)	**2,000**	–
Total nominal value					**8,000**	46,000
Less: Unamortised issuance cost					**(1)**	(4)
Carrying value					**7,999**	45,996

(a) The Group has chosen to exercise the option to redeem all the bonds on 22 November 2022.

(b) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBC and the CBIRC.

(c) The Group has an option to redeem part or all of the bonds on 22 March 2027, subject to registration from the PBC and the CBIRC.

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46 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Notes	31 December 2022	31 December 2021
18/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
25/09/2018	25/09/2028	4.86%	RMB	(b)	**43,000**	43,000
29/10/2018	29/10/2028	4.70%	RMB	(c)	**40,000**	40,000
27/02/2019	27/02/2029	4.25%	USD	(d)	**12,765**	11,768
24/06/2020	24/06/2030	2.45%	USD	(e)	**13,800**	12,723
10/09/2020	14/09/2030	4.20%	RMB	(f)	**65,000**	65,000
06/08/2021	10/08/2031	3.45%	RMB	(g)	**65,000**	65,000
06/08/2021	10/08/2036	3.80%	RMB	(h)	**15,000**	15,000
05/11/2021	09/11/2031	3.60%	RMB	(i)	**35,000**	35,000
05/11/2021	09/11/2036	3.80%	RMB	(j)	**10,000**	10,000
10/12/2021	14/12/2031	3.48%	RMB	(k)	**12,000**	12,000
10/12/2021	14/12/2036	3.74%	RMB	(l)	**8,000**	8,000
13/01/2022	21/01/2032	2.85%	USD	(m)	**13,800**	–
15/06/2022	17/06/2032	3.45%	RMB	(n)	**45,000**	–
15/06/2022	17/06/2037	3.65%	RMB	(o)	**15,000**	–
03/11/2022	07/11/2032	3.00%	RMB	(p)	**25,000**	–
03/11/2022	07/11/2037	3.34%	RMB	(q)	**15,000**	–
Total nominal value					**453,365**	337,491
Less: Unamortised issuance cost					**(168)**	(133)
Carrying value					**453,197**	337,358

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(c) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 14 September 2025, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 10 August 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(h) The Group has an option to redeem the bonds on 10 August 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

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46 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued (continued)

(i) The Group has an option to redeem the bonds on 9 November 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(j) The Group has an option to redeem the bonds on 9 November 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(k) The Group has an option to redeem the bonds on 14 December 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(l) The Group has an option to redeem the bonds on 14 December 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(m) The Group has an option to redeem the bonds on 21 January 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(n) The Group has an option to redeem the bonds on 17 June 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(o) The Group has an option to redeem the bonds on 17 June 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(p) The Group has an option to redeem the bonds on 7 November 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(q) The Group has an option to redeem the bonds on 7 November 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

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47 OTHER LIABILITIES

	Note	31 December 2022	31 December 2021
Insurance related liabilities		**238,567**	208,711
Clearing and settlement accounts		**33,458**	25,161
Payment and collection clearance accounts		**33,086**	40,905
Lease liabilities	(1)	**23,733**	23,749
Deferred income		**17,128**	17,492
Dormant accounts		**8,922**	8,178
Accrued expenses		**8,430**	5,804
Capital expenditure payable		**5,920**	6,460
Cash pledged and rental income received in advance		**4,830**	6,068
Others		**192,842**	209,021
Total		**566,916**	551,549

(1) Lease liabilities

Maturity analysis – undiscounted analysis

	31 December 2022	31 December 2021
Within one year	**6,837**	8,950
Between one year and five years	**14,554**	10,220
More than five years	**6,647**	8,941
Total undiscounted lease liabilities	**28,038**	28,111
Lease liabilities	**23,733**	23,749

48 SHARE CAPITAL

	31 December 2022	31 December 2021
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in the Chinese mainland (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

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49 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) *Preference shares outstanding as at the end of the reporting period*

Financial instrument outstanding	Issuance date	Classification	Year-end dividend rate	Issuance price	Quantity (million shares)	Total amount Currency	Original currency	(RMB)	Maturity date	Redemption/ conversion
2017 Domestic Preference Shares	21 December 2017	Equity instruments	3.57% (Note)	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issuance fee								(23)		
Carrying amount								59,977		

Note: 2022, The Bank reset the dividend rate of the preference shares to 3.57% according to the issuance terms.

(b) *The key terms*

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to the CBIRC's approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the domestic preference shares and as agreed, convert all or part of the domestic preference shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the domestic preference shares shall be subject to the same proportion and conditions of conversion. Once domestic preference shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classified preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(c) Changes in preference shares outstanding

	1 January 2022		Increase/(Decrease)		31 December 2022	
Financial instrument outstanding	Quantity (million shares)	Carrying value	Quantity (million shares)	Carrying value	Quantity (million shares)	Carrying value
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	600	59,977	–	–	600	59,977

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

Financial instrument outstanding	Issuance date	Classification	Year-end interest rate	Issuance price	Quantity (million units)	Currency	Total amount	Maturity date	Redemption/ write-down conditions
2019 Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
2022 Undated Additional Tier 1 Capital Bonds	29 August 2022	Equity instruments	3.20%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							79,991		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed interest spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Write-down/write-off clauses

For 2019 Undated Additional Tier 1 Capital Bonds, upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

For 2022 Undated Additional Tier 1 Capital Bonds, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off in whole or in part, without the need for consent of the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Undated Additional Tier 1 Capital Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Bank would become non-viable without a write-down/write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classified the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(c) Changes in perpetual bonds outstanding

Financial instrument outstanding	1 January 2022		Increase/(Decrease)		31 December 2022	
	Quantity (million units)	Carrying value	Quantity (million units)	Carrying value	Quantity (million units)	Carrying value
2019 Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	400	39,991
2022 Undated Additional Tier 1 Capital Bonds	–	–	400	40,000	400	40,000
Total	400	39,991	400	40,000	800	79,991

(3) Interests attributable to the holders of equity instruments

Items	31 December 2022	31 December 2021
1. Total equity attributable to equity holders of the Bank	2,856,733	2,588,231
(1) Equity attributable to ordinary equity holders of the Bank	2,716,765	2,488,263
(2) Equity attributable to other equity holders of the Bank	139,968	99,968
Of which: net profit	4,538	4,538
dividends received	4,538	4,538
2. Total equity attributable to non-controlling interests	22,027	25,891
(1) Equity attributable to non-controlling interests of ordinary shares	22,027	22,438
(2) Equity attributable to non-controlling interests of other equity instruments	–	3,453

50 CAPITAL RESERVE

	31 December 2022	31 December 2021
Share premium	135,653	134,925

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51 OTHER COMPREHENSIVE INCOME

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2022				
	1 January 2022	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2022	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	247	(275)	(28)	(275)	-	-	(275)	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	301	(211)	90	(282)	-	71	(211)	-
Others	719	33	752	33	-	-	33	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	28,605	(12,466)	16,139	(16,937)	15	4,592	(12,466)	136
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,695	3,145	6,840	4,194	-	(1,049)	3,145	-
Net gain on cash flow hedges	20	485	505	485	-	-	485	-
Exchange difference on translating foreign operations	(12,249)	8,744	(3,505)	8,712	-	-	8,744	(32)
Total	21,338	(545)	20,793	(4,070)	15	3,614	(545)	104

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2021				
	1 January 2021	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2021	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	272	(25)	247	(25)	-	-	(25)	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	764	(463)	301	(617)	-	154	(463)	-
Others	604	115	719	115	-	-	115	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,372	12,233	28,605	17,538	(564)	(4,454)	12,233	287
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,139	556	3,695	742	-	(186)	556	-
Net (loss)/gain on cash flow hedges	(300)	320	20	320	-	-	320	-
Exchange difference on translating foreign operations	(5,803)	(6,446)	(12,249)	(6,445)	-	-	(6,446)	1
Total	15,048	6,290	21,338	11,628	(564)	(4,486)	6,290	288

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

53 GENERAL RESERVE

The general reserves of the Group are set up based on the requirements of:

	Notes	**31 December 2022**	31 December 2021
MOF	(1)	**431,095**	372,509
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in the Chinese mainland	(3)	**10,867**	6,290
Other overseas regulatory bodies		**700**	698
Total		**444,786**	381,621

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserves to cover potential losses against its assets. In accordance with the "*Regulation on Management of Financial Institutions for Reserves*" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserves balance for financial institutions should not be lower than 1.5% of the ending balance of risk assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserves.

54 PROFIT DISTRIBUTION

In the Annual General Meeting held on 23 June 2022 the shareholders approved the profit distribution for the year ended 31 December 2021. The Bank appropriated cash dividend for the year ended 31 December 2021 in an aggregate amount of RMB91,004 million.

In the Board of Directors' Meeting, held on 28 October 2022 the directors approved the payment of dividends to domestic preference shareholders. The dividends for domestic preference shares distributed were RMB2,850 million (including taxes), calculated using the nominal dividend rate of 4.75% (including taxes) as set in the terms and conditions.

On 15 November 2022, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the 2019 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the bank was RMB1,688 million.

On 29 March 2023, the Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2022:

(1) Appropriate statutory surplus reserve amounted to RMB319,559 million, based on 10% of the net profit of the Bank amounted to RMB31,956 million for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB29,576 million). It has been recorded in "Surplus reserve" as at the balance sheet date.

(2) Appropriate general reserve amounted to RMB58,586 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2021: RMB31,202 million).

(3) Declare cash dividend RMB0.389 per share before tax and in aggregation amount of RMB97,254 million to all shareholders (for the year ended 31 December 2021 RMB0.364 per share and RMB91,004 million in aggregation). Proposed dividends as at the balance sheet date are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

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55 NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2022	31 December 2021
Cash	**47,534**	48,613
Surplus deposit reserves with central banks	**771,473**	520,700
Demand deposits with banks and non-bank financial institutions	**62,506**	62,698
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**79,111**	58,458
Placements with banks and non-bank financial institutions with original maturity with or within three months	**183,028**	115,131
Total	**1,143,652**	805,600

56 TRANSFER OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2022, the carrying value of debt securities lent to counterparties was RMB10,240 million (as at 31 December 2021 RMB6,444 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2022, loans with an original carrying amount of RMB880,045 million (as at 31 December 2021: RMB963,501 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2022 the carrying amount of assets that the Group continued to recognise was RMB93,548 million (as at 31 December 2021: RMB100,036 million). As at 31 December 2022, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB93,548 million (as at 31 December 2021 RMB100,036 million).

With respect to credit asset securitizations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 31 December 2022, the carrying amount of transferred credit assets that the Group continued to recognise was RMB15,006 million (as at 31 December 2021 RMB8,262 million) and the carrying amount of their associated financial liabilities was RMB13,507 million (as at 31 December 2021 RMB9,191 million).

As at 31 December 2022, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB2,743 million (as at 31 December 2021 RMB3,548 million), and its maximum loss exposure approximates to the carrying amount.

57 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense". Interest income and expense earned from third parties are referred to as "External net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, for management reporting purposes, are defined as follows:

– "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

– the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Guangxi Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

Specifically, from 2022 financial statements onwards, the Group will reclassify the geographical segment of Guangxi Autonomous Region, where the Bank's tier-1 branch locates, from Central China to Western China, and adjust comparative figures accordingly.

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57 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Year ended 31 December 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	75,085	65,270	39,650	72,624	80,510	2,984	290,170	16,771	643,064
Internal net interest income/(expense)	37,580	33,797	54,304	38,673	34,152	24,095	(219,121)	(3,480)	–
Net interest income	112,665	99,067	93,954	111,297	114,662	27,079	71,049	13,291	643,064
Net fee and commission income	20,235	26,008	18,607	16,598	13,617	3,432	14,693	2,895	116,085
Net trading gain/(loss)	162	5	5	15	(133)	10	4,126	341	4,531
Dividend income	137	7	5,075	558	9	–	54	295	6,135
Net (loss)/gain arising from investment securities	(4,669)	(2,470)	(1,448)	(317)	(3,805)	(375)	4,033	(138)	(9,189)
Net gain on derecognition of financial assets measured at amortised cost	–	–	–	–	–	–	319	3	322
Other operating (expense)/income, net	(6,529)	206	1,584	91	1,522	58	(1,567)	1,842	(2,793)
Operating income	122,001	122,823	117,777	128,242	125,872	30,204	92,707	18,529	758,155
Operating expenses	(41,779)	(28,329)	(34,017)	(35,112)	(37,003)	(12,269)	(26,475)	(7,330)	(222,314)
Credit impairment losses	(17,086)	(27,101)	(21,244)	(25,329)	(25,307)	(5,932)	(27,578)	(4,962)	(154,539)
Other impairment losses	4	3	(11)	(57)	(9)	(18)	–	(391)	(479)
Share of profits/(losses) of associates and joint ventures	189	(60)	355	583	–	–	23	104	1,194
Profit before tax	63,329	67,336	62,860	68,327	63,553	11,985	38,677	5,950	382,017
Capital expenditure	2,253	1,269	6,428	2,119	1,946	811	1,614	3,213	19,653
Depreciation and amortisation	3,926	3,006	4,251	4,053	4,076	1,586	3,601	889	25,388
	31 December 2022								
Segment assets	5,920,216	4,770,973	7,683,499	4,878,872	5,174,224	1,716,962	12,411,572	1,547,412	44,103,730
Long-term equity investments	1,928	1,315	9,129	5,898	–	–	1,823	2,607	22,700
	5,922,144	4,772,288	7,692,628	4,884,770	5,174,224	1,716,962	12,413,395	1,550,019	44,126,430
Deferred tax assets									113,533
Elimination									(9,638,046)
Total assets									34,601,917
Segment liabilities	5,839,011	4,689,052	7,458,057	4,785,307	5,105,106	1,703,970	10,351,996	1,427,823	41,360,322
Deferred tax liabilities									881
Elimination									(9,638,046)
Total liabilities									31,723,157
Off-balance sheet credit commitments	692,583	647,907	661,165	664,967	533,895	165,129	–	320,881	3,686,527

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Year ended 31 December 2021								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	70,090	64,960	38,437	69,342	75,487	4,528	269,321	13,255	605,420
Internal net interest income/(expense)	31,928	27,071	51,023	33,576	32,510	21,577	(197,327)	(358)	–
Net interest income	102,018	92,031	89,460	102,918	107,997	26,105	71,994	12,897	605,420
Net fee and commission income	19,900	26,302	20,522	17,060	14,588	4,054	16,343	2,723	121,492
Net trading gain/(loss)	762	287	376	267	103	18	6,658	(655)	7,816
Dividend income	621	6	4,510	188	57	–	350	189	5,921
Net (loss)/gain arising from investment securities	(1,699)	(989)	14	(1,576)	6,573	(260)	9,774	(1,339)	10,498
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(5)	–	1	–	–	–	4,638	–	4,634
Other operating (expense)/income, net	(5,147)	298	1,544	(110)	1,600	50	5,248	5,442	8,925
Operating income	116,450	117,935	116,427	118,747	130,918	29,967	115,005	19,257	764,706
Operating expenses	(33,108)	(27,853)	(33,808)	(34,958)	(37,703)	(12,539)	(22,372)	(16,841)	(219,182)
Credit impairment losses	(22,820)	(30,808)	(18,589)	(27,365)	(27,233)	(13,610)	(23,883)	(3,641)	(167,949)
Other impairment losses	(80)	(16)	(109)	(9)	(2)	(12)	(356)	(182)	(766)
Share of profits/(losses) of associates and joint ventures	27	(27)	673	728	–	–	–	202	1,603
Profit before tax	60,469	59,231	64,594	57,143	65,980	3,806	68,394	(1,205)	378,412
Capital expenditure	2,346	1,367	2,403	2,093	2,054	1,018	4,951	3,606	19,838
Depreciation and amortisation	3,570	3,059	4,262	4,244	4,230	1,675	3,823	2,432	27,295
	31 December 2021								
Segment assets	5,444,119	4,291,522	6,954,239	4,369,629	4,636,347	1,530,966	10,690,368	1,405,894	39,323,084
Long-term equity investments	1,546	374	6,314	7,141	–	–	800	2,700	18,875
	5,445,665	4,291,896	6,960,553	4,376,770	4,636,347	1,530,966	10,691,168	1,408,594	39,341,959
Deferred tax assets									92,343
Elimination									(9,180,323)
Total assets									30,253,979
Segment liabilities	5,368,006	4,213,453	6,813,042	4,292,332	4,563,966	1,525,839	8,765,778	1,276,369	36,818,785
Deferred tax liabilities									1,395
Elimination									(9,180,323)
Total liabilities									27,639,857
Off-balance sheet credit commitments	611,802	582,097	643,588	611,357	493,263	152,793	–	274,994	3,369,894

57 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate finance business

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services, and Investment banking services, etc.

Personal finance business

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury and asset management business

This segment covers the Group's treasury operations. The treasury and asset management segment enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury and asset management segment carries out customer-driven derivatives, foreign currency, precious metal trading and custody services. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

This segment covers equity investments and the revenues, results, assets and liabilities of overseas commercial banks.

Specifically, from 2022 financial statements onwards, the Group will reclassify activities of the Asset Custody Department from Corporate Finance business segment to Treasury and Asset Management business segment, activities of the Investment Banking Department from Treasury and Asset Management business segment to Corporate Finance business segment, and reclassify business segments of activities of subsidiaries. The Group has also adjusted comparative figures accordingly.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Year ended 31 December 2022				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	235,477	182,352	211,203	14,032	643,064
Internal net interest income/(expense)	56,685	146,690	(203,348)	(27)	–
Net interest income	292,162	329,042	7,855	14,005	643,064
Net fee and commission income	37,015	51,803	26,726	541	116,085
Net trading (loss)/gain	(1,841)	303	5,235	834	4,531
Dividend income	5,179	124	620	212	6,135
Net (loss)/gain arising from investment securities	(8,537)	(2,909)	2,505	(248)	(9,189)
Net gain on derecognition of financial assets measured at amortised cost	–	–	319	3	322
Other operating income/(expense), net	1,650	(6,542)	108	1,991	(2,793)
Operating income	325,628	371,821	43,368	17,338	758,155
Operating expenses	(86,726)	(113,967)	(14,446)	(7,175)	(222,314)
Credit impairment losses	(100,343)	(41,635)	(3,818)	(8,743)	(154,539)
Other impairment losses	(52)	–	(36)	(391)	(479)
Share of profits/(losses) of associates and joint ventures	871	185	434	(296)	1,194
Profit before tax	139,378	216,404	25,502	733	382,017
Capital expenditure	4,443	6,103	549	8,558	19,653
Depreciation and amortisation	8,904	13,385	1,110	1,989	25,388
	31 December 2022				
Segment assets	13,064,414	8,528,624	12,436,293	710,498	34,739,829
Long-term equity investments	12,433	1,713	8,286	268	22,700
	13,076,847	8,530,337	12,444,579	710,766	34,762,529
Deferred tax assets					113,533
Elimination					(274,145)
Total assets					34,601,917
Segment liabilities	12,772,549	14,080,759	3,532,442	1,610,671	31,996,421
Deferred tax liabilities					881
Elimination					(274,145)
Total liabilities					31,723,157
Off-balance sheet credit commitments	2,251,667	1,113,979	–	320,881	3,686,527

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Year ended 31 December 2021				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	221,420	172,628	195,287	16,085	605,420
Internal net interest income/(expense)	67,387	122,044	(189,052)	(379)	–
Net interest income	288,807	294,672	6,235	15,706	605,420
Net fee and commission income	36,926	56,854	26,685	1,027	121,492
Net trading (loss)/gain	(1,940)	367	7,782	1,607	7,816
Dividend income	4,636	661	441	183	5,921
Net (loss)/gain arising from investment securities	(8,058)	(116)	18,074	598	10,498
Net gain on derecognition of financial assets measured at amortised cost	995	3,533	106	–	4,634
Other operating income/(expense), net	1,673	(465)	4,601	3,116	8,925
Operating income	323,039	355,506	63,924	22,237	764,706
Operating expenses	(88,268)	(107,314)	(16,091)	(7,509)	(219,182)
Credit impairment losses	(116,570)	(33,905)	(13,060)	(4,414)	(167,949)
Other impairment losses	(119)	(2)	(465)	(180)	(766)
Share of profits/(losses) of associates and joint ventures	970	14	702	(83)	1,603
Profit before tax	119,052	214,299	35,010	10,051	378,412
Capital expenditure	6,007	8,251	742	4,838	19,838
Depreciation and amortisation	9,638	13,236	1,191	3,230	27,295
	31 December 2021				
Segment assets	10,553,885	8,297,896	10,724,707	781,755	30,358,243
Long-term equity investments	10,436	1,530	7,515	(606)	18,875
	10,564,321	8,299,426	10,732,222	781,149	30,377,118
Deferred tax assets					92,343
Elimination					(215,482)
Total assets					30,253,979
Segment liabilities	11,695,034	12,113,787	2,554,234	1,490,889	27,853,944
Deferred tax liabilities					1,395
Elimination					(215,482)
Total liabilities					27,639,857
Off-balance sheet credit commitments	1,978,176	1,116,724	–	274,994	3,369,894

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2022	31 December 2021
Entrusted loans	**4,215,594**	3,852,573
Entrusted funds	**4,215,594**	3,852,573

59 PLEDGED ASSETS

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2022, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB1,474,570 million (as at 31 December 2021: RMB1,079,782 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to be sold or repledged in the absence of default by their owners. As at 31 December 2022 and 2021, the Group did not hold any collateral for resale agreements which was permitted to be sold or repledged in the absence of default for the transactions.

60 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes provisions for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2022	31 December 2021
Loan commitments		
– with an original maturity within one year	**69,885**	65,623
– with an original maturity of one year or more	**432,096**	350,767
Credit card commitments	**1,150,461**	1,149,306
	1,652,442	1,565,696
Bank acceptances	**481,269**	322,698
Financing guarantees	**48,030**	48,127
Non-financing guarantees	**1,286,206**	1,241,473
Sight letters of credit	**44,863**	41,858
Usance letters of credit	**169,155**	143,941
Others	**4,562**	6,101
Total	**3,686,527**	3,369,894

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	31 December 2022	31 December 2021
Credit risk-weighted amount of contingent liabilities and commitments	**1,186,298**	1,118,908

(3) Capital commitments

As at 31 December 2022, the Group's contracted for but not disbursed capital commitments amounted to RMB1,628 million (as at 31 December 2021: RMB5,781 million).

(4) Underwriting obligations

As at 31 December 2022, there was no unexpired underwriting commitment of the Group (as at 31 December 2021: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2022, were RMB50,120 million (as at 31 December 2021: RMB65,119 million).

(6) Outstanding litigations and disputes

As at 31 December 2022, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,606 million (as at 31 December 2021: RMB8,765 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 45). The Group considers that the provisions made are reasonable and adequate.

(7) Contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBC and three other ministries as well as the PBC's relevant announcement, other than assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in 2022 financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The immediate and ultimate parents of the Group are Huijin and CIC, respectively.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2022, Huijin directly held 57.11% of shares of the Bank.

Affiliates of parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB8,000 million (as at 31 December 2021: RMB46,000 million). These are bearer bonds and tradable in the secondary market. The Group had no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,057	0.09%	1,438	0.14%
Interest expense	713	0.14%	220	0.05%
Net trading gain	–	–	1	0.01%

Balances outstanding as at the end of the reporting period

	31 December 2022		31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Loans and advances to customers	14,000	0.07%	–	–
Financial investments				
Financial assets measured at fair value through profit or loss	–	–	30	0.01%
Financial assets measured at amortised cost	22,912	0.38%	24,444	0.47%
Financial assets measured at fair value through other comprehensive income	7,155	0.36%	14,489	0.75%
Deposits from customers	8,544	0.03%	52,271	0.23%
Credit commitments	288	0.01%	288	0.01%

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

	Note	2022		2021	
		Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		17,256	1.47%	18,272	1.73%
Interest expense		5,145	0.98%	3,184	0.70%
Fee and commission income		498	0.38%	394	0.28%
Fee and commission expense		44	0.30%	84	0.49%
Net trading gain		636	14.04%	381	4.87%
Net gain arising from investment securities		2,714	N/A	3,616	34.44%
Operating expenses	(i)	1,140	0.51%	1,028	0.47%

Balances outstanding as at the end of the reporting period

	Note	31 December 2022		31 December 2021	
		Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		27,229	14.69%	25,124	16.20%
Placements with banks and non-bank financial institutions		112,858	26.27%	52,385	27.84%
Positive fair value of derivatives		5,114	10.37%	4,054	12.85%
Financial assets held under resale agreements		87,101	8.37%	72,244	13.16%
Loans and advances to customers		101,987	0.50%	82,059	0.45%
Financial investments					
Financial assets measured at fair value through profit or loss		116,614	20.54%	103,301	18.94%
Financial assets measured at amortised cost		172,851	2.88%	158,579	3.08%
Financial assets measured at fair value through other comprehensive income		230,727	11.65%	229,918	11.84%
Deposits from banks and non-bank financial institutions	(ii)	146,421	5.67%	105,969	5.48%
Placements from banks and non-bank financial institutions		119,797	34.06%	111,136	37.14%
Financial liabilities measured at fair value through profit or loss		3	0.00%	3	0.00%
Negative fair value of derivatives		6,328	13.54%	4,477	14.29%
Financial assets sold under repurchase agreements		5,896	2.43%	1,860	5.49%
Deposits from customers		147,347	0.59%	75,397	0.34%
Other liabilities		10,229	1.80%	9,366	1.70%
Credit commitments		9,055	0.25%	9,581	0.28%

(i) Operating expenses mainly represent fees for related services provided by the affiliates of parent companies.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions between the Group and its associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2022	2021
Interest income	126	410
Interest expense	80	305
Fee and commission income	119	130
Operating expenses	63	99

Balances outstanding as at the end of the reporting period

	31 December 2022	31 December 2021
Loans and advances to customers	1,814	9,907
Other assets	484	1,168
Financial liabilities measured at fair value through profit or loss	9	9
Deposits from customers	5,689	6,940
Other liabilities	735	923
Credit commitments	449	322

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Bank and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2022	2021
Interest income	1,888	2,002
Interest expense	932	847
Fee and commission income	4,760	3,053
Fee and commission expense	575	697
Dividend income	746	676
Net loss arising from investment securities	40	–
Operating expenses	9,597	8,381
Other operating expense, net	110	152

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	31 December 2022	31 December 2021
Deposits with banks and non-bank financial institutions	4,652	2,728
Placements with banks and non-bank financial institutions	114,033	129,824
Positive fair value of derivatives	966	216
Loans and advances to customers	12,625	8,244
Financial investments		
Financial assets measured at fair value through profit or loss	1,366	1,374
Financial assets measured at amortised cost	1,122	1,273
Financial assets measured at fair value through other comprehensive income	13,822	22,301
Other assets	38,957	37,792
Deposits from banks and non-bank financial institutions	22,975	17,791
Placements from banks and non-bank financial institutions	26,032	32,988
Financial liabilities measured at fair value through profit or loss	80	–
Negative fair value of derivatives	473	156
Deposits from customers	11,432	12,328
Other liabilities	6,211	5,806

As at 31 December 2022, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB5,167 million (as at 31 December 2021: RMB12,219 million).

As at 31 December 2022, the transactions between subsidiaries of the Group were mainly deposits with banks and non-bank financial institutions and deposits from customers, and the balances of the above transactions were RMB1,558 million and RMB1,517 million respectively (as at 31 December 2021, the transactions between subsidiaries of the Group were debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB693 million and RMB1,265 million, respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliates and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions were material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2022 and 2021.

As at 31 December 2022, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,421 million (as at 31 December 2021:RMB3,828 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB2.88 million (as at 31 December 2021: RMB22.08 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2022 and 2021 there were no material transactions and balances with key management personnel.

The compensation before tax of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2022			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (i)) RMB'000	Total (Note (ii)) RMB'000
Executive Vice Presidents				
Cui Yong	245	26	58	329
Ji Zhihong	590	58	152	800
Li Yun	590	58	152	800
Wang Bing	–	–	–	–
Secretary to the Board				
Hu Changmiao	1,434	58	234	1,726
Chief Information Officer				
Jin Panshi	1,435	58	228	1,721
Chief Risk Officer				
Cheng Yuanguo	1,435	58	225	1,718
Chief Financial Officer				
Sheng Liurong	120	5	18	143
Former Executive Vice Presidents				
Wang Hao	345	32	94	471
Zhang Min	590	58	152	800
	6,784	411	1,313	8,508

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2021			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing funds RMB'000	Other monetary income RMB'000	Total RMB'000
Executive Vice Presidents				
Ji Zhihong	810	199	–	1,009
Wang Hao	810	199	–	1,009
Zhang Min	810	199	–	1,009
Li Yun	270	73	–	343
Secretary to the Board				
Hu Changmiao	2,559	272	–	2,831
Chief Information Officer				
Jin Panshi	1,706	179	–	1,885
Chief Risk Officer				
Cheng Yuanguo	1,706	175	–	1,881
Former Chief Risk Officer				
Jin Yanmin	853	89	–	942
Former Chief Financial Officer				
Zhang Yi	853	95	–	948
	10,377	1,480	–	11,857

(i) Other benefits in kind included the Bank's contributions to medical insurance, housing funds and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2022 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2022. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2021 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2021 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2021 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

62 RISK MANAGEMENT

The Group has exposure to the following risks:

– credit risk

– market risk

– liquidity risk

– operational risk

– insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists heads of each sector with the corresponding risk management work within designated responsibilities. Risk Management Department is the leading management department responsible for the Group's comprehensive risk management and takes the lead in market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. The Internal Control and Compliance Department is the leading department for operational risks management and shares responsibilities of the second-line defence against IT risks with the FinTech Department. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to risk management of subsidiaries. It strengthened the Group's integrated risk management, enhanced joint risk prevention and control between the parent and subsidiaries, and improved the efficiency of risk early warning and decision-making at the parent and subsidiaries. For subsidiaries, it scientifically set quantitative indicators of risk appetite, clarified various risk management objectives, improved subsidiary-specific risk control mechanism and the "three lines of defence" mechanism for risk management, strengthened process management, and guided subsidiaries to actively manage risks to ensure high-quality development. It also improved risk reporting mechanism and reporting lines of subsidiaries, drew risk portraits of subsidiaries, continued to implement unified credit approval management, optimised the consolidated credit management mechanism, carried out risk diagnosis for key subsidiaries, and urged subsidiaries to improve risk management systems and mechanisms, to consolidate the bottom line of risk compliance of subsidiaries.

(1) Credit risk

Credit risk management

Credit risk represents the risk of financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk management comprehensively covers the entire processes of credit, investment, and trading businesses, including key procedures such as, credit risk appetite, credit management, post investment and credit management, credit risk reporting, and expected credit loss approach implementation.

The Credit Management Department is the leading department responsible for overall management of the Group's credit risk. The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for specific credit management work such as comprehensive credit limits and credit approval of various credit businesses for the Group's customers. With the Credit Management Department taking the lead, the Credit Approval Department and the Risk Management Department participate in, share the workload and coordinate with other departments such as the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Centre, and the Legal Affairs Department to implement credit risk management policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit risk management (continued)

With respect to credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its businesses structure, enhanced post-lending (investment) monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned eligibility and exit policies, and optimised economic capital management and industry risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group's credit risk management covers processes such as pre-lending (investment) due diligence, credit (investment) inspection, and post-lending (investment) monitoring for credit granting business. The Group performs pre-lending (investment) investigations by assessing the borrower's credit ratings based on internal rating criteria and completing the borrower's assessment report and by performing a comprehensive evaluation of the risks and rewards of the project and completing an evaluation report. Approvals must be authorized by approvers with the appropriate authorization. The Group conducts continuous post-lending (investment) monitoring activities,particularly focusing on those related to key industries, geographical segments, products and clients. Any events and emergencies that may impact on the safety of a borrower's credit assets or that may cause significant credit risk or reputation risk are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and pledges and any changes to the value of collateral and pledges. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and pledges or guarantees where appropriate. A refined management system and operating procedure for collateral and pledges have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral and pledges. The values, structures and legal covenants of collateral and pledges are monitored continuously to ensure that they still serve their intended purposes and conform to market practices.

For risk management purposes, the Group conducts independent management over credit risk arising from derivatives exposures, with information disclosed in Notes (1)(j). The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are defined in Note 4(3)(f).

(B) Significant increase in credit risk ("SICR")

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. In accordance with the principle of substantive risk judgment, the Group compares the risk of default of financial instruments as at the balance sheet date with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with common credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information when making related assessments, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, the credit risk of loans whose internal credit ratings have fallen to level 15 and below, is regarded as having increased significantly.

Usually, if a financial instrument has been overdue for more than 30 days, then this indicates that the credit risk of this financial instrument has increased significantly.

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(C) Definition of defaulted and credit-impaired assets

The Group considers a financial instrument as having defaulted when it is credit-impaired. Generally, financial instrument overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

The following factors can be referred to when determining whether credit impairment has occurred:

– Significant financial difficulty of the issuer or borrower;

– Breach of contract term, such as a default or delinquency in interest or principal payments;

– Concessions that would not otherwise be granted to the borrower, in light of economic or contractual considerations related to the borrower's financial difficulties;

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– Disappearance of an active market for financial assets because of financial difficulties of the issuer or borrower;

– A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred; and

– Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios, defined as follows:

PD refers to the likelihood of a borrower defaulting on its financial obligation in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities and how the collateral and pledges values change, are monitored and reviewed on a quarterly basis.

During the reporting period, the Group continued to improve its unified ECL approach implementation management system and monitor models and parameters related to expected credit losses and carried out model optimization based on the monitoring results.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(E) Forward-looking information incorporated in the ECL

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, and so on.

The forecast GDP value for baseline scenario was set as the average value of forecasts released by authoritative international and domestic institutions, and the forecast 2023 GDP growth value under the baseline scenario was set at round 5%. Forecast 2023 GDP growth value under the optimistic and pessimistic scenarios had been determined by moving up and down, by a certain degree, from the baseline scenario forecast. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2022 and 2021, the optimistic, baseline and pessimistic scenarios were of comparable weightings.

(F) Risk grouping

For the purpose of ECL measurement, the Group has divided exposures with common credit risk characteristics into separate groups. When grouping corporate business, the Group considered credit risk characteristics such as client type and the industry in which the client operates. When grouping personal business, the Group considered credit risk characteristics such as internal risk pool, product type and client type. The Group obtained sufficient information to ensure it is statistically reliable. This year, the Group reclassified certain groups based on common risk characteristics of relevant credit risk exposures.

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral and pledges held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2022	31 December 2021
Deposits with central banks	**3,111,762**	2,715,279
Deposits with banks and non-bank financial institutions	**185,380**	155,107
Placements with banks and non-bank financial institutions	**429,676**	188,162
Positive fair value of derivatives	**49,308**	31,550
Financial assets held under resale agreements	**1,040,847**	549,078
Loans and advances to customers	**20,495,117**	18,170,492
Financial investments		
Financial assets measured at fair value through profit or loss	**340,032**	280,217
Financial assets measured at amortised cost	**5,992,582**	5,155,168
Financial assets measured at fair value through other comprehensive income	**1,972,404**	1,934,061
Other financial assets	**221,569**	295,753
Total	**33,838,677**	29,474,867
Off-balance sheet credit commitments	**3,686,527**	3,369,894
Maximum credit risk exposure	**37,525,204**	32,844,761

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Loans and advances to customers analysed by credit quality

Within overdue but not credit-impaired loans and advances and credit-impaired loans and advances, the portions covered and not covered by the collateral and pledges held are as follows:

	31 December 2022		
	Overdue but not credit-impaired loans and advances		Credit-impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	4,960	28,500	84,808
Portion not covered	3,733	14,313	162,138
Total	8,693	42,813	246,946

	31 December 2021		
	Overdue but not credit-impaired loans and advances		Credit-impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,749	16,686	67,909
Portion not covered	1,445	9,649	166,480
Total	3,194	26,335	234,389

The above collateral and pledges include land use rights, buildings and equipment. The fair value of collateral and pledges was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations*

	31 December 2022			31 December 2021		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Leasing and commercial services	**2,072,166**	**9.77%**	**596,082**	1,784,905	9.49%	569,004
– Transportation, storage and postal services	**2,059,331**	**9.71%**	**595,509**	1,873,940	9.96%	577,486
– Manufacturing	**1,786,424**	**8.43%**	**434,243**	1,553,851	8.26%	426,494
– Production and supply of electric power, heat, gas and water	**1,139,258**	**5.37%**	**211,377**	1,009,162	5.37%	200,015
– Wholesale and retail trade	**1,132,600**	**5.34%**	**606,268**	961,353	5.11%	503,282
– Real estate	**888,367**	**4.19%**	**453,605**	837,716	4.45%	426,456
– Water, environment and public utility management	**678,710**	**3.20%**	**272,666**	645,987	3.43%	263,172
– Construction	**532,122**	**2.51%**	**147,081**	454,623	2.42%	130,856
– Mining	**276,178**	**1.30%**	**16,629**	272,833	1.45%	16,953
– Agriculture, forestry, farming, fishing	**111,880**	**0.53%**	**24,708**	99,550	0.53%	23,380
– Education	**91,819**	**0.43%**	**19,190**	75,167	0.40%	17,994
– Public management, social securities and social organisation	**58,774**	**0.28%**	**486**	56,141	0.30%	421
– Others	**944,543**	**4.47%**	**280,998**	781,799	4.16%	247,202
Total corporate loans and advances	**11,772,172**	**55.53%**	**3,658,842**	10,407,027	55.33%	3,402,715
Personal loans and advances	**8,329,344**	**39.29%**	**6,853,842**	7,977,650	42.42%	6,704,601
Discounted bills	**1,048,651**	**4.95%**	**–**	379,469	2.02%	–
Accrued interest	**49,038**	**0.23%**	**–**	43,684	0.23%	–
Total loans and advances to customers	**21,199,205**	**100.00%**	**10,512,684**	18,807,830	100.00%	10,107,316

As at 31 December 2022 and 2021, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

(d) *Loans and advances to customers analysed by geographical sector concentrations*

	31 December 2022			31 December 2021		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**4,061,500**	**19.16%**	**2,253,577**	3,492,555	18.57%	2,094,035
Western	**3,925,921**	**18.52%**	**2,074,752**	3,442,565	18.30%	1,977,752
Bohai Rim	**3,578,965**	**16.88%**	**1,548,690**	3,158,558	16.79%	1,497,010
Pearl River Delta	**3,534,462**	**16.67%**	**2,171,934**	3,137,528	16.68%	2,096,561
Central	**3,502,347**	**16.52%**	**1,909,478**	3,088,907	16.43%	1,869,718
Northeastern	**898,474**	**4.24%**	**380,965**	805,241	4.28%	387,189
Head office	**942,131**	**4.44%**	**–**	900,573	4.79%	–
Overseas	**706,367**	**3.34%**	**173,288**	738,219	3.93%	185,051
Accrued interest	**49,038**	**0.23%**	**–**	43,684	0.23%	–
Gross loans and advances to customers	**21,199,205**	**100.00%**	**10,512,684**	18,807,830	100.00%	10,107,316

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations (continued)

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows:

	31 December 2022			
		Allowances for impairment losses		
	Stage 3 Gross loan balance	Stage 1	Stage 2	Stage 3
Pearl River Delta	64,260	(54,965)	(23,396)	(39,332)
Central	57,581	(57,291)	(31,696)	(37,683)
Western	41,120	(65,155)	(43,326)	(25,144)
Bohai Rim	40,967	(53,623)	(31,244)	(25,944)
Yangtze River Delta	37,465	(72,993)	(26,587)	(22,257)
Northeastern	26,620	(13,127)	(13,554)	(18,183)
Head office	13,541	(20,237)	(4,590)	(12,122)
Overseas	11,271	(2,166)	(1,748)	(7,725)
Total	292,825	(339,557)	(176,141)	(188,390)

	31 December 2021			
		Allowances for impairment losses		
	Stage 3 Gross loan balance	Stage 1	Stage 2	Stage 3
Central	68,992	(51,547)	(27,992)	(46,083)
Bohai Rim	41,805	(49,895)	(27,159)	(26,074)
Western	37,963	(59,233)	(32,579)	(24,098)
Pearl River Delta	37,532	(54,458)	(22,989)	(21,850)
Yangtze River Delta	32,286	(63,241)	(27,272)	(19,689)
Northeastern	30,672	(12,260)	(11,980)	(21,792)
Head office	12,046	(16,648)	(2,057)	(10,325)
Overseas	4,775	(2,925)	(2,437)	(2,755)
Total	266,071	(310,207)	(154,465)	(172,666)

The definitions of geographical segments are set out in Note 57(1). The above allowances for impairment losses do not include allowances for loans and advances measured at fair value through other comprehensive income.

(e) Loans and advances to customers analysed by type of collateral

	31 December 2022	31 December 2021
Unsecured loans	8,053,048	6,295,609
Guaranteed loans	2,584,435	2,361,221
Loans secured by property and other immovable assets	8,972,422	8,589,061
Other pledged loans	1,540,262	1,518,255
Accrued interest	49,038	43,684
Gross loans and advances to customers	21,199,205	18,807,830

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The proportion of the Group's restructured loans and advances to customers was not significant for the years ended 31 December 2022 and 2021.

(g) Credit risk exposure

Loans and advances to customers

	31 December 2022			
	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**20,166,753**	**158,557**	**–**	**20,325,310**
Medium risk	**–**	**532,032**	**–**	**532,032**
High risk	**–**	**–**	**292,825**	**292,825**
Gross loans and advances	**20,166,753**	**690,589**	**292,825**	**21,150,167**
Allowances for impairment losses on loans and advances measured at amortised cost	**(339,557)**	**(176,141)**	**(188,390)**	**(704,088)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(2,610)**	**(553)**	**–**	**(3,163)**

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	17,902,319	88,858	–	17,991,177
Medium risk	–	503,137	–	503,137
High risk	–	–	266,071	266,071
Gross loans and advances	17,902,319	591,995	266,071	18,760,385
Allowances for impairment losses on loans and advances measured at amortised cost	(310,207)	(154,465)	(172,666)	(637,338)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(900)	(216)	–	(1,116)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Off-balance sheet credit commitments

As at 31 December 2022 and 2021, the Group's credit risk exposures in off-balance sheet credit commitments were primarily designated as Stage 1, with the credit risk rating of "Low Risk".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit risk exposure (continued)

Financial investments

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	7,858,619	–	–	7,858,619
Medium risk	15,855	1,740	–	17,595
High risk	–	–	19,943	19,943
Total carrying amount excluding accrued interest	7,874,474	1,740	19,943	7,896,157
Allowance for impairment losses on financial assets measured at amortised cost	(17,782)	(199)	(16,901)	(34,882)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(5,544)	(42)	(372)	(5,958)

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	6,985,424	455	–	6,985,879
Medium risk	18,337	6,255	–	24,592
High risk	–	–	18,370	18,370
Total carrying amount excluding accrued interest	7,003,761	6,710	18,370	7,028,841
Allowance for impairment losses on financial assets measured at amortised cost	(17,737)	(1,427)	(15,064)	(34,228)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,640)	(101)	(70)	(3,811)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit risk exposure (continued)

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2022			
	Stage 1 12-month ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,653,033**	**–**	**–**	**1,653,033**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,653,033**	**–**	**–**	**1,653,033**
Allowance for impairment losses	**(1,377)**	**–**	**–**	**(1,377)**

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Low risk	874,539	16,250	–	890,789
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	874,539	16,250	–	890,789
Allowance for impairment losses	(564)	(67)	–	(631)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2022	31 December 2021
Credit-impaired	–	–
Allowances for impairment losses	–	–
Subtotal	–	–
Neither overdue nor credit-impaired		
– grades A to AAA	1,157,286	634,609
– grades B to BBB	1,208	392
– unrated	494,539	255,788
Accrued interest	4,247	2,189
Total	1,657,280	892,978
Allowances for impairment losses	(1,377)	(631)
Subtotal	1,655,903	892,347
Total	1,655,903	892,347

Amounts neither overdue nor credit-impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	878	–	–	–	149	1,027
– Enterprises	14,628	–	2,004	–	3,096	19,728
Total	15,506	–	2,004	–	3,245	20,755
Allowances for impairment losses						(16,901)
Subtotal						3,854
Neither overdue nor credit-impaired						
– Government	2,440,508	3,787,310	9,417	278,170	19,102	6,534,507
– Central banks	11,208	2,300	32,049	747	1,134	47,438
– Policy banks	769,310	5,561	1,585	43,655	–	820,111
– Banks and non-bank financial institutions	143,175	277,277	11,184	54,983	12,293	498,912
– Enterprises	64,996	306,815	7,598	34,692	4,076	418,177
Total	3,429,197	4,379,263	61,833	412,247	36,605	8,319,145
Allowances for impairment losses						(17,981)
Subtotal						8,301,164
Total						8,305,018

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating (continued)

	31 December 2021					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	534	–	–	–	–	534
– Enterprises	17,156	–	–	–	1,509	18,665
Total	17,690	–	–	–	1,509	19,199
Allowances for impairment losses						(15,064)
Subtotal						4,135
Neither overdue nor credit-impaired						
– Government	2,330,911	3,390,874	8,590	26,489	15,806	5,772,670
– Central banks	27,890	4,060	9,504	1,146	506	43,106
– Policy banks	751,472	744	505	21,706	–	774,427
– Banks and non-bank financial institutions	121,422	226,826	9,969	41,379	10,854	410,450
– Enterprises	23,637	306,944	29,675	18,441	5,125	383,822
Total	3,255,332	3,929,448	58,243	109,161	32,291	7,384,475
Allowances for impairment losses						(19,164)
Subtotal						7,365,311
Total						7,369,446

(j) Credit risk arising from the Group's derivative exposures

The Group's derivatives transactions entered into with customers have been hedged against transactions entered into with banks and non-bank financial institutions. The credit risk the Group is exposed to is related to customers, banks and non-bank financial institutions. The Group manages credit risk through regular monitoring.

(k) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(l) Sensitivity analysis

The ECL measurement results are sensitive to adjustments to models and parameters such as forward-looking empirical models, forecast values of macroeconomic variables, and stage designation results, as these models and parameters would have an impact on ECL.

(i) Sensitivity analysis of segmentation

A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following tables present the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

	31 December 2022		
	Allowances for 12-month ECL of all performing financial assets	**Impact over lifetime**	**Current allowances for impairment losses**
Performing loans	**478,219**	**37,479**	**515,698**
Performing financial investments	**23,548**	**19**	**23,567**

	31 December 2021		
	Allowances for 12-month ECL of all performing financial assets	Impact over lifetime	Current allowances for impairment losses
Performing loans	434,106	30,566	464,672
Performing financial investments	21,397	1,508	22,905

The above allowances for impairment losses of financial assets did not contain the impairment loss allowances for loans and advances measured at fair value through other comprehensive income.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2022, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for impairment losses of financial assets did not exceed 5% (as at 31 December 2021: did not exceed 5%).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates of all books and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2022			
	Note	**As at 31 December**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**190**	**144**	**198**	**100**
Of which:					
– Interest rate risk		**56**	**30**	**63**	**19**
– Foreign exchange risk	(i)	**182**	**139**	**193**	**103**
– Commodity risk		**1**	**3**	**24**	**–**

		2021			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		151	160	196	127
Of which:					
– Interest rate risk		35	53	89	30
– Foreign exchange risk	(i)	155	163	203	110
– Commodity risk		1	9	45	–

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis (continued)

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to deposits with central banks, would increase or decrease annualised net interest income of the Group by RMB62,931 million (as at 31 December 2021: RMB53,453 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB80,670 million (as at 31 December 2021: RMB76,805 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the analysis by the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2022					
	Notes	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		85,215	3,070,046	4,035	–	–	3,159,296
Deposits and placements with banks and non-bank financial institutions		–	442,840	170,098	2,118	–	615,056
Financial assets held under resale agreements		–	1,038,374	2,473	–	–	1,040,847
Loans and advances to customers	(i)	30,928	9,330,943	10,240,194	614,956	278,096	20,495,117
Investments	(ii)	267,011	305,192	859,213	2,714,004	4,417,429	8,562,849
Others		728,752	–	–	–	–	728,752
Total assets		1,111,906	14,187,395	11,276,013	3,331,078	4,695,525	34,601,917
Liabilities							
Borrowings from central banks		–	195,960	578,080	739	–	774,779
Deposits and placements from banks and non-bank financial institutions		–	2,607,079	277,122	46,157	5,641	2,935,999
Financial liabilities measured at fair value through profit or loss		28,619	210,140	64,373	–	–	303,132
Financial assets sold under repurchase agreements		–	236,278	5,460	938	–	242,676
Deposits from customers		81,070	15,456,039	4,158,108	5,320,964	4,626	25,020,807
Debt securities issued		–	418,383	721,843	441,604	65,040	1,646,870
Others		798,894	–	–	–	–	798,894
Total liabilities		908,583	19,123,879	5,804,986	5,810,402	75,307	31,723,157
Asset-liability gap		203,323	(4,936,484)	5,471,027	(2,479,324)	4,620,218	2,878,760

NOTES TO THE FINANCIAL STATEMENTS

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62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate risk (continued)

		31 December 2021					
	Notes	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		92,764	2,671,128	–	–	–	2,763,892
Deposits and placements with banks and non-bank financial institutions		–	256,015	78,337	8,917	–	343,269
Financial assets held under resale agreements		–	547,951	1,127	–	–	549,078
Loans and advances to customers	(i)	33,714	9,380,447	8,164,164	317,673	274,494	18,170,492
Investments	(ii)	296,965	243,755	698,478	2,824,725	3,596,871	7,660,794
Others		766,454	–	–	–	–	766,454
Total assets		1,189,897	13,099,296	8,942,106	3,151,315	3,871,365	30,253,979
Liabilities							
Borrowings from central banks		–	147,144	536,593	1,296	–	685,033
Deposits and placements from banks and non-bank financial institutions		–	1,784,317	319,449	122,299	6,136	2,232,201
Financial liabilities measured at fair value through profit or loss		32,048	145,123	51,851	–	–	229,022
Financial assets sold under repurchase agreements		–	26,863	5,435	1,602	–	33,900
Deposits from customers		108,049	14,679,634	3,209,947	4,371,534	9,650	22,378,814
Debt securities issued		–	270,848	589,201	428,444	34,884	1,323,377
Others		757,510	–	–	–	–	757,510
Total liabilities		897,607	17,053,929	4,712,476	4,925,175	50,670	27,639,857
Asset-liability gap		292,290	(3,954,633)	4,229,630	(1,773,860)	3,820,695	2,614,122

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB59,288 million as at 31 December 2022 (as at 31 December 2021: RMB26,372 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

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62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2022			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,950,769	140,554	67,973	3,159,296
Deposits and placements with banks and non-bank financial institutions		378,413	210,325	26,318	615,056
Financial assets held under resale agreements		1,032,998	4,142	3,707	1,040,847
Loans and advances to customers		19,679,541	449,561	366,015	20,495,117
Investments	(i)	8,258,394	182,763	121,692	8,562,849
Others		625,165	67,351	36,236	728,752
Total assets		32,925,280	1,054,696	621,941	34,601,917
Liabilities					
Borrowings from central banks		739,697	15,605	19,477	774,779
Deposits and placements from banks and non-bank financial institutions		2,603,922	226,326	105,751	2,935,999
Financial liabilities measured at fair value through profit or loss		288,173	14,811	148	303,132
Financial assets sold under repurchase agreements		224,306	9,561	8,809	242,676
Deposits from customers		24,191,115	557,359	272,333	25,020,807
Debt securities issued		1,410,432	172,777	63,661	1,646,870
Others		741,145	31,151	26,598	798,894
Total liabilities		30,198,790	1,027,590	496,777	31,723,157
Net position		2,726,490	27,106	125,164	2,878,760
Net notional amount of derivatives		79,464	(3,525)	(73,124)	2,815
Credit commitments		3,173,066	333,509	179,952	3,686,527

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62 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2021			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,555,029	109,836	99,027	2,763,892
Deposits and placements with banks and non-bank financial institutions		216,589	111,935	14,745	343,269
Financial assets held under resale agreements		543,266	1,227	4,585	549,078
Loans and advances to customers		17,311,609	500,076	358,807	18,170,492
Investments	(i)	7,405,981	151,148	103,665	7,660,794
Others		714,551	30,298	21,605	766,454
Total assets		28,747,025	904,520	602,434	30,253,979
Liabilities					
Borrowings from central banks		646,995	16,282	21,756	685,033
Deposits and placements from banks and non-bank financial institutions		1,939,907	185,500	106,794	2,232,201
Financial liabilities measured at fair value through profit or loss		215,898	12,928	196	229,022
Financial assets sold under repurchase agreements		19,402	7,620	6,878	33,900
Deposits from customers		21,600,365	505,290	273,159	22,378,814
Debt securities issued		1,065,825	182,542	75,010	1,323,377
Others		731,325	7,495	18,690	757,510
Total liabilities		26,219,717	917,657	502,483	27,639,857
Net position		2,527,308	(13,137)	99,951	2,614,122
Net notional amount of derivatives		15,573	(8,465)	8,320	15,428
Credit commitments		2,899,810	317,734	152,350	3,369,894

(i) Please refer to Note 62(2)(c)(ii) for the scope of investments.

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Asset & Liability Management Department leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It has improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The key factors and events set by the stress testing as having an impact on liquidity risk include significant decline in the ability to liquidate current assets, significant loss of wholesale and retail deposits, reduction of the availability of wholesale and retail financing, reduction of financing duration and increase in financing cost, significant adverse changes in market liquidity conditions, and sudden suspension of the Bank's payment and settlement system. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

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62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2022							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,339,027	814,971	–	1,263	4,035	–	–	3,159,296
Deposits and placements with banks and non-bank financial institutions	–	61,491	294,133	86,980	170,194	2,258	–	615,056
Financial assets held under resale agreements	–	–	1,038,251	123	2,473	–	–	1,040,847
Loans and advances to customers	122,361	1,026,785	527,378	1,095,766	4,400,735	5,125,103	8,196,989	20,495,117
Investments								
– Financial assets measured at fair value through profit or loss	219,274	14,183	6,497	26,208	68,275	50,173	183,106	567,716
– Financial assets measured at amortised cost	–	–	17,437	89,093	455,171	1,727,044	3,703,837	5,992,582
– Financial assets measured at fair value through other comprehensive income	7,447	–	46,555	89,603	339,708	961,998	534,540	1,979,851
– Long-term equity investments	22,700	–	–	–	–	–	–	22,700
Others	332,594	107,737	40,263	68,778	57,145	27,463	94,772	728,752
Total assets	3,043,403	2,025,167	1,970,514	1,457,814	5,497,736	7,894,039	12,713,244	34,601,917
Liabilities								
Borrowings from central banks	–	–	124,173	71,787	578,080	739	–	774,779
Deposits and placements from banks and non-bank financial institutions	–	2,177,349	231,964	189,033	278,549	50,637	8,467	2,935,999
Financial liabilities measured at fair value through profit or loss	–	14,587	133,775	90,397	64,373	–	–	303,132
Financial assets sold under repurchase agreements	–	–	232,007	4,271	5,460	938	–	242,676
Deposits from customers	–	12,403,432	1,780,198	1,302,104	4,092,710	5,434,784	7,579	25,020,807
Debt securities issued	–	–	123,391	273,087	728,747	456,605	65,040	1,646,870
Others	89,105	171,688	73,169	70,298	258,351	25,119	111,164	798,894
Total liabilities	89,105	14,767,056	2,698,677	2,000,977	6,006,270	5,968,822	192,250	31,723,157
Net gaps	2,954,298	(12,741,889)	(728,163)	(543,163)	(508,534)	1,925,217	12,520,994	2,878,760
Notional amount of derivatives								
– Interest rate contracts	–	–	155,091	124,077	198,561	163,940	12,890	654,559
– Exchange rate contracts	–	–	576,792	778,075	1,237,276	92,329	1,049	2,685,521
– Other contracts	–	–	46,992	37,044	41,136	2,469	–	127,641
Total	–	–	778,875	939,196	1,476,973	258,738	13,939	3,467,721

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2021							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,190,555	572,204	69	1,064	–	–	–	2,763,892
Deposits and placements with banks and non-bank financial institutions	–	71,254	126,971	48,862	79,639	16,393	150	343,269
Financial assets held under resale agreements	–	–	547,082	869	1,127	–	–	549,078
Loans and advances to customers	100,956	884,299	495,811	896,253	3,345,344	4,597,768	7,850,061	18,170,492
Investments								
– Financial assets measured at fair value through profit or loss	252,230	16,355	14,431	10,828	50,389	51,402	149,638	545,273
– Financial assets measured at amortised cost	–	–	26,800	53,163	385,756	1,780,089	2,909,360	5,155,168
– Financial assets measured at fair value through other comprehensive income	7,417	–	22,860	83,094	265,334	1,019,288	543,485	1,941,478
– Long-term equity investments	18,875	–	–	–	–	–	–	18,875
Others	311,675	162,621	25,337	53,925	78,227	34,991	99,678	766,454
Total assets	2,881,708	1,706,733	1,259,361	1,148,058	4,205,816	7,499,931	11,552,372	30,253,979
Liabilities								
Borrowings from central banks	–	–	104,511	42,633	536,593	1,296	–	685,033
Deposits and placements from banks and non-bank financial institutions	–	1,488,343	126,724	144,477	324,690	138,981	8,986	2,232,201
Financial liabilities measured at fair value through profit or loss	–	20,019	68,333	88,688	51,982	–	–	229,022
Financial assets sold under repurchase agreements	–	–	23,058	3,805	5,435	1,602	–	33,900
Deposits from customers	–	11,691,250	1,459,761	1,215,585	3,444,169	4,556,563	11,486	22,378,814
Debt securities issued	–	–	110,206	130,319	601,183	446,785	34,884	1,323,377
Others	12,783	228,641	77,728	60,820	243,161	22,375	112,002	757,510
Total liabilities	12,783	13,428,253	1,970,321	1,686,327	5,207,213	5,167,602	167,358	27,639,857
Net gaps	2,868,925	(11,721,520)	(710,960)	(538,269)	(1,001,397)	2,332,329	11,385,014	2,614,122
Notional amount of derivatives								
– Interest rate contracts	–	–	75,411	129,524	194,142	170,002	15,023	584,102
– Exchange rate contracts	–	–	956,826	859,569	1,254,797	111,214	1,161	3,183,567
– Other contracts	–	–	33,104	33,140	61,935	1,959	–	130,138
Total	–	–	1,065,341	1,022,233	1,510,874	283,175	16,184	3,897,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2022							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	774,779	786,545	–	124,967	72,188	588,651	739	–
Deposits and placements from banks and non-bank financial institutions	2,935,999	2,948,008	2,177,349	232,251	190,172	283,581	55,211	9,444
Financial liabilities measured at fair value through profit or loss	303,132	303,134	14,587	133,776	90,398	64,373	–	–
Financial assets sold under repurchase agreements	242,676	242,952	–	232,080	4,302	5,557	1,013	–
Deposits from customers	25,020,807	25,833,757	12,413,718	1,784,687	1,338,178	4,316,430	5,971,862	8,882
Debt securities issued	1,646,870	1,750,474	–	125,796	280,227	760,201	508,294	75,956
Other non-derivative financial liabilities	530,608	534,913	96,870	58,665	48,949	215,696	14,553	100,180
Total	31,454,871	32,399,783	14,702,524	2,692,222	2,024,414	6,234,489	6,551,672	194,462
Off-balance sheet loan commitments and credit card commitments (Note)		1,652,442	1,158,864	6,765	16,050	121,786	165,119	183,858
Guarantees, acceptances and other credit commitments (Note)		2,034,085	496	281,882	253,671	915,139	534,171	48,726

	31 December 2021							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	685,033	697,170	–	104,685	42,789	548,400	1,296	–
Deposits and placements from banks and non-bank financial institutions	2,232,201	2,248,184	1,488,343	126,969	145,129	330,476	147,393	9,874
Financial liabilities measured at fair value through profit or loss	229,022	229,207	20,019	68,465	88,741	51,982	–	–
Financial assets sold under repurchase agreements	33,900	33,917	–	23,068	3,806	5,433	1,610	–
Deposits from customers	22,378,814	23,096,255	11,691,685	1,485,929	1,271,143	3,618,096	5,015,209	14,193
Debt securities issued	1,323,377	1,396,212	–	110,218	131,079	623,054	490,511	41,350
Other non-derivative financial liabilities	515,632	519,994	77,895	64,257	46,874	212,319	10,220	108,429
Total	27,397,979	28,220,939	13,277,942	1,983,591	1,729,561	5,389,760	5,666,239	173,846
Off-balance sheet loan commitments and credit card commitments (Note)		1,565,696	1,156,471	5,607	16,768	91,409	142,090	153,351
Guarantees, acceptances and other credit commitments (Note)		1,804,198	780	468,935	145,106	549,280	584,668	55,429

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risk of losses resulting from inadequate or flawed internal processes, people and systems or from external events.

In 2022, the Group actively followed the implementation requirements of Basel III, deepened operational risk management, improved business continuity management system, strengthened employee behaviour management, and ensured continuous business operation.

The Group strengthened loss data management, optimised operational risk management system, and steadily promoted the implementation of Basel III Standardised measurement Approach for operational risk. According to the strategic development requirements of the whole bank, the Group organised a new round of business impact analysis, reasonably determined the scope of analysis, created optimisation analysis standards, objectively and prudently assessed the level of business recovery, and helped to improve the refined level of business continuity management. It further strengthened employee behaviour management, optimised the grid management mechanism, enhanced model research and development, and improved the ability to detect violations.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The board of supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2022, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2021.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	49,297	11	49,308
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,048,651	–	1,048,651
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	4,589	136,100	–	140,689
– Equity instruments and funds	281	726	–	1,007
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	32,457	26,339	58,796
– Debt securities	220	137,513	2,814	140,547
– Funds and others	20,878	69,059	136,740	226,677
Financial assets measured at fair value through other comprehensive income				
– Debt securities	198,706	1,773,698	–	1,972,404
– Equity instruments designated as measured at fair value through other comprehensive income	1,936	–	5,511	7,447
Total	226,610	3,247,501	171,415	3,645,526
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	302,784	348	303,132
Negative fair value of derivatives	–	46,736	11	46,747
Total	–	349,520	359	349,879

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	31,532	18	31,550
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	3,761	–	3,761
– Loans and advances to customers measured at fair value through other comprehensive income	–	379,469	–	379,469
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,175	122,682	–	123,857
– Equity instruments and funds	405	526	–	931
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	3,688	15,925	19,613
– Debt securities	268	135,058	1,421	136,747
– Funds and others	16,167	98,053	149,905	264,125
Financial assets measured at fair value through other comprehensive income				
– Debt securities	160,941	1,772,856	264	1,934,061
– Equity instruments designated as measured at fair value through other comprehensive income	2,158	–	5,259	7,417
Total	181,114	2,547,625	172,792	2,901,531
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	228,346	676	229,022
Negative fair value of derivatives	–	31,305	18	31,323
Total	–	259,651	694	260,345

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets classified as level 3 are primarily unlisted equity instruments These financial assets are valued using the income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

The Group upgraded certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that the valuation technique had changed or that certain previously unobservable significant inputs used in fair value measurements had now become observable.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following tables show a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2022									
		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2022	18	15,925	1,421	149,905	264	5,259	172,792	(676)	(18)	(694)
Total gains or losses:										
In profit or loss	(5)	2,023	352	(3,986)	–	–	(1,616)	(238)	5	(233)
In other comprehensive income	–	–	–	–	12	34	46	–	–	–
Purchases	–	17,939	1,159	21,755	–	218	41,071	(13)	–	(13)
Sales, settlements and transfers out	(2)	(9,548)	(118)	(30,934)	(276)	–	(40,878)	579	2	581
As at 31 December 2022	11	26,339	2,814	136,740	–	5,511	171,415	(348)	(11)	(359)

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62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

	2021										
			Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Other debt instruments designated as measured at fair value through profit or loss	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2021	37	17,833	13,181	57	137,259	430	4,687	173,484	(2,106)	(37)	(2,143)
Total gains or losses:											
In profit or loss	(17)	(31)	(982)	(7)	3,324	–	–	2,287	565	17	582
In other comprehensive income	–	–	–	–	–	(5)	(478)	(483)	–	–	–
Purchases	–	–	5,931	1,482	30,970	254	1,050	39,687	(569)	–	(569)
Sales and settlements	(2)	(17,802)	(2,205)	(111)	(21,648)	(415)	–	(42,183)	1,434	2	1,436
As at 31 December 2021	18	–	15,925	1,421	149,905	264	5,259	172,792	(676)	(18)	(694)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2022			2021		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Net gains/(losses)	**1,797**	**(3,646)**	**(1,849)**	2,831	38	2,869

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2022 and 2021 which are not presented in the statement of financial position at their fair values.

	31 December 2022					31 December 2021				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	5,992,582	6,155,834	21,657	5,964,749	169,428	5,155,168	5,298,697	24,764	5,102,239	171,694
Total	5,992,582	6,155,834	21,657	5,964,749	169,428	5,155,168	5,298,697	24,764	5,102,239	171,694

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2022, the fair value of subordinated bonds and the eligible Tier 2 capital bonds issued was RMB465,537 million and the corresponding carrying value was RMB466,828 million, and the fair values of other financial liabilities approximated to their carrying values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset.

As at 31 December 2022 the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholders' behaviour and decision.

62 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital incentive, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation in the management of the ordinary course of the business. General principles of capital management of the Bank are to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's *Capital Rules for Commercial Banks (Provisional)* and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

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62 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Notes	31 December 2022	31 December 2021
Common Equity Tier 1 ratio	(a)(b)(c)	**13.69%**	13.59%
Tier 1 ratio	(a)(b)(c)	**14.40%**	14.14%
Total capital ratio	(a)(b)(c)	**18.42%**	17.85%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,965**	134,237
– Surplus reserve		**337,527**	305,571
– General reserve		**444,428**	381,282
– Retained earnings		**1,528,356**	1,392,515
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,867**	4,027
– Others	(d)	**21,745**	21,934
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,062**	1,947
– Other intangible assets (excluding land use rights)	(e)	**5,578**	5,137
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**(170)**	61
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**6,970**	6,970
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**139,968**	99,968
– Non-controlling interest recognised in additional Tier 1 capital		**106**	98
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**453,197**	353,341
– Provisions in Tier 2	(f)	**340,537**	323,254
– Non-controlling interest recognised in Tier 2 capital		**171**	159
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,706,459**	2,475,462
Tier 1 capital after regulatory adjustments	(g)	**2,846,533**	2,575,528
Total capital after regulatory adjustments	(g)	**3,640,438**	3,252,282
Risk-weighted assets	(h)	**19,767,834**	18,215,893

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic and overseas branches and subsidiaries in the financial sector (excluding insurance companies).

(d) Others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

63 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2022	31 December 2021
Assets:		
Cash and deposits with central banks	**3,149,130**	2,743,731
Deposits with banks and non-bank financial institutions	**153,122**	95,720
Precious metals	**119,329**	121,493
Placements with banks and non-bank financial institutions	**508,997**	292,067
Positive fair value of derivatives	**47,756**	30,643
Financial assets held under resale agreements	**1,015,534**	535,423
Loans and advances to customers	**20,071,834**	17,707,822
Financial investments		
Financial assets measured at fair value through profit or loss	**259,329**	238,283
Financial assets measured at amortised cost	**5,894,415**	5,061,712
Financial assets measured at fair value through other comprehensive income	**1,863,301**	1,845,569
Long-term equity investments	**91,808**	86,692
Investments in consolidated structured entities	**15,186**	48,731
Fixed assets	**116,815**	122,329
Construction in progress	**9,768**	11,317
Land use rights	**12,355**	12,779
Intangible assets	**5,140**	4,734
Deferred tax assets	**109,773**	89,943
Other assets	**246,226**	313,943
Total assets	**33,689,818**	29,362,931

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	31 December 2022	31 December 2021
Liabilities:		
Borrowings from central banks	774,779	685,033
Deposits from banks and non-bank financial institutions	2,567,292	1,920,596
Placements from banks and non-bank financial institutions	258,567	208,348
Financial liabilities measured at fair value through profit or loss	302,733	228,034
Negative fair value of derivatives	45,328	30,170
Financial assets sold under repurchase agreements	215,180	5,477
Deposits from customers	24,710,345	22,067,148
Accrued staff costs	43,410	35,588
Taxes payable	82,951	84,089
Provisions	48,289	43,527
Debt securities issued	1,572,812	1,242,931
Deferred tax liabilities	53	39
Other liabilities	271,645	274,572
Total liabilities	30,893,384	26,825,552

	31 December 2022	31 December 2021
Equity:		
Share capital	250,011	250,011
Other equity instruments		
Preference Shares	59,977	59,977
Perpetual Bonds	79,991	39,991
Capital reserve	134,826	134,835
Other comprehensive income	25,948	30,901
Surplus reserve	337,527	305,571
General reserve	431,967	373,381
Retained earnings	1,476,187	1,342,712
Total equity	2,796,434	2,537,379
Total liabilities and equity	33,689,818	29,362,931

Approved and authorised for issue by the Board of Directors on 29 March 2023.

Zhang Jinliang	**Kenneth Patrick Chung**	**Tian Bo**
Vice Chairman, executive director and president	*Independent non-executive director*	*Non-executive director*

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2022	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379
Movements during the year	–	–	40,000	(9)	(4,953)	31,956	58,586	133,475	259,055
(1) Total comprehensive income for the year	–	–	–	–	(4,953)	–	–	319,559	314,606
(2) Changes in share capital									
i Capital injection/(deduction) by other equity instruments holder	–	–	40,000	(9)	–	–	–	–	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	31,956	–	(31,956)	–
ii Appropriation to general reserve	–	–	–	–	–	–	58,586	(58,586)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(91,004)	(91,004)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(4,538)	(4,538)
As at 31 December 2022	250,011	59,977	79,991	134,826	25,948	337,527	431,967	1,476,187	2,796,434

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,835	21,759	275,995	342,174	1,193,773	2,318,515
Movements during the year	–	–	–	–	9,142	29,576	31,207	148,939	218,864
(1) Total comprehensive income for the year	–	–	–	–	9,142	–	–	295,764	304,906
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	–	–	–	–	–	–	–	–	–
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	29,576	–	(29,576)	–
ii Appropriation to general reserve	–	–	–	–	–	–	31,207	(31,207)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(81,504)	(81,504)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(4,538)	(4,538)
As at 31 December 2021	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

64 EVENTS AFTER THE REPORTING PERIOD

On 24 March 2023, the Group completed the issuance of RMB10.00 billion 3-year term Green Financial Bonds maturing in 2026 with a fixed coupon rate of 2.80%; and on 28 March 2023, the Group completed the issuance of RMB20.00 billion Tier 2 Capital Bonds, which consisted of two types of bonds. Type 1 Tier 2 Capital Bonds, with a size of RMB5 billion, have a 10-year term with conditional redemption right by the Issuer at the end of the fifth year and a fixed coupon rate of 3.49%, while Type 2 Tier 2 Capital Bonds, with a size of RMB15 billion, have a 15-year term with conditional redemption right by the Issuer at the end of the tenth year and a fixed coupon rate of 3.61%.

65 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

66 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

67 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2022 and have not been adopted in the financial statements.

Standards		Effective for annual periods beginning on or after
(1)	IFRS 17 *Insurance Contracts*	1 January 2023
(2)	Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
(3)	Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
(4)	Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(5)	Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*	1 January 2024
(6)	Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2024
(7)	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) IFRS 17 *Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured during each reporting period. Amendments to IFRS 17 were issued in June 2020, specifying the effective date as annual periods beginning on or after 1 January 2023.

The standard requires contracts are measured using the building blocks of:

- present value of future cash flows discounted at the current observable discount rate
- a risk adjustment for non-financial risk, and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to influence how insurers account for their financial assets under IFRS 9.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts with direct participation features in the standard. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

The Group expects that the impact of applying IFRS 17 on the Group's net assets as at 1 January 2023 and net profit for the year 2023 is not significant. However, the application of the standard may lead to a significant decrease in the Group's other operating income and other operating expenses.

67 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(2) Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

(3) Amendments to IAS 8 *Definition of Accounting Estimates*

Amendments to IAS 8, introduces a new definition of 'accounting estimates'. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

(4) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

(5) Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

(6) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(7) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB UNLESS OTHERWISE STATED)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2022 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2022 or total equity as at 31 December 2022 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2022 was 148.96% and the net stable funding ratio was 127.88% as at the end of December 2022.

The following table sets the Group's liquidity coverage ratio for the fourth quarter of 2022.

No.	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		5,274,586
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	12,441,278	1,107,337
3	Stable deposits	2,735,357	136,745
4	Less stable deposits	9,705,921	970,592
5	Unsecured wholesale funding, of which:	11,979,936	3,895,321
6	Operational deposits (excluding those generated from correspondent banking activates)	7,888,335	1,959,767
7	Non-operational deposits (all counterparties)	3,950,285	1,794,238
8	Unsecured debt	141,316	141,316
9	Secured funding		1,887
10	Additional requirements, of which:	1,979,184	264,331
11	Outflows related to derivative exposures and other collateral requirements	75,434	75,434
12	Outflows related to loss of funding on secured debt products	3,725	3,725
13	Credit and liquidity facilities	1,900,025	185,172
14	Other contractual funding obligations	358	–
15	Other contingent funding obligations	4,563,183	600,937
16	**Total Cash Outflows**		5,869,813
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)	984,703	983,997
18	Inflow from fully performing exposures	2,025,283	1,256,718
19	Other cash inflows	97,377	85,878
20	**Total Cash Inflows**	3,107,363	2,326,593
			Total Adjusted Value
21	**Total HQLA**		5,274,586
22	**Total Net Cash Outflows**		3,543,220
23	**Liquidity Coverage Ratio (%)**[1]		148.96

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

The following table sets the quantitative information on the net stable funding ratio at the end of the last two quarters.

		The Fourth Quarter of 2022					The Third Quarter of 2022				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
ASF Item											
1	Capital:	–	–	–	3,313,975	3,313,975	–	–	–	3,209,690	3,209,690
2	Regulatory capital	–	–	–	3,313,975	3,313,975	–	–	–	3,209,690	3,209,690
3	Other capital instruments	–	–	–	–	–	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,647,417	6,751,614	83,978	1,044,446	13,330,558	6,460,301	6,641,879	88,238	985,988	13,001,511
5	Stable deposits	3,005,861	15,330	6,907	7,767	2,884,458	2,860,817	14,843	7,274	7,968	2,746,756
6	Less stable deposits	3,641,556	6,736,284	77,071	1,036,679	10,446,100	3,599,484	6,627,036	80,964	978,020	10,254,755
7	Wholesale funding:	7,784,263	5,862,981	1,228,731	714,272	7,250,390	8,001,204	6,096,671	1,260,767	620,886	7,439,908
8	Operational deposits	7,626,502	129,614	84,527	179	3,920,501	7,816,362	144,893	18,347	116	3,989,916
9	Other wholesale funding	157,761	5,733,367	1,144,204	714,093	3,329,889	184,842	5,951,778	1,242,420	620,770	3,449,992
10	Liabilities with matching interdependent assets	–	–	–	–	–	–	–	–	–	–
11	Other liabilities:	–	683,116	125,916	358,492	373,453	–	570,765	93,486	269,819	217,277
12	NSFR derivative liabilities				47,997					99,285	
13	All other liabilities and equity not included in the above categories	–	683,116	125,916	310,495	373,453	–	570,765	93,486	170,534	217,277
14	**Total ASF**					24,268,376					23,868,386
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					2,135,303					1,900,205
16	Deposits held at other financial institutions for operational purposes	51,590	55,570	2,400	9,283	64,322	48,014	34,407	5,644	5,128	49,400
17	Performing loans and securities:	929,062	5,326,934	2,559,282	14,246,489	15,840,131	935,592	5,162,507	2,829,353	14,062,336	15,755,276
18	Performing loans to financial institutions secured by Level 1 HQLA	–	950,265	–	–	142,540	–	1,024,761	4,994	–	156,211
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	1,046,387	278,773	123,883	434,607	–	939,098	300,976	133,786	435,716
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	905,974	3,067,704	2,070,632	7,713,364	9,566,586	914,548	2,945,150	2,300,881	7,524,948	9,471,493
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	66,065	19,206	59,905	81,574	–	68,862	14,965	26,213	58,952
22	Performing residential mortgages, of which:	–	179,969	183,922	6,153,725	5,412,612	–	182,377	186,819	6,172,406	5,431,143
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	23,088	82,609	25,955	255,517	283,786	21,044	71,121	35,683	231,196	260,713
25	Assets with matching Interdependent liabilities	–	–	–	–	–	–	–	–	–	–
26	Other assets:	119,334	206,947	133,109	328,514	754,627	141,880	339,862	148,726	329,339	879,277
27	Physical traded commodities, including gold	119,334				101,433	141,880				120,598
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				648	551				610	519
29	NSFR derivative assets				51,624	3,627				106,271	6,985
30	NSFR derivative liabilities before deduction of variation margin posted[1]				9,635	9,635				19,937	19,937
31	All other assets not included in the above categories	–	206,947	133,109	276,242	616,293	–	339,862	148,726	222,458	710,194
32	Off-balance sheet items				6,187,974	183,777				5,472,510	166,905
33	**Total RSF**					18,978,160					18,751,063
34	**Net Stable Funding Ratio (%)**					127.88					127.29

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2022, the Group's net stable funding ratio was 127.88%, of which the available stable funding was RMB24,268,376 million against the required stable funding of RMB18,978,160 million.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised). The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2022 the Group's leverage ratio was 7.85%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	**As at 31 December 2022**	As at 30 September 2022	As at 30 June 2022	As at 31 March 2022
Leverage ratio	**7.85%**	7.76%	7.53%	7.94%
Tier 1 capital after regulatory adjustments	**2,846,533**	2,781,776	2,647,822	2,662,436
On and off-balance sheet assets after adjustments	**36,270,300**	35,864,326	35,181,687	33,514,004

1. The leverage ratios have been calculated in accordance with relevant regulatory requirements. The balance of Tier 1 capital after regulatory adjustments has been calculated with the same data used by the Group to calculate total capital ratio.
2. On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet assets after adjustments – Regulatory adjustments to Tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	**As at 31 December 2022**	As at 31 December 2021
Total on-balance sheet assets[1]	**34,601,917**	30,253,979
Consolidated adjustment[2]	**(277,381)**	(261,374)
Derivatives adjustment	**66,329**	68,503
Securities financing transactions adjustment	**1,490**	1,013
Off-balance sheet items adjustment[3]	**1,892,384**	1,622,887
Other adjustments[4]	**(14,439)**	(14,115)
On and off-balance sheet assets after adjustments	**36,270,300**	31,670,893

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

3 LEVERAGE RATIO (CONTINUED)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 31 December 2022	As at 31 December 2021
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	33,252,767	29,415,746
Less: Regulatory adjustments to Tier 1 capital	(14,439)	(14,115)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	33,238,328	29,401,631
Replacement costs of various derivatives (excluding eligible margin)	65,007	44,718
Potential risk exposures of various derivatives	50,379	55,085
Nominal principals arising from sales of credit derivatives	250	250
Derivative assets	115,636	100,053
Accounting assets arising from securities financing transactions	1,022,462	545,309
Counterparty credit risk exposure arising from securities financing transactions	1,490	1,013
Securities financing transactions assets	1,023,952	546,322
Off-balance sheet assets	5,574,037	4,842,963
Less: Decrease in off-balance sheet assets due to credit conversion	(3,681,653)	(3,220,076)
Off-balance sheet assets after adjustments	1,892,384	1,622,887
Tier 1 capital after regulatory adjustments	2,846,533	2,575,528
On and off-balance sheet assets after adjustments	36,270,300	31,670,893
Leverage Ratio[2]	7.85%	8.13%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

4 CURRENCY CONCENTRATIONS

	31 December 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,030,665	332,430	374,317	1,737,412
Spot liabilities	(1,000,925)	(349,177)	(227,026)	(1,577,128)
Forward purchases	1,225,402	98,771	143,842	1,468,015
Forward sales	(1,267,774)	(46,432)	(269,320)	(1,583,526)
Net option position	536	(144)	486	878
Net (short)/long position	(12,096)	35,448	22,299	45,651
Net structural position	33,559	3,511	(530)	36,540

	31 December 2021			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	916,669	312,454	335,806	1,564,929
Spot liabilities	(929,333)	(333,522)	(270,104)	(1,532,959)
Forward purchases	1,528,518	88,234	150,570	1,767,322
Forward sales	(1,523,921)	(33,060)	(194,623)	(1,751,604)
Net option position	6,471	–	156	6,627
Net (short)/long position	(1,596)	34,106	21,805	54,315
Net structural position	26,394	2,623	(657)	28,360

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 CURRENCY CONCENTRATIONS (CONTINUED)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

5 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within the Chinese mainland. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	31 December 2022				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**269,333**	**105,694**	**668,001**	**17,963**	**1,060,991**
– of which attributed to					
Hong Kong	**10,476**	**33,646**	**318,225**	**6,347**	**368,694**
Europe	**34,527**	**49,295**	**61,175**	**–**	**144,997**
North and South America	**33,788**	**172,470**	**80,763**	**–**	**287,021**
Total	**337,648**	**327,459**	**809,939**	**17,963**	**1,493,009**

	31 December 2021				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	198,614	118,436	683,587	5,650	1,006,287
– of which attributed to					
Hong Kong	7,783	41,244	307,721	1,454	358,202
Europe	13,369	42,319	49,417	2,094	107,199
North and South America	23,731	97,049	105,915	5,516	232,211
Total	235,714	257,804	838,919	13,260	1,345,697

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	31 December 2022	31 December 2021
Pearl River Delta	29,281	22,393
Central	24,301	33,310
Western	18,718	19,402
Bohai Rim	17,605	17,464
Yangtze River Delta	15,604	13,738
North-eastern	10,360	10,440
Head office	8,766	6,904
Overseas	6,180	3,964
Total	130,815	127,615

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 EXPOSURES TO NON-BANKS IN THE CHINESE MAINLAND

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As at 31 December 2022 substantial amounts of the Bank's exposures arose from businesses with the Chinese mainland entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

APPENDIX II: INDICATORS FOR ASSESSING SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

1 INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group disclosed the indicators in accordance with the *Guidelines for the Disclosure of Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the former CBRC. From the end of 2021, the Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement* (July 2018) issued by the Basel Committee. The following table sets forth the Group's indicators as the dates indicated.

(In millions of RMB) NO.	 Indicators	As at 31 December 2022 Amount [3]	As at 31 December 2021 Amount [3]
1	Total on and off-balance sheet assets after adjustments [1]	**36,554,266**	31,935,171
2	Intra-financial system assets	**1,197,102**	826,299
3	Intra-financial system liabilities	**3,039,378**	2,081,357
4	Securities outstanding and other financing tools	**2,891,007**	2,541,016
5	Total payments through payment system and as a correspondent for other banks	**653,342,763**	497,218,797
6	Assets under custody	**19,504,124**	17,771,566
7	Securities underwriting activity	**2,644,377**	2,485,803
8	Fixed income securities trading volume	**5,341,437**	5,369,028
9	Listed equities and other securities trading volume	**799,803**	937,244
10	Notional amount of over-the-counter (OTC) derivatives	**3,367,829**	3,886,221
11	Securities at fair value through profit or loss and securities at fair value through other comprehensive income [2]	**663,930**	670,459
12	Level 3 financial assets	**163,523**	155,275
13	Cross-jurisdictional claims	**994,625**	802,042
14	Cross-jurisdictional liabilities	**1,115,798**	1,053,410

1. In accordance with the Instructions for G-SIBs assessment exercise by the Basel Committee on Banking Supervision, capital regulatory adjustments will not be deducted from on and off – balance sheet assets after adjustments.

2. Securities at fair value through profit or loss and securities at fair value through other comprehensive income are calculated by netting off the level 1 and level 2 assets, in accordance with the CBIRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks* issued by the CBIRC.

3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under the scope of consolidation as required by the Basel Committee, which are different from the data under accounting scope of consolidation. As impacts related to intragroup transactions were excluded, these indicators were not comparable to other business statistics.

2 INDICATORS FOR ASSESSING DOMESTIC SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group calculated the indicators for assessing domestic systemic importance of the Bank in accordance with the *Measures for Assessing Systemic Importance of Banks* issued by the PBC and the CBIRC. The following table sets forth the Group's indicators as the date indicated.

(Expressed in millions of RMB unless otherwise stated) Tier 1 indicators	 Tier 2 indicators [1]	As at 31 December 2021 Amount
Size	Total on and off-balance sheet assets after adjustments	31,670,893
Interconnectedness	Intra-financial system assets	2,092,016
	Intra-financial system liabilities	2,869,737
	Securities outstanding and other financing tools	1,944,231
Substitutability	Total payments through payment system and as a correspondent for other banks	497,218,797
	Assets under custody	17,771,566
	Agency and underwriting activity	7,852,705
	Number of corporate customers (in 10 thousands)	846
	Number of personal customers (in 10 thousands)	72,638
	Number of domestic business organizations	14,476
Complexity	Derivatives	3,897,807
	Securities at fair value	670,459
	Assets of non-bank subsidiaries	741,885
	Total non-principal guaranteed WMPs issued by the Bank	183,949
	Total WMPs issued by the wealth management subsidiary	2,188,330
	Cross-jurisdictional claims and liabilities	1,855,452

1. The above indicators are calculated in full accordance with the *Measures for the Assessment of Systemically Important Banks*, which are different from the indicators for G-SIBs.

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