



中国农业银行

AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288



2022 ANNUAL REPORT



Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Bank is one of the major integrated financial service providers in China, aiming at high-quality development, highlighting the two positionings of a leading bank serving rural revitalization and a major bank serving the real economy, and fully implementing the three strategies in Sannong and County Areas, green finance and digital operation. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2022, the Bank had total assets of RMB33,927,533 million, total loans and advances to customers of RMB19,765,745 million and deposits from customers of RMB25,121,040 million. Our capital adequacy ratio was 17.20%. The Bank achieved a net profit of RMB258,688 million in 2022.

As of the end of 2022, we had 22,788 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 407 tier-2 branches, 3,329 tier-1 sub-branches, 18,959 foundation-level branch outlets and 46 other establishments. Our overseas branch outlets consisted of 13 overseas branches and four overseas representative offices. We had 16 major subsidiaries, including 11 domestic subsidiaries and five overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for nine consecutive years since 2014. In 2022, the Bank ranked No. 28 in the Fortune's Global 500, and ranked No. 3 in *The Banker's* "Top 1000 World Banks" list in terms of tier 1 capital. At the date of this annual report, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody's affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 with stable outlook and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.



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Definitions

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

- | | | |
|-----|--|---|
| 1. | ABC/Agricultural Bank of China/
the Bank/the Group/We | Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries |
| 2. | Articles of Association | The <i>Articles of Association of Agricultural Bank of China Limited</i> amended pursuant to the <i>Approval on Change of the Registered Capital of Agricultural Bank of China Limited (Yin Bao Jian Fu [2018] No. 199)</i> issued by the China Banking and Insurance Regulatory Commission on 25 September 2018 |
| 3. | A Share(s) | Ordinary shares listed domestically which are subscribed and traded in Renminbi |
| 4. | CASs/PRC GAAP | The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued |
| 5. | CBIRC | China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires |
| 6. | County Area Banking Division | An internal division with management mechanism adopted by us for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent |
| 7. | CSRC | China Securities Regulatory Commission |
| 8. | Global Systemically Important Banks | Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board |
| 9. | Green Finance | Economic activities designed to support environmental improvement, respond to climate change and efficient use of resources, that is, financial services provided for project investment and financing, project operation, risk management, etc. in the fields of environmental protection, energy saving, clean energy, green transportation, green building, etc. |
| 10. | H Share(s) | Shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi |
| 11. | Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| 12. | Hong Kong Listing Rules | <i>The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> |

13.	Huijin	Central Huijin Investment Ltd.
14.	MOF	Ministry of Finance of the People's Republic of China
15.	PBOC	The People's Bank of China
16.	Sannong	Agriculture, rural areas and rural people
17.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

Legal name in Chinese Abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English Abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative	FU Wanjun HAN Guoqiang
Secretary to the Board of Directors and Company Secretary	HAN Guoqiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Registered address and office address Postal code	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC 100005
Hotline for customer service and complaint	95599
Internet website	www.abchina.com.cn, www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, PRC
Selected media and websites for information disclosure	<i>China Securities Journal</i> (www.cs.com.cn) <i>Shanghai Securities News</i> (www.cnstock.com) <i>Securities Times</i> (www.stcn.com) <i>Securities Daily</i> (www.zqrb.cn)
Website of Shanghai Stock Exchange publishing the annual report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H Shares)	www.hkexnews.hk
Location where copies of the annual report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares Stock name Stock code Share registrar	Shanghai Stock Exchange 農業銀行 601288 China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)

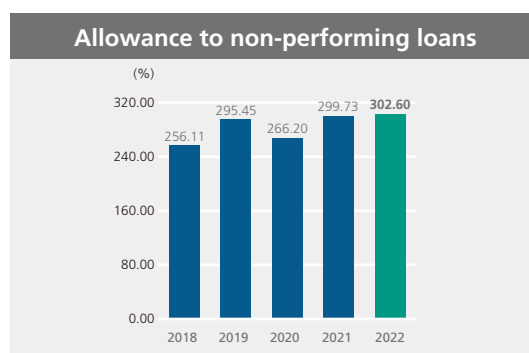
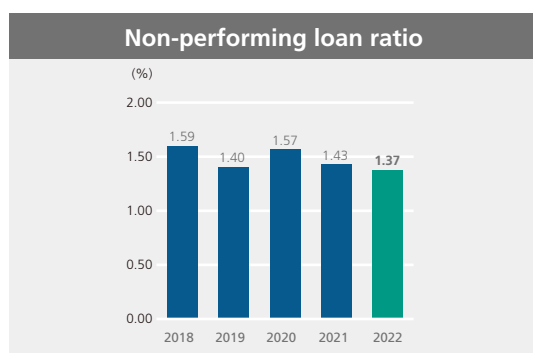
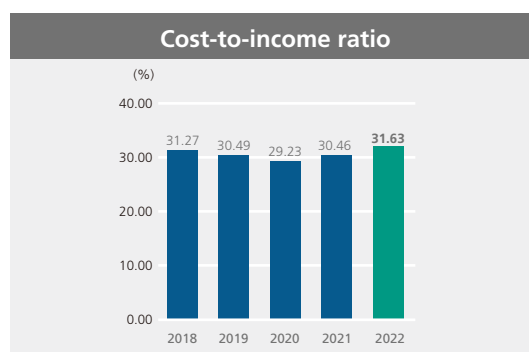
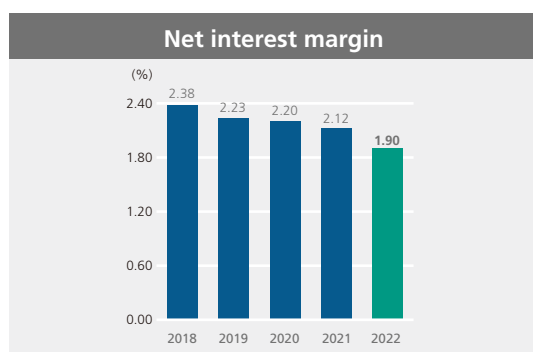
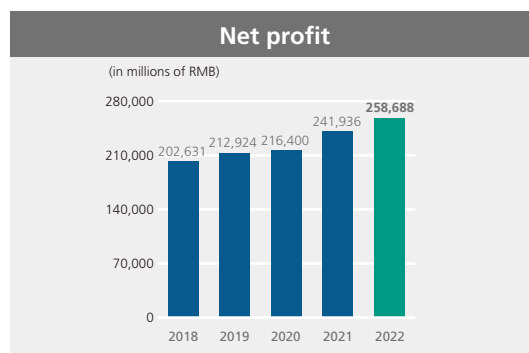
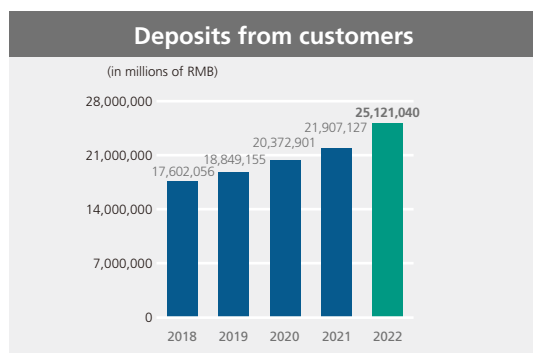
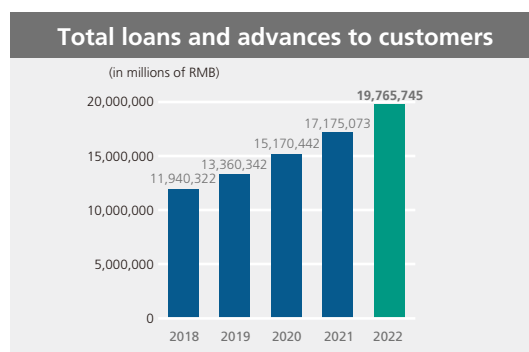
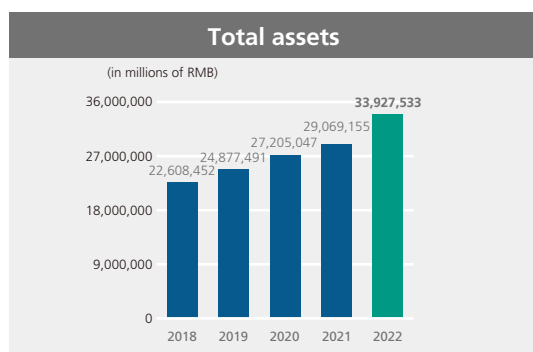
Basic Corporate Information and Major Financial Indicators

Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, PRC)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Chinese mainland	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Clifford Chance
Address	27/F, Jardine House, 1 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	KPMG Huazhen LLP
Address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of the undersigned accountants	SHI Jian, HUANG Aizhou
International auditor	KPMG
Address	8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC

Basic Corporate Information and Major Financial Indicators

Financial Highlights

(Financial data and indicators recorded in this annual report are prepared in accordance with the International Financial Reporting Standards (the “IFRSs”) and denominated in RMB, unless otherwise stated)



Basic Corporate Information and Major Financial Indicators

Major Financial Data

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
At the end of the reporting period (in millions of RMB)					
Total assets	33,927,533	29,069,155	27,205,047	24,877,491	22,608,452
Total loans and advances to customers	19,765,745	17,175,073	15,170,442	13,360,342	11,940,322
Including: Corporate loans	10,741,230	9,168,032	8,134,487	7,095,770	6,514,383
Discounted bills	1,007,548	424,329	389,475	421,390	343,961
Retail loans	7,545,282	7,117,212	6,198,743	5,391,677	4,664,852
Overseas and others	428,661	426,179	413,416	419,913	389,410
Allowance for impairment losses on loans	782,859	720,570	618,009	540,578	479,143
Loans and advances to customers, net	18,982,886	16,454,503	14,552,433	12,819,764	11,461,179
Financial investments	9,530,163	8,230,043	7,822,659	7,422,930	6,885,075
Cash and balances with central banks	2,549,130	2,321,406	2,437,275	2,699,895	2,805,107
Deposits and placements with and loans to banks and other financial institutions	1,131,215	665,444	981,133	758,925	661,741
Financial assets held under resale agreements	1,172,187	837,637	816,206	708,551	371,001
Total liabilities	31,253,082	26,647,796	24,994,301	22,923,630	20,933,665
Deposits from customers	25,121,040	21,907,127	20,372,901	18,849,155	17,602,056
Including: Corporate deposits	9,032,456	8,001,650	7,618,591	7,196,002	6,807,956
Retail deposits	14,977,766	12,970,450	11,926,040	10,904,731	10,076,833
Overseas and others	727,212	623,353	562,741	517,440	514,244
Deposits and placements from banks and other financial institutions	2,792,933	1,913,471	1,785,176	1,829,272	1,449,863
Financial assets sold under repurchase agreements	43,779	36,033	109,195	53,197	157,101
Debt securities issued	1,869,398	1,507,657	1,371,845	1,108,212	780,673
Equity attributable to equity holders of the Bank	2,668,412	2,414,605	2,204,789	1,948,355	1,670,294
Net capital ¹	3,416,001	3,057,867	2,817,924	2,498,311	2,073,343
Common Equity Tier 1 (CET1) capital, net ¹	2,215,395	2,042,480	1,875,372	1,740,584	1,583,927
Additional Tier 1 capital, net ¹	439,878	359,881	319,884	199,894	79,906
Tier 2 capital, net ¹	760,728	655,506	622,668	557,833	409,510
Risk-weighted assets ¹	19,862,505	17,849,566	16,989,668	15,485,352	13,712,894
	2022	2021	2020	2019	2018
Operating results for the year (in millions of RMB)					
Operating income	725,499	721,746	659,332	629,350	602,557
Net interest income	589,966	577,987	545,079	500,870	488,159
Net fee and commission income	81,282	80,329	74,545	72,927	67,742
Operating expenses	274,023	260,275	229,897	224,096	213,963
Credit impairment losses	145,267	165,886	164,699	138,605	136,647
Total profit before tax	306,216	295,880	265,050	266,576	251,674
Net profit	258,688	241,936	216,400	212,924	202,631
Net profit attributable to equity holders of the Bank	259,140	241,183	215,925	212,098	202,783
Net cash flows generated from/(used in) operating activities	1,322,003	239,615	(60,936)	358,396	105,927

Basic Corporate Information and Major Financial Indicators

Financial Indicators

	2022	2021	2020	2019	2018
Profitability (%)					
Return on average total assets ²	0.82	0.86	0.83	0.90	0.93
Return on weighted average net assets ³	11.28	11.57	11.35	12.43	13.66
Net interest margin ⁴	1.90	2.12	2.20	2.23	2.38
Net interest spread ⁵	1.73	1.96	2.04	2.09	2.25
Return on risk-weighted assets ^{1, 6}	1.30	1.36	1.27	1.38	1.48
Net fee and commission income to operating income	11.20	11.13	11.31	11.59	11.24
Cost-to-income ratio ⁷	31.63	30.46	29.23	30.49	31.27
Data per share (RMB Yuan)					
Basic earnings per share ³	0.69	0.65	0.59	0.59	0.59
Diluted earnings per share ³	0.69	0.65	0.59	0.59	0.59
Net cash flows per share generated from/(used in) operating activities	3.78	0.68	(0.17)	1.02	0.30
	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Asset quality (%)					
Non-performing loan ratio ⁸	1.37	1.43	1.57	1.40	1.59
Allowance to non-performing loans ⁹	302.60	299.73	266.20	295.45	256.11
Allowance to loan ratio ¹⁰	4.16	4.30	4.17	4.15	4.08
Capital adequacy (%)					
Common Equity Tier 1 (CET1) capital adequacy ratio ¹	11.15	11.44	11.04	11.24	11.55
Tier 1 capital adequacy ratio ¹	13.37	13.46	12.92	12.53	12.13
Capital adequacy ratio ¹	17.20	17.13	16.59	16.13	15.12
Risk-weighted assets to total assets ratio ¹	58.54	61.40	62.45	62.25	60.65
Total equity to total assets ratio	7.88	8.33	8.13	7.85	7.41
Data per share (RMB Yuan)					
Net assets per ordinary share ¹¹	6.37	5.87	5.39	5.00	4.54

- Notes: 1. Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.
2. Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.
3. Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.
4. Calculated by dividing net interest income by the average balances of interest-earning assets.
5. Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
6. Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBIRC.
7. Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.
8. Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).

Basic Corporate Information and Major Financial Indicators

9. Calculated by dividing the balance of allowance for impairment losses on loans by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income.
10. Calculated by dividing the balance of allowance for impairment losses on loans by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income.
11. Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the period by the total number of ordinary shares at the end of the period.

Quarterly Data

2022 (in millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	205,857	181,802	177,741	160,099
Net profit attributable to equity holders of the Bank	70,750	58,195	68,560	61,635
Net cash flows generated from/(used in) operating activities	367,281	541,504	480,412	(67,194)

Chairman's Statement



GU Shu
Chairman of the Board of Directors

The year 2022 was a year of great importance in the history of the Communist Party of China (the “CPC”) and our country, and also a year in which Agricultural Bank of China performed well in business operation and reform and development. Over the past year, we followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and fully implemented the decisions and plans of the CPC Central Committee and the State Council. We gave priority to the theme of high-quality development, stayed true to the mission of serving Sannong and the real economy, and worked to stabilize the economy, boost reform and prevent risk in a well-coordinated way. Our main operating indicators reached a record high, the capacity for financial supply improved significantly, and the market ranking and brand image improved constantly. We brought decent results to all sectors of society and investors.

In 2022, the Bank presented well in major business indicators and market performance. **The growth was accelerated.** The Bank's year-end total assets reached RMB33.9 trillion; the total loans and advances to customers reached RMB19.8 trillion, representing an increase of RMB2.59 trillion or 15.1%, which hit a record high; the all-system deposits from customers reached RMB28.2 trillion, representing an increase of RMB4.2 trillion or 17.7%; the increments in both corporate deposits and retail deposits hit a record high. **The quality was prudently improved.** The non-performing loan ratio was 1.37%, falling for two consecutive years; the capital adequacy ratio was 17.20%, representing an increase of 7BPs as compared to the end of the previous year. **The efficiency was more resilient.** We achieved a net profit of RMB258.7 billion, representing an increase of 6.9% as compared to the previous year. The growth in our net profit, operating income, net fee and commission income maintained stable continuously. **The market image was enhanced.** We stayed level A in the MPA conducted by the PBOC; our MSCI ESG rating was upgraded to A; we were honored with the title “Bank of the Year in China” issued by *The Banker*.

We aimed at the build-up of China's strength in agriculture by playing a leading role in serving the rural revitalization. We stayed committed to serving the rural revitalization and promoting the common prosperity of residents in the rural area as our top priority. We improved the service system and funded more as a good “vanguard” in financial services. We saw a record high in credit loans. The balance of loans in County Areas amounted to RMB7.3 trillion, representing an increase of RMB1.11 trillion, with the increment reaching a record high since our conversion into a joint-stock bank and its growth rate outpaced that of the Bank. The balance of agriculture-related loans amounted to RMB5.53 trillion, representing an increase of RMB793.3 billion, with a further rising proportion in our total loans and advances to customers. We served both to consolidate and build on the achievements in poverty alleviation and to promote the revitalization of rural areas. The growth rate of loans to 160 key national counties receiving rural revitalization assistance was over 18%. The growth rate of loans in the key fields of food, rural industries, and rural construction reached 22.5%, 22.4% and 21.6%, respectively. We led the industry in service innovation. We built up a digital rural service system and launched the smart loans to animal husbandry, Huinong E-loan, Fumin Loan, and other recognized agriculture-related scenarios and products, by which, we steadily enhanced the breadth and depth of the financial services. The balance of Huinong E-loan (an online loan to rural households) amounted to RMB747.7 billion, representing an increase of 37.3%. In addition, we innovatively launched the product “Fumin Loan” and granted loans of RMB11.6 billion in 2022, which empowered rural households in areas lifted out of poverty and old revolutionary base areas to create more channels for increasing their income. We have enhanced our brand influence. We have been rated the highest grade “Excellent” for two consecutive years in the assessment of nationwide financial institutions for serving rural revitalization. A large number of advanced representatives such as Mr. Fu Xiaokang stood out in serving the rural revitalization.

We strengthened high-quality financial supply and took the lead in serving the overall economic stability. We followed the requirements of national macro control, transmitted the guidance of monetary policies and played our role as pillar to provide sound financial services to the stabilization of the overall economy. **High service efficiency.** We implemented the decisions and deployment of the central government in a timely manner and introduced “four speedy”, an efficient working mechanism, to achieve the speedy review, approval and grant of loans. We achieved the first financing transaction by policy-backed and development-oriented financial instruments among the commercial banks across China. The loans to the projects in the medium- and long-term list for the manufacturing industry and the loans for acquiring, updating and renovating equipment, both led the banking industry, giving full play to credit funds in expanding effective investments. **Large volume of financing.** Apart from the consecutive record-high increment of loans and advances to customers, the balance of bond investment amounted to RMB9.32 trillion, representing an increase of RMB1.3 trillion, which was also a record high.

Chairman's Statement

Improved credit structure. The loans were mostly granted in sectors as encouraged and guided by the national policies. The loans in key industries such as manufacturing, technological innovation, green finance, and inclusive small and micro businesses sustained rapid growth, as we actively served the construction of a modern industrial system and green and low-carbon transformation. The loans in key areas encouraged by the structural monetary policy of the PBOC were well extended, as the scale of our special re-loans took the lead among the commercial banks.

We strengthened data empowerment and accelerated the reform and innovation of operation models of the Bank. We adhered to data as the core of digital transformation, and promoted building the engineering framework and its application in major areas, which made data an increasingly important driver for our transformation, innovation and development. We constantly consolidated the data basis, fully upgraded the data middle platform, facilitated in-depth data governance, and generated a larger volume of more accessible data to drive innovative development. We accelerated data application and enhanced the dual driving force of "data + algorithm". We launched "Smart Customer Reception", "Smart Customer Holding", "Smart Customer Linking" and other innovative data application products, which significantly enhanced our capacity for precision services and risk control. We deepened the integration of business and technology and accelerated the formation of the data-driven customer service model. Risk management philosophy marked by data-based decisions was deeply rooted, and the integration and development of business, technology and data has continuously cultivated new productivity. Our online services constantly improved. The number of our monthly active users (MAU) of retail mobile banking amounted to 172 million, maintaining the leading position among peers. The balance of "ABC E-loan" exceeded RMB3 trillion, representing an increase of 42.3% as compared to the end of the previous year. The convenient and highly-efficient online financial services improved satisfaction of our customers and users.

We followed the philosophy of financial services for the people and made progress in providing financial services for people's livelihood. Taking into full consideration of the increasing financial demand of people, we improved the business processes and production factor mix to make our financial services more inclusive and accessible. We stepped up the support for consumption relating to people's livelihood. Focusing on expanding domestic demand and promoting consumption, we constantly extended our credit supply to housing, consumption and other areas. The balance of our retail loans reached RMB7.55 trillion, representing an increase of RMB428.1 billion, which continuously ranked first among the peers. Our customer experiences were continuously improved, as we optimized the layout of outlets and labor combination, promoted the reform of the credit approval system and streamlined the counter process. The account opening efficiency of small and micro enterprises and the troops were lifted by 41% and 36%, respectively. Our financial services were warmer. Focusing on the concerns of customers and the wider public, we optimized our branch outlets and systems so that they would be elderly-friendly and launched a total of 21 thousand outlets themed "Caring and Considerate Services", to offer considerate services to seniors, special groups and outdoor workers. Consumer protection made remarkable achievements by setting up dedicated organizations, improving system of procedures, and enhancing the solution and rectification of complaints. The supervision rating for our consumer rights protection rose to A.

We coordinated development and security and made an all-out effort to maintain financial security and stability. The prevention and mitigation of the financial risk featured prominently on our priority list. We strived to go ahead of the market curve and ensure the security of various financial assets by preventing and controlling risks in a holistic, visionary and precise manner. We strengthened the comprehensive risk management system, which covered the entire Group, domestic and overseas businesses, and on- and off-balance sheet activities. We promptly conducted risk inspections, enhanced the risk early-warning by inspection and penetrating monitoring, to continuously improve our capacity for the prior evaluation, response and disposal of major risks. We prudently mitigated risks with targeted efforts by introducing "one policy for one account" to mitigate risks of real estate developers, group customers with large loan amount and customers in other major credit risk areas. Meanwhile, we strengthened the disposal of non-performing loans through multiple channels and ensured the overall stability of asset quality while achieving fast-growing credit. We adopted refined measures to control market risks, strengthened the penetrating management of underlying assets relating to financial market businesses, and reasonably controlled risk exposures, so that our market risks were overall under control. We built up a disaster recovery system for our business continuity by a more solid IT basis, so that our capacity for making IT infrastructure independent and controllable was enhanced, and the technology base for our stable and long-term development become more solid and reliable.

Looking back on 2022, our commitment to serving the real economy and joint developing with it laid a solid foundation for our prudent, sustainable and high-quality development. Our adherence to making progress while maintaining stability and pursuing innovation while upholding principles was the key to our sustainable growth beyond economic cycle. In 2022, we weathered the multiple tests in the complicated and complex environment and made achievements and growth after forging ahead. The adaptability, competitiveness and inclusion of our financial services has been constantly enhanced, and significant strides were made towards high quality development. These achievements were attributable to the strong leadership of the CPC Central Committee and the State Council, the careful guidance of regulatory authorities, the full support of our shareholders, customers and the wider society as well as the efforts and dedication of our 0.46 million employees. On behalf of the Board of Directors, I would like to extend my sincerest gratitude to all of these people. Based on the results of the previous year, the Board of Directors proposed to distribute a dividend of RMB2.222 (tax inclusive) per 10 ordinary shares which will be submitted to the Shareholders' general meeting for consideration and approval.

The year 2023 marks the beginning year of implementing the spirit of the CPC 20th National Congress and embarking on a new journey to build a modern socialist country in all respects. At this new starting point in history, the Bank will, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement all decisions and deployments of the CPC 20th National Congress. We will firmly adhere to high-quality development as a priority and rooted in the two positionings as a leading bank serving rural revitalization and a major bank serving the real economy. Meanwhile, we will optimize the financial supply and improve our capacity to make new and greater contribution to achieving goals of the economic and social development in the beginning year and accelerating the modernization with Chinese characteristics.



GU Shu
Chairman of the Board of Directors
30 March 2023

President's Statement



FU Wanjun
President

In 2022, facing the complex situation of significantly increasing difficulties and challenges, we firmly implemented the decisions and plans of the CPC Central Committee and the State Council, duly performed our responsibilities as a large state-owned bank for ensuring stable growth, benefiting people's livelihood and preventing risks. Our business operations demonstrated a steady and positive trend and achieved high-quality results with our solid performance.

As at the end of 2022, our total assets amounted to RMB33.9 trillion, representing an increase of 16.7%; the total loans and advances to customers amounted to RMB19.8 trillion, representing an increase of 15.1%; and the balance of deposits from customers amounted to RMB25.1 trillion, representing an increase of 14.7%, in each case, as compared to the end of the previous year. Our non-performing loan ratio was 1.37%, representing a decrease of 0.06 percentage point as compared to the end of the previous year. We recorded a net profit of RMB258.7 billion for 2022, representing an increase of 6.9% as compared to the previous year. The capital adequacy ratio was 17.20%, representing an increase of 7 basis points as compared to the end of the previous year.

Our steady and positive business trend was attributable to our staying true to serving Sannong. By taking the County Areas as the focus point for achieving stable economic performance, we gave continuous preference to Sannong and County Areas in our allocation of credit, financial, channel and human resources and made solid strides in building us into a leading bank serving the rural revitalization. Our loans and advances to customers in County Areas increased by RMB1.11 trillion as compared to the end of the previous year, hitting a record high. The proportion of agriculture-related loans to total loans and advances to customers further increased. We continued to deepen financial services in key areas of rural revitalization. The growth rate of loans in the key fields of food, rural industries and rural construction reached 22.5%, 22.4% and 21.6% respectively, all higher than the average growth rate of loans across the Bank. Loans to 832 counties lifted out of poverty and 160 key national counties receiving rural revitalization assistance grew rapidly, the balance of which respectively reached RMB1.69 trillion and RMB314.9 billion as at the end of 2022. Significant achievements have been made in our service scenarios and product innovations for Sannong. The rural collective management platform for "funds, resources and assets" covered 1,488 counties, more than 10,000 agriculture-related scenarios, and 273 financial products for Sannong.

Our steady and positive business trend was attributable to our joint development with the real economy. Earnestly implementing various decisions and plans of the CPC Central Committee for stabilizing the economy, we issued 40 measures to assist in the stabilization of economic performance, pursuant to which, we made our proactive and targeted efforts to increase the supply of financing in key areas and weak links, and provided full support to stable recovery and sound development of the economy. In 2022, loans and advances to customers increased by RMB2.59 trillion and bond investments increased by RMB1.3 trillion, both setting record high. By focusing on expanding domestic demand and maintaining stable economic growth, we launched precise marketing services with emphasis on supporting financing for policy-oriented development financial instruments, equipment acquisition, updates and renovation, and medium- and long-term projects in the manufacturing industry, and took the lead among the peers in terms of loans to related fields. By focusing on the construction of modern industrial system and green and low-carbon transformation, we optimized the credit policy and innovatively launched "Technological Innovation E-Loan" and "Ecological Restoration Loan". The loans for high-tech manufacturing and green development increased by 47.7% and 36.4% respectively. With our focus on maintaining the stable operations of market entities and employment, we ensured a rapid growth of inclusive loans on top of a high base level, with the growth rate of inclusive loans to small and micro enterprises exceeding 30% for four consecutive years. The number of small and micro enterprises with outstanding inclusive loans reached 2.53 million, representing an increase of 0.61 million as compared to the end of the previous year. We made solid progress in providing financial services to ensure that overdue housing projects were completed and delivered to meet people's basic living needs, and we remained ahead of our peers in the increase of loans for real estate development and residential mortgage loans.

Our steady and positive business trend was attributable to our continuous improvement of customer service capability. Actively observing concept of financial service for the people, we continued to diversify our product and service offerings, optimize the customer service experience, strengthen the protection of consumers' rights and interests, and build a more solid customer base. The number of our retail banking customers reached 862 million, maintaining our leading position in the industry; the number of our corporate banking customers reached 9.36 million, representing an increase of 0.77 million as compared to the end of the previous year. In order to meet the diverse needs of our large client base, we provided layered services to our customers by group operation and classified management, and made great efforts in the improvement of the accuracy and adaptability of our financial services; we increased the number of our customer managers and provided them with more training sessions in an

President's Statement

orderly manner, by which, the number of our customer managers continued to increase and our customer managers became more professional. We implemented our counter business and account opening process from the customer's perspective, which further improved the efficiency of our account opening process for corporate banking customers. Nearly 80% of the Bank's high-frequency counter businesses achieved "Five Ones" (one password entry, one network verification, one confirmation, one authorization and one signature).

Our steady and positive business trend was attributable to our deepening of reform and transformation.

With the focus on empowering targeted marketing and risk control, we made solid progress in digital transformation and the concept and model of data-driven operation have taken shape. The balance of online loans supported by big data and financial technology increased by RMB905.4 billion as compared with the end of the previous year; the conversion rate of potential small and micro enterprise customers through accurate identification and discovery exceeded 30%; and the intelligent anti-fraud platform monitored more than 300 million transactions on average per day. We vigorously promoted the transformation and development of strategic businesses such as wealth management, credit card, investment banking and custody services, the size of our AUM for retail banking customers increased by 11.7% as compared with the end of the previous year; the balance of our credit card installment business increased by 8.2% as compared with the end of the previous year, and the revenue from custody services and investment banking increased by 12.4% and 5.1%, respectively, as compared to the previous year. Our integrated and international business capability was further enhanced by deepening the integrated operations within the Group and of domestic and foreign currencies and improving the mechanism for coordinated services. Following the new urban-rural integrated development trend, we accelerated the adjustment of branch outlets layout and optimization of labor mix, by which, we allocated more branch outlet resources to new urban areas, urban-rural fringes, key towns and other areas with high potential, which further improved the operation efficiency of our branch outlets.

The steady and positive business trend was attributable to overall improvement of our risk management.

We deepened the comprehensive risk management, addressed the uncertainty of risk changes with the stable improvement of our capabilities, and adhered to the bottom line of safe development. We accelerated the establishment of digital risk control system, built an integrated monitoring platform covering legal entities, retail banking customers and portfolio risks, which improved the accuracy of risk pre-warning of monitoring significantly. We ensured credit risk prevention in respect of group customers with large loan balances and customers with high leverage, and accelerated our disposal of non-performing assets, by which, the formation rate of non-performing loans decreased year on year and the quality of assets remained stable. We responded to changes in the financial market proactively and optimized our asset allocation and trading strategies dynamically, maintaining our market risks stable and under control. We organized the activity of "Compliance Education Year" and improved our compliance risk identification and management, which further improved the effectiveness of our internal control. We made great efforts in the data security control, promoted the construction of disaster recovery system at different levels and categories, achieved a construction completion rate of 100% for all three-tier business disaster recovery, and ensured a safe and stable operation of our information system. We further improved our business continuity management and ensured normal operation of business and management.

The year 2023 is the first year of full implementation of the spirit of the 20th National Congress of the CPC and also a key year for the continuous implementation of the 14th Five-Year Plan of the Bank. Guided by the spirit of the 20th National Congress of the CPC, we will fully implement the decisions and plans of the CPC Central Committee and the State Council, continue to take the lead in serving Sannong and the real economy, make more efforts and achieve more progress in the reform and transformation, and maintain prudent in risk prevention and control. We will strive to open new ground for high-quality development and reward our investors with more excellent business performance.



FU Wanjun
President

30 March 2023

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Discussion and Analysis

Environment and Prospects

In 2022, the GDP of China was over 120 trillion with a growth rate of 3.0% as compared to the previous year. The annual total retail sales of consumer goods decreased by 0.2% on a year-on-year basis. Fixed asset investments maintained steady growth, with an annual growth rate of 5.1%, in which manufacturing investments and infrastructure investments grew by 9.1% and 9.4%, respectively, and real estate investments fell by 10.0% on a year-on-year basis. The total volume of the US dollar-denominated exports for the year rose significantly by 7.0%. The industrial producer price index (PPI) and the consumer price index (CPI) rose by 4.1% and 2.0%, respectively. The broad money (M2) supply grew by 11.8%, and the aggregate financing to the real economy (flow) was RMB32.0 trillion, an increase of RMB668.9 billion over the previous year.

In 2022, adhering to the general principle of pursuing progress while ensuring stability, the Chinese government strengthened macro-control. The quality and efficiency of proactive fiscal policies were improved and large-scale tax and fee cuts and a new package of tax-and-fee policies to support enterprises were implemented. In addition, more funds were channeled to the local levels and the policy and financial support were enhanced. Great efforts were made in promoting the self-reliance of high-level technology and in reinforcing and updating the weak links in the industrial chains. The prudent monetary policy remained precise and targeted. The PBOC lowered required reserve ratios twice and applied multiple methods such as refinancing, rediscounting, medium-term lending facilities and open market operations to reasonably inject liquidity and maintain reasonable growth of monetary credit. The PBOC guided the declines in the loan prime rate (LPR) by three times to promote the reduction of corporate financing costs. The new policy tools such as special refinancing loans for technological innovation and the inclusive elderly care services were innovated, and the proportion of incentive fund for inclusive finance lending to micro and small business were increased which have played the precise guiding role of structural monetary policy tools.

China's economy retains resilience, potential and vitality. As the effects of various policies to stabilize growth continue to emerge, the overall economy is expected to pick up throughout 2023. Stimulated by policies of expanding domestic demand, consumption will achieve restorative growth. The manufacturing industry is expanding to the high-value-added segments of the value chain with the support of policies. Real estate investment and sales are expected to gradually stabilize due to policy support. Exports still have certain structural opportunities.

In 2023, the policies to ensure stable growth will be strengthened and the coordination of various policies will be enhanced. Fiscal policy will focus on intensifying efforts and improving efficiency. The fiscal expenditure is expected to increase, with an optimal combination of deficits, special bonds, interest subsidies and other tools, and the central government's transfer payments to localities will also increase. Monetary policy will be more precise and targeted to maintain a reasonable and steady growth of monetary credit. More structural monetary policy tools will be available to guide financial institutions to enhance financial services in areas such as inclusive business, technological innovation and green development to ensure sustainable support for the real economy. The industrial policy will balance development and security, promote the continuous transformation and upgradation of traditional industries and the cultivation and growth of strategic emerging industries to achieve a virtuous circle of "technology-industry-finance".

In 2023, the banking sector will embrace more opportunities thanks to the marginal economic rebound. On the one hand, the increase in credit demand will be more evident, especially in the manufacturing sector and hotel, restaurant and tourism sectors, which will help the banks to expand granting of credit. On the other hand, the development of key areas such as Sannong and County Area, technological innovation, green economy and infrastructure investments related to stable growth will bring business expansion and structural optimization opportunities for the banking industry.

In 2023, the Bank will fully implement the spirit of the 20th National Congress of the CPC, proactively participate in and serve the creation of new pattern of development and support the strategy of expanding domestic demand with high-quality financial supply. First, we will deepen and diversify our financial services for rural revitalization, give priority to financial supply to rural areas and County Areas, improve our financial support to key areas including food security, the industries which will enrich the people in rural areas, and construction of rural areas with good living and working conditions, and make comprehensive contribution to building up China's strength in agriculture. Second, we will increase the amount of financing and provide comprehensive services focusing on ensuring a stable investment and boosting the consumption. We will give priority to support financing for infrastructure funds, increase medium- and long-term loans to the manufacturing sectors, and provide better financial services for the consumption and people's livelihood. Third, we will implement the monetary policy effectively, continue to improve financial services in key areas such as inclusive business for small and micro enterprises, technological innovation and green development, and enlarge the coverage and improve the precision of our financial services.

Implementation of Strategies

Since the formulation of our 14th Five-Year Plan, we have taken active actions and initiatives around the One Theme, Two Positionings and Three Major Strategies. All indicators are in line with the expected progress, key tasks have achieved milestones and landmark results, our two positionings as a leading bank serving rural revitalization and a major bank serving the real economy have been further highlighted, the three major strategies of Sannong and County Areas, green finance and digital operation have been accelerated, and financial support for key sectors and weak links in the real economy have been continuously enhanced. We achieved high-quality development of our own while contributing to high-quality development of the economy.

The quality and effectiveness of services for Sannong and County Areas were notable. We increased support for key areas such as food security, development of rural industries and rural construction; launched innovative featured products such as loans granted to rural collective economic organizations, loans for rural habitat improvement, and Huinong E-loan; and deepened the construction of digital scenes such as smart animal husbandry and “funds, resources and assets” management. Loans to Sannong and County Areas achieved the goals of “two higher-than, two improvements and one stability”, and the breadth and depth of financial services continued to expand. As of the end of 2022, the balance of loans to County Areas was RMB7.33 trillion, representing an increase of 17.9% as compared to the end of the previous year, which was 2.8 percentage points higher than the growth rate of that of the Bank.

The green finance business was enhanced in quality and performance. We entered into cooperation agreements with the Ministry of Ecology and Environment and the National Energy Administration, etc., established a pool of major green finance projects, promoted the innovation of diversified products such as green bonds, green syndicated loans, green M&A loans and ESG-themed financial products, and significantly improved the quality and effectiveness of our services for green development. We pragmatically promoted our own energy conservation and carbon emission reduction, carried out a group-wide carbon emission inventory in an orderly manner, and vigorously promoted green offices and green travel. As of the end of 2022, the balance of green credit was RMB2,697.5 billion, representing an increase of 36.4% as compared to the end of the previous year, which was 21.3 percentage points higher than the growth rate of that of the Bank.

The digital transformation was advancing in depth. The principal tasks and core construction goals of major projects for digital transformation were completed. The scale and effectiveness of application of key projects continued to expand. The application effect of digital products such as “smart customer reception”, “smart customer holding” and “smart customer connection” continued to increase. The formation of the new data-driven model of customer expansion and operation has been accelerated. The framework of disaster recovery, production and operation, cyber security and data security system has been established and therefore the system support capability for our financial security was significantly improved. As of the end of 2022, the number of monthly active users (MAU) of our mobile banking amounted to 172 million, ranking the first among peers in terms of existing customers and new customers.

The capability to serve high-quality development continued to improve. The business operation system of “improving retail banking”, “innovating corporate banking” and “optimizing treasury operations” was further improved, and the working mechanisms of synergies among regions, businesses, and between the Group and its subsidiaries as well as the domestic and overseas institutions were further strengthened, which have effectively supported the high-quality development of the real economy. The growth rate of the medium- and long-term loans to the manufacturing industry, loans to strategic emerging industries and inclusive loans to small and micro enterprises was respectively higher than the average growth rate of loans across the Bank. We established deep cooperation with over two-thirds specialized and sophisticated “little giant” enterprises that produce new and unique products.

Risk control and case prevention were strengthened. We developed risk response plans and underpinning programs for key areas, prudently and defused risks related to real estate and related local government debts through targetted efforts, took multiple measures to resolve and dispose of risks in key areas, thereby maintaining the stable quality of our credit assets. As of the end of 2022, the non-performing loan ratio decreased to 1.37%. We carried out “Compliance Education Year” activities, investigated and managed case risks in key areas and continuously improved the “four-in-one” prevention system for internal control and compliance.

Discussion and Analysis

Financial Statement Analysis

Income Statement Analysis

In 2022, the Bank achieved a net profit of RMB258,688 million for the year, representing an increase of RMB16,752 million, or 6.9% as compared to the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Growth rate (%)
Net interest income	589,966	577,987	11,979	2.1
Net fee and commission income	81,282	80,329	953	1.2
Other non-interest income	54,251	63,430	(9,179)	-14.5
Operating income	725,499	721,746	3,753	0.5
Less: Operating expenses	274,023	260,275	13,748	5.3
Credit impairment losses	145,267	165,886	(20,619)	-12.4
Impairment losses on other assets	59	114	(55)	-48.2
Operating profit	306,150	295,471	10,679	3.6
Share of result of associates and joint ventures	66	409	(343)	-83.9
Profit before tax	306,216	295,880	10,336	3.5
Less: Income tax expense	47,528	53,944	(6,416)	-11.9
Net profit	258,688	241,936	16,752	6.9
Attributable to:				
Equity holders of the Bank	259,140	241,183	17,957	7.4
Non-controlling interests	(452)	753	(1,205)	-160.0

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 81.3% of the operating income in 2022. Our net interest income was RMB589,966 million in 2022, representing an increase of RMB11,979 million as compared to the previous year, among which, the increase in volume and changes in interest rates resulted in an increase of RMB67,212 million and a decrease of RMB55,233 million in net interest income, respectively. Our net interest margin and net interest spread were 1.90% and 1.73% respectively, representing decreases of 22 and 23 BPs respectively, primarily due to the decrease in average yield of interest-earning assets as the Bank continued to grant interest concession to the real economy and the increase in average cost of the interest-bearing liabilities due to the market environment.

The table below presents the average balance, interest income/expense, and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2022			2021		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	18,616,462	761,827	4.09	16,396,903	694,009	4.23
Debt securities investments ¹	8,264,804	277,557	3.36	7,283,225	252,804	3.47
Non-restructuring-related debt securities	7,880,577	266,999	3.39	6,898,990	242,742	3.52
Restructuring-related debt securities ²	384,227	10,558	2.75	384,235	10,062	2.62
Balances with central banks	2,273,182	34,494	1.52	2,230,582	34,726	1.56
Amounts due from banks and other financial institutions ³	1,857,129	34,669	1.87	1,326,895	26,475	2.00
Total interest-earning assets	31,011,577	1,108,547	3.57	27,237,605	1,008,014	3.70
Allowance for impairment losses ⁴	(778,144)			(693,989)		
Non-interest-earning assets ⁴	1,494,646			1,538,232		
Total assets	31,728,079			28,081,848		
Liabilities						
Deposits from customers	22,874,532	388,546	1.70	20,482,267	329,593	1.61
Amounts due to banks and other financial institutions ⁵	2,775,872	59,951	2.16	2,045,524	40,727	1.99
Other interest-bearing liabilities ⁶	2,536,605	70,084	2.76	2,148,719	59,707	2.78
Total interest-bearing liabilities	28,187,009	518,581	1.84	24,676,510	430,027	1.74
Non-interest-bearing liabilities ⁴	1,094,193			1,223,364		
Total liabilities	29,281,202			25,899,874		
Net interest income		589,966			577,987	
Net interest spread			1.73			1.96
Net interest margin			1.90			2.12

- Notes: 1. Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized cost.
2. Restructuring-related debt securities include the receivable from the MOF and the special government bonds.
3. Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
4. The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the period.
5. Amounts due to banks and other financial institutions primarily include deposits from banks and other financial institutions, placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.
6. Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.

Discussion and Analysis

The table below presents the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	90,829	(23,011)	67,818
Debt securities investments	32,964	(8,211)	24,753
Balances with central banks	646	(878)	(232)
Amounts due from banks and other financial institutions	9,898	(1,704)	8,194
Changes in interest income	134,337	(33,804)	100,533
Liabilities			
Deposits from customers	40,635	18,318	58,953
Amounts due to banks and other financial institutions	15,773	3,451	19,224
Other interest-bearing liabilities	10,717	(340)	10,377
Changes in interest expense	67,125	21,429	88,554
Changes in net interest income	67,212	(55,233)	11,979

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest Income

We achieved interest income of RMB1,108,547 million in 2022, representing an increase of RMB100,533 million as compared to the previous year, which was primarily due to an increase of RMB3,773,972 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB67,818 million, or 9.8%, to RMB761,827 million as compared to the previous year, which was primarily due to an increase in the scale of loans and advances to customers.

The table below presents the average balances, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

Item	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	10,137,788	397,225	3.92	8,919,710	364,488	4.09
Short-term corporate loans	3,007,512	104,531	3.48	2,633,532	95,786	3.64
Medium- and long-term corporate loans	7,130,276	292,694	4.10	6,286,178	268,702	4.27
Discounted bills	636,982	9,657	1.52	300,719	7,584	2.52
Retail loans	7,400,635	343,274	4.64	6,709,545	313,225	4.67
Overseas and others	441,057	11,671	2.65	466,929	8,712	1.87
Total loans and advances to customers	18,616,462	761,827	4.09	16,396,903	694,009	4.23

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In 2022, the interest income of the Bank from debt securities investments increased by RMB24,753 million to RMB277,557 million as compared to the previous year, which was primarily due to an increase in the scale of debt securities investments.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB232 million to RMB34,494 million as compared to the previous year, which was primarily due to the decreased average yield of balances with central banks resulting from a decrease in the proportion of statutory deposits reserves with relatively higher yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB8,194 million to RMB34,669 million as compared to the previous year, which was primarily due to the increase in the average balance of financial assets held under resale agreements.

Interest Expense

Interest expense increased by RMB88,554 million to RMB518,581 million as compared to the previous year, which was mainly due to an increase of RMB3,510,499 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB58,953 million to RMB388,546 million as compared to the previous year, which was primarily due to an increase in the average balance of deposits from customers.

Discussion and Analysis

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

Item	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	3,570,097	91,235	2.56	2,833,037	68,774	2.43
Demand	5,440,570	58,498	1.08	5,251,761	50,131	0.95
Sub-Total	9,010,667	149,733	1.66	8,084,798	118,905	1.47
Retail deposits						
Time	7,906,059	221,256	2.80	6,624,035	189,467	2.86
Demand	5,957,806	17,557	0.29	5,773,434	21,221	0.37
Sub-Total	13,863,865	238,813	1.72	12,397,469	210,688	1.70
Total deposits from customers	22,874,532	388,546	1.70	20,482,267	329,593	1.61

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB19,224 million to RMB59,951 million as compared to the previous year, which was primarily due to an increase in the average balance of deposits from banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB10,377 million to RMB70,084 million as compared to the previous year, which was primarily due to an increase in interbank certificate of deposit.

Net Fee and Commission Income

In 2022, we generated net fee and commission income of RMB81,282 million, representing an increase of RMB953 million, or 1.2%, as compared to the previous year, among which, the custodian and other fiduciary service fees increased by 12.4% as compared to the previous year, which was mainly due to the fast growth of assets under custody.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	10,296	11,094	(798)	-7.2
Consultancy and advisory fees	11,979	11,644	335	2.9
Agency commissions	23,965	23,677	288	1.2
Bank card fees	15,760	15,435	325	2.1
Electronic banking service fees	26,772	30,476	(3,704)	-12.2
Credit commitment fees	1,979	1,980	(1)	-0.1
Custodian and other fiduciary service fees	4,308	3,832	476	12.4
Others	459	583	(124)	-21.3
Fee and commission income	95,518	98,721	(3,203)	-3.2
Less: Fee and commission expenses	14,236	18,392	(4,156)	-22.6
Net fee and commission income	81,282	80,329	953	1.2

Other Non-interest Income

In 2022, other non-interest income amounted to RMB54,251 million, representing a decrease of RMB9,179 million as compared to the previous year. In particular, the net trading gain fell by RMB8,722 million, which was primarily due to a decrease in net trading gain on derivative financial instruments; net gain on financial investments fell by RMB9,126 million, which was primarily due to a decrease in net gain on financial instruments at fair value through profit or loss; and other operating income rose by RMB8,520 million, which was primarily due to an increase in the foreign exchange gains related to foreign exchange business and the gains on translation of foreign currency monetary assets and liabilities.

Composition of Other Non-interest Income

In millions of RMB

Item	2022	2021
Net trading gain	5,519	14,241
Net gain on financial investments	5,909	15,035
Net gain on derecognition of financial assets measured at amortized cost	160	11
Other operating income	42,663	34,143
Total	54,251	63,430

Operating Expenses

In 2022, our operating expenses increased by RMB13,748 million to RMB274,023 million as compared to the previous year; cost-to-income ratio increased by 1.17 percentage points to 31.63% as compared to the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2022	2021	Increase/ (decrease)	Growth rate (%)
Staff costs	146,547	137,953	8,594	6.2
General operating and administrative expenses	61,861	61,558	303	0.5
Insurance benefits and claims	34,770	30,988	3,782	12.2
Depreciation and amortization	20,865	19,797	1,068	5.4
Taxes and surcharges	6,525	6,606	(81)	-1.2
Others	3,455	3,373	82	2.4
Total	274,023	260,275	13,748	5.3

Discussion and Analysis

Credit Impairment Losses

In 2022, our credit impairment losses were RMB145,267 million, among which impairment losses on loans decreased by RMB28,031 million to RMB140,968 million as compared to the previous year.

Income Tax Expense

In 2022, our income tax expense decreased by RMB6,416 million, or 11.9%, to RMB47,528 million as compared to the previous year. The effective tax rate was 15.52%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Reports

We assessed our performance and determined the allocation of resources based on the segment reports. Segment information had been presented in the same manner with that of internal management and reporting. At present, we manage our segments from the aspects of business lines, geographical regions and the County Area Banking Business.

The table below presents our operating income by business segment during the periods indicated.

In millions of RMB, except for percentages

Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	277,544	38.3	269,899	37.4
Retail banking business	355,348	49.0	318,402	44.1
Treasury operations	44,436	6.1	85,942	11.9
Other business	48,171	6.6	47,503	6.6
Total operating income	725,499	100.0	721,746	100.0

The table below presents our operating income by geographic segment during the periods indicated.

In millions of RMB, except for percentages

Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	(12,124)	(1.7)	35,518	4.9
Yangtze River Delta	160,848	22.2	144,528	20.0
Pearl River Delta	113,162	15.6	107,394	14.9
Bohai Rim	106,753	14.7	98,191	13.6
Central Region	121,558	16.8	107,196	14.9
Western Region	156,305	21.5	154,202	21.3
Northeastern Region	25,998	3.6	24,413	3.4
Overseas and others	52,999	7.3	50,304	7.0
Total operating income	725,499	100.0	721,746	100.0

Note: Please refer to "Note IV. 39 Geographical Operating Segments to the Consolidated Financial Statements" for details of geographic segments.

The table below presents our operating income from the County Area Banking Business and Urban Area Banking Business during the periods indicated.

In millions of RMB, except for percentages

Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	317,780	43.8	294,995	40.9
Urban Area Banking Business	407,719	56.2	426,751	59.1
Total operating income	725,499	100.0	721,746	100.0

Balance Sheet Analysis

Assets

At 31 December 2022, our total assets amounted to RMB33,927,533 million, representing an increase of RMB4,858,378 million, or 16.7%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB2,528,383 million, or 15.4%; financial investments increased by RMB1,300,120 million, or 15.8%; cash and balances with central banks increased by RMB227,724 million, or 9.8%; deposits and placements with and loans to banks and other financial institutions increased by RMB465,771 million, or 70.0%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements increased by RMB334,550 million, or 39.9%, which was primarily due to an increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	19,765,745	–	17,175,073	–
Less: Allowance for impairment losses on loans	782,859	–	720,570	–
Loans and advances to customers, net	18,982,886	56.0	16,454,503	56.6
Financial investments	9,530,163	28.1	8,230,043	28.3
Cash and balances with central banks	2,549,130	7.5	2,321,406	8.0
Deposits and placements with and loans to banks and other financial institutions	1,131,215	3.3	665,444	2.3
Financial assets held under resale agreements	1,172,187	3.5	837,637	2.9
Others	561,952	1.6	560,122	1.9
Total assets	33,927,533	100.0	29,069,155	100.0

Loans and Advances to Customers

At 31 December 2022, our total loans and advances to customers amounted to RMB19,765,745 million, representing an increase of RMB2,590,672 million, or 15.1%, as compared to the end of the previous year.

Discussion and Analysis

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	19,294,060	97.8	16,709,573	97.5
Corporate loans	10,741,230	54.4	9,168,032	53.5
Discounted bills	1,007,548	5.1	424,329	2.5
Retail loans	7,545,282	38.3	7,117,212	41.5
Overseas and others	428,661	2.2	426,179	2.5
Sub-Total	19,722,721	100.0	17,135,752	100.0
Accrued interest	43,024	—	39,321	—
Total	19,765,745	—	17,175,073	—

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	3,075,421	28.6	2,613,749	28.5
Medium- and long-term corporate loans	7,665,809	71.4	6,554,283	71.5
Total	10,741,230	100.0	9,168,032	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,800,124	16.7	1,497,847	16.3
Production and supply of electricity, heating, gas and water	1,136,482	10.6	1,017,210	11.1
Real estate ¹	839,621	7.8	830,457	9.1
Transportation, storage and postal services	2,326,448	21.7	2,092,461	22.8
Wholesale and retail	613,076	5.7	493,538	5.4
Water, environment and public utilities management	872,432	8.1	716,090	7.8
Construction	345,311	3.2	291,573	3.2
Mining	200,035	1.9	193,539	2.1
Leasing and commercial services	1,750,511	16.3	1,494,187	16.3
Finance	363,008	3.4	153,577	1.7
Information transmission, software and IT services	72,560	0.7	58,283	0.6
Others ²	421,622	3.9	329,270	3.6
Total	10,741,230	100.0	9,168,032	100.0

- Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate. Real estate loans include real estate development loans granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. At the end of 2022, the balance of real estate loans to corporate customers amounted to RMB467,039 million, representing an increase of RMB36,729 million as compared to the end of the previous year.
2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work, etc.

At 31 December 2022, the top five major industries for our corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) leasing and commercial services; (4) production and supply of electricity, heating, gas and water; and (5) water, environment and public utilities management. Aggregate loan balance of the top five major industries accounted for 73.4% of our total corporate loans, representing a decrease of 0.9 percentage point as compared to the end of the previous year.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	5,346,603	70.9	5,242,288	73.6
Personal consumption loans	193,746	2.6	175,770	2.5
Loans to private business	576,696	7.6	468,688	6.6
Credit card balances	647,651	8.6	626,783	8.8
Loans to rural households	780,362	10.3	603,392	8.5
Others	224	–	291	–
Total	7,545,282	100.0	7,117,212	100.0

At 31 December 2022, our retail loans increased by RMB428,070 million, or 6.0%, as compared to the end of the previous year. In particular, residential mortgage loans increased by 2.0% as compared to the end of the previous year, primarily due to the increase in granting of residential mortgage loans to satisfy the rigid and improvement-oriented housing demands of residents; personal consumption loans increased by 10.2% as compared to the end of the previous year, which was primarily due to the scenario-based and Internet-based transformation of personal consumption loans business; loans to private business increased by 23.0% as compared to the end of the previous year, primarily due to the increase in inclusive loans; loans to rural households increased by 29.3% as compared to the end of the previous year, primarily due to the relatively rapid increase in Huinong E-loan.

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	607,244	3.1	313,295	1.8
Yangtze River Delta	4,730,796	24.0	4,088,464	23.8
Pearl River Delta	3,234,190	16.4	2,839,822	16.6
Bohai Rim	2,746,965	13.9	2,461,253	14.4
Central Region	3,092,798	15.7	2,664,937	15.6
Northeastern Region	634,482	3.2	592,710	3.5
Western Region	4,247,585	21.5	3,749,092	21.8
Overseas and others	428,661	2.2	426,179	2.5
Sub-Total	19,722,721	100.0	17,135,752	100.0
Accrued interest	43,024	–	39,321	–
Total	19,765,745	–	17,175,073	–

Financial Investments

As at 31 December 2022, our financial investments amounted to RMB9,530,163 million, representing an increase of RMB1,300,120 million or 15.8% as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB1,279,613 million, as compared to the end of the previous year, which was primarily due to an increase in investment in government bonds and policy bank bonds.

Discussion and Analysis

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	8,780,056	93.6	7,500,443	92.7
Restructuring-related debt securities	384,223	4.1	384,231	4.7
Equity instruments	122,393	1.3	114,544	1.4
Others	92,009	1.0	93,794	1.2
Sub-Total	9,378,681	100.0	8,093,012	100.0
Accrued interest	151,482	—	137,031	—
Total	9,530,163	—	8,230,043	—

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	5,622,143	64.0	4,760,965	63.4
Bonds issued by policy banks	1,868,323	21.3	1,557,354	20.8
Bonds issued by other banks and financial institutions	793,174	9.0	710,759	9.5
Bonds issued by entities in public sectors	241,508	2.8	238,604	3.2
Corporate bonds	254,908	2.9	232,761	3.1
Total	8,780,056	100.0	7,500,443	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

Remaining Maturity	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	17	—	32	—
Less than 3 months	326,850	3.7	255,381	3.4
3–12 months	990,908	11.3	900,411	12.0
1–5 years	2,920,434	33.3	2,952,095	39.4
More than 5 years	4,541,847	51.7	3,392,524	45.2
Total	8,780,056	100.0	7,500,443	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	8,340,248	94.9	7,190,104	95.9
USD	347,389	4.0	249,096	3.3
Other foreign currencies	92,419	1.1	61,243	0.8
Total	8,780,056	100.0	7,500,443	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	522,057	5.6	460,241	5.7
Debt investments at amortized cost	7,170,257	76.4	6,249,598	77.2
Other debt instrument and other equity investments at fair value through other comprehensive income	1,686,367	18.0	1,383,173	17.1
Sub-Total	9,378,681	100.0	8,093,012	100.0
Accrued interest	151,482	–	137,031	–
Total	9,530,163	–	8,230,043	–

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, commercial banks and financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 31 December 2022, the balance of financial bonds held by the Bank was RMB2,661,497 million, including bonds of RMB1,868,323 million issued by policy banks and bonds of RMB793,174 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 31 December 2022.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance ¹
2022 policy bank bond	70,520	3.18%	2032/03/11	–
2021 policy bank bond	50,962	3.38%	2031/07/16	–
2020 policy bank bond	49,365	3.74%	2030/11/16	–
2020 policy bank bond	46,984	3.79%	2030/10/26	–
2022 policy bank bond	46,770	3.06%	2032/06/06	–
2021 policy bank bond	46,692	3.30%	2031/11/05	–
2021 policy bank bond	41,681	3.52%	2031/05/24	–
2021 policy bank bond	40,494	3.22%	2026/05/14	–
2022 policy bank bond	40,381	2.90%	2032/08/19	–
2022 policy bank bond	34,330	2.91%	2029/02/21	–

Note: 1. Allowance in this table refers to allowance for impairment losses in stage II and stage III, not including allowance for impairment losses in stage I.

Liabilities

At 31 December 2022, our total liabilities increased by RMB4,605,286 million, or 17.3%, to RMB31,253,082 million as compared to the end of the previous year. In particular, deposits from customers increased by RMB3,213,913 million, or 14.7%. The deposits and placements from banks and other financial institutions increased by RMB879,462 million, or 46.0%, mainly due to an increase in deposits from banks and other financial institutions. The financial assets sold under repurchase agreements increased by RMB7,746 million or 21.5%. The debt securities issued increased by RMB361,741 million, or 24.0%, which was primarily due to the issuance of interbank certificate of deposit and Tier-2 capital bonds.

Discussion and Analysis

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	25,121,040	80.4	21,907,127	82.2
Deposits and placements from banks and other financial institutions	2,792,933	8.9	1,913,471	7.2
Financial assets sold under repurchase agreements	43,779	0.1	36,033	0.1
Debt securities issued	1,869,398	6.0	1,507,657	5.7
Other liabilities	1,425,932	4.6	1,283,508	4.8
Total liabilities	31,253,082	100.0	26,647,796	100.0

Deposits from Customers

At 31 December 2022, the balance of deposits from customers of the Bank increased by RMB3,213,913 million, or 14.7%, as compared to the end of the previous year to RMB25,121,040 million. In terms of customer structure, the proportion of retail deposits increased by 0.5 percentage point to 60.6%, as compared to the end of the previous year. In terms of maturity structure, the proportion of demand deposits decreased by 3.9 percentage points to 48.5%, as compared to the end of the previous year.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	24,602,463	99.5	21,479,255	99.5
Corporate deposits	9,032,456	36.5	8,001,650	37.1
Time	3,572,373	14.4	2,667,190	12.4
Demand	5,460,083	22.1	5,334,460	24.7
Retail deposits	14,977,766	60.6	12,970,450	60.1
Time	8,470,655	34.2	6,993,575	32.4
Demand	6,507,111	26.4	5,976,875	27.7
Other deposits ¹	592,241	2.4	507,155	2.3
Overseas and others	134,971	0.5	116,198	0.5
Sub-Total	24,737,434	100.0	21,595,453	100.0
Accrued interest	383,606	—	311,674	—
Total	25,121,040	—	21,907,127	—

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	63,008	0.3	99,289	0.5
Yangtze River Delta	6,042,492	24.4	5,228,107	24.2
Pearl River Delta	3,554,960	14.4	3,023,021	14.0
Bohai Rim	4,316,180	17.4	3,787,784	17.5
Central Region	4,144,186	16.8	3,676,925	17.0
Northeastern Region	1,231,680	5.0	1,094,526	5.1
Western Region	5,249,957	21.2	4,569,603	21.2
Overseas and others	134,971	0.5	116,198	0.5
Sub-Total	24,737,434	100.0	21,595,453	100.0
Accrued interest	383,606	–	311,674	–
Total	25,121,040	–	21,907,127	–

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	13,385,031	54.1	12,380,970	57.4
Less than 3 months	2,161,199	8.7	1,838,380	8.5
3–12 months	3,804,033	15.4	3,120,029	14.4
1–5 years	5,378,056	21.7	4,240,028	19.6
More than 5 years	9,115	0.1	16,046	0.1
Sub-Total	24,737,434	100.0	21,595,453	100.0
Accrued interest	383,606	–	311,674	–
Total	25,121,040	–	21,907,127	–

Quality of Liabilities

During the reporting period, the regulatory indicators and limits related to six aspects elements of liability quality management of the Bank fully complied with the requirements of internal and external rules and regulations in every aspect. The deposits from customers kept growing stably, laying a solid foundation for our liability sources. We strengthened the match between products and services with customer demands, and improved the diversity of the liability structure. We strengthened the management of liquidity risk, interest rate risk and exchange rate risk to continuously improve the matching between liabilities and assets in term, currency, interest rate, exchange rate and other dimensions. We coordinated the planning of issuing financial bonds and tier-2 capital instruments and obtained liabilities more actively. We refined the interest rate pricing mechanism, monitored and alerted the liability cost changes in time and reasonably controlled the liability cost. We reinforced the application and standardized management of financial technologies to assure the authenticity of liability items.

Shareholders' Equity

At 31 December 2022, our shareholders' equity amounted to RMB2,674,451 million, representing an increase of RMB253,092 million, or 10.5%, as compared to the end of the previous year. Net assets per ordinary share were RMB6.37, representing an increase of RMB0.50 as compared to the end of the previous year.

Discussion and Analysis

The table below presents the composition of shareholders' equity at the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	349,983	13.1	349,983	14.5
Other equity instruments	440,000	16.5	360,000	14.9
Capital reserve	173,426	6.5	173,428	7.2
Investment revaluation reserve	35,354	1.3	34,927	1.4
Surplus reserve	246,764	9.2	220,792	9.1
General reserve	388,600	14.5	351,616	14.5
Retained earnings	1,032,524	38.6	925,955	38.2
Foreign currency translation reserve	1,761	0.1	(2,096)	(0.1)
Non-controlling interests	6,039	0.2	6,754	0.3
Total	2,674,451	100.0	2,421,359	100.0

Off-balance Sheet Items

Off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, assets and liabilities management and business on behalf of customers. The Bank's contingent liabilities and commitments include credit commitments, capital expenditure commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of off-balance sheet items and comprise loan commitments, bank acceptances, letters of guarantee and guarantees, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	415,641	17.2	459,900	22.0
Bank acceptances	702,237	29.1	414,934	19.9
Letters of guarantee and guarantees	329,420	13.7	304,238	14.6
Letters of credit	167,876	7.0	165,639	7.9
Credit card commitments	797,219	33.0	743,594	35.6
Total	2,412,393	100.0	2,088,305	100.0

Other Financial Information

Changes in Accounting Policies

There were no significant changes in accounting policies during the reporting period.

Differences between the Consolidated Financial Statements Prepared under IFRSs and those Prepared under CASS

There were no differences between the net profit or shareholders' equity in the Consolidated Financial Statements of the Bank prepared under IFRSs and the corresponding figures prepared in accordance with CASS.

Other Financial Indicators

		Regulatory Standard	31 December 2022	31 December 2021	31 December 2020
Liquidity ratio ¹ (%)	RMB	≥25	64.21	62.01	59.15
	Foreign Currency	≥25	235.12	138.94	122.98
Percentage of loans to the largest single customer ² (%)		≤10	2.59	2.44	4.07
Percentage of loans to the top ten customers ³ (%)			13.54	11.67	12.58
Loan migration ratio ⁴ (%)	Normal		1.30	1.10	1.39
	Special mention		25.77	20.23	31.86
	Substandard		46.35	57.43	33.92
	Doubtful		6.03	13.66	12.20

- Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.
 2. Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.
 3. Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.
 4. Calculated in accordance with relevant regulations of the CBIRC.

Business Review

Corporate Banking

During the reporting period, we actively made contributions to the stabilization of the overall economy, continuously increased support for major national strategies and key areas of the real economy, cultivated new growth drivers of the digital transformation, established a new integrated service model, and improved our comprehensive financial service capability and customer satisfaction, so as to promote the high-quality development of our corporate banking business. At the end of 2022, the balance of domestic corporate deposits amounted to RMB9,032,456 million, representing an increase of RMB1,030,806 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB11,748,778 million, representing an increase of RMB2,156,417 million as compared to the end of the previous year. The loans granted to projects in our major marketing project pool this year amounted to RMB819.4 billion. At the end of 2022, we had 9,364.9 thousand corporate banking customers, among which 411.5 thousand customers had outstanding loan balances, representing an increase of 50.9 thousand customers as compared to the end of the previous year.

- We implemented the national strategy of building a manufacturing power. Persisting in the financial services for manufacturing industry as the key focus to support the real economy, we continuously improved our financial service system in terms of the top-level designs, policies and resources support and product and service model innovation. We continued to increase financial supply, especially focusing on key sectors such as advanced manufacturing, high-end equipment manufacturing, optimization and upgrade of traditional industries and quality and efficiency improvement of consumer goods industry, with a relatively rapid increase of loans granted to the manufacturing industry. At the end of 2022, the balance of loans granted to the manufacturing industry (based on the use of loans) increased by RMB555.0 billion as compared to the end of the previous year, which was 2.04 times of the increase of the previous year. Among which, the medium- and long-term loans granted to the manufacturing industry increased by RMB264.9 billion or 52.8% as compared to the end of the previous year, while the loans granted to high-tech manufacturing industries such as electronics and communication equipment, computer, pharmaceutical and aerospace equipment increased by 47.7% as compared to the end of the previous year.
- We served national strategies of regional development. We took advantages of our omni-channel, full range of products and multiple licenses to comprehensively serve national strategies of regional development, such as Coordinated Development of the Beijing-Tianjin-Hebei Region, Integrated Development of the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle, with an increase of over RMB1.2 trillion in loans to corporate customers in 2022.
- We stepped up the financial services for science and technology startups. We actively built an integrated financial service system which integrates “investment, loan and service” for science and technology startups, introduced differentiated support measures in terms of rating, guarantee and credit lines, and launched a variety of exclusive products such as online scenes, government credit enhancement, investment and loan linkage, and synergies between corporate and retail businesses. We provided total-factor, full-cycle and full-ecology high-quality financial services for specialized and sophisticated “little giant” enterprises that produce new and unique products, and established in-depth cooperative relationships with more than two-thirds of specialized and sophisticated “little giant” enterprises that produce new and unique products. At the end of 2022, the balance of loans to strategic emerging industries reached RMB1.24 trillion, representing an increase of over RMB380.0 billion as compared to the end of the previous year.
- We supported the development of private enterprises. We introduced a number of measures to relieve the difficulty faced with private enterprises, continuously optimized credit policies, increased financial supply, accelerated product innovation, and strengthened mechanism guarantee, with the quality and efficiency of financial services for private enterprises continuously improved. At the end of 2022, the number of private enterprises with outstanding loan balances reached 384.5 thousand, and the balance of loans was RMB3,040,906 million.

- We promoted the digital transformation. We promoted the optimization and construction of corporate customers marketing management system. We built a series of digital marketing management tools focusing on targeted chain marketing, hierarchical and classified management for corporate customers, and value enhancement for key corporate customers. We accelerated the layout of scenes in transportation, tourism, industry chain and pension finance, and continued to enrich the application of online credit, transaction banking, pension and other products. The number of active customers for corporate online banking and corporate mobile banking increased by 1,190.9 thousand and 1,148.2 thousand, respectively.

Transaction Banking

We continued to improve the transaction banking system based on accounts and payment settlement. Focusing on key areas, industries and customers, we strengthened product innovation, accelerated online penetration, deepened differentiated integrated marketing, and increased traffic through scenes, so as to push forward the high-quality development of transaction banking business.

- Making full use of scientific and technological innovation, we proactively expanded service channels for opening corporate accounts, optimized the account opening process and system functions, and publicized account services through multiple dimensions, to constantly improve our account service level. We carried out the establishment of a classified and graded management system for corporate accounts, rationally matched account functions and continuously enhanced risk prevention and control. At the end of 2022, the Bank had 9,831.2 thousand corporate RMB-denominated settlement accounts, with the RMB-denominated corporate settlement transaction volume of RMB862.59 trillion in 2022.
- We achieved whole-process online services in terms of domestic non-financing electronic guarantees with low risk, and completed the promotion of E-guarantee across the Bank. We innovatively launched the capital supervision platform "Smart Cloud (智雲)" to achieve "full-amount + full-process" real-time supervision over the capitals of major construction projects. We optimized and upgraded our smart guaranteed payment and provided industry scene application solutions to provide comprehensive financial service for multiple types of customers, such as E-commerce platforms. At the end of 2022, we had 4,508.6 thousand active transaction banking customers.

Institutional Banking

Adhering to the customers-centered principle, we promoted the smart construction and improved the customer service efficiency to promote the high-quality development of institutional banking. At the end of 2022, we had 618.7 thousand institutional customers, representing an increase of 58.9 thousand as compared to the end of the previous year.

- In terms of financial services provided to the governments, we comprehensively connected with state-level and provincial-level service platforms for government affairs, and cooperated with 85% prefecture-level service platforms for government affairs, providing inquiry and handling for government affairs in over 10 thousand branch outlets and at over 20 thousand machines. The independently developed "Smart County" application has been launched in 50 counties in 16 provinces to make smart government affairs available in county areas and empower smart governance of grassroots governments.
- In terms of fiscal and social security, we actively served the integration of national fiscal budget management, and became the first agent bank whose relevant platform construction passed the MOF's acceptance. We served medical insurance informatization reform, with the qualification for cooperation in mobile payment of medical bills under medical insurance and the scale of customers with electronic certificates for medical insurance ranking first in banking industry.
- In terms of services to people's livelihood, we cooperated with over 32 thousand schools on our smart campus, and over five thousand hospitals on our smart hospital.
- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to over 64.55 million, representing an increase of 7.80 million as compared to the end of the previous year.

Discussion and Analysis

Investment Banking

Persisting in serving the real economy, we accelerated product innovation and continued to improve the “financing + financing intelligence” service solutions to meet the diversified financing needs of customers. In 2022, the income from our investment banking business was RMB9,866 million.

- We actively met the needs of customers for diversified financing. Focusing on key areas related to stabilizing growth, we met large-amount financing needs of our customers and projects through syndicated loans, with the balance exceeding RMB2 trillion, maintaining a leading position in the market. We helped enterprises in M&A and restructuring, as well as in improving industrial structure, with our balance of M&A loans ranking among the top in banking industry. We effectively supported the direct financing for Sannong, green finance and other fields. The underwriting volume of rural revitalization bonds and green bonds ranked first and second in the market, respectively.
- We promoted business innovation continuously. We promoted the spectrum-oriented construction of ABC Science and Technology Innovation Fund, which had invested in several projects of specialized and sophisticated enterprises that produce new and unique products. We actively built a four-wheel-driven financial service system for science and technology innovation, including “stock option arrangement advisor + private equity fund + empowerment-oriented loan + listing cultivation advisor”. We underwrote the innovative bonds introduced by the National Association of Financial Market Institutional Investors (NAFMII), including the first batch of science and technology innovation notes, and the first batch of transition notes in the market.
- We innovatively launched index-based investment and research tools. We and China Central Depository & Clearing Co., Ltd. jointly compiled and developed the first customized rural revitalization bond index for banks. The index focused on the asset allocation of rural revitalization, and the sample covered all kinds of bonds with funds raised explicitly for the purpose of rural revitalization, so as to channel more social funds to the key areas of rural revitalization.

Retail Banking

In 2022, adhering to the “people-centered” development philosophy, we deeply implemented the development strategy of “One Main Body with Two Wings” for retail banking, enhanced our capability of refined customer services, pushed forward “broad wealth management” and digital transformation, continuously strengthened the financial supply for rural revitalization, actively provided better financial services for new urban residents, and made great efforts to meet the various financial needs of the people. At the end of 2022, the total number of our retail banking customers reached 862 million, maintaining a leading position in banking industry.

- **We refined customer services.** To meet customers’ needs, we deepened the construction of the “three-dimensional matrix” customer management system that is multi-level, grouped and graded. We strengthened the multi-level services, and enriched star-level rights and interests to better accompany the growth of customers. We carried out customer-grouped operations, focused on five strategic customer groups and tailored financial service solutions to meet their differentiated financial needs. We implemented graded management of customer managers and established the “Xiangyang” graded growth training system to enhance professional competence and win customer satisfaction.
- **We optimized and strengthened the “broad wealth management”.** We carefully selected high-quality wealth management, fund, insurance, precious metals and other products and continued to enrich our full-spectrum selective product pool. We provided excellent asset allocation services, accelerated the deployment of pension finance and other fields, strove to meet the life-cycle wealth management needs of customers and duly performed our duty as family finance advisors. We built a professional and multi-layered “broad wealth management” service team to improve our professional customer services capabilities.
- **We demonstrated data value continuously.** Focusing on data empowerment, we strengthened the precise identification, promoted the application of new channels and tools such as smart outbound calls and “smart customer reception”, and provided accurate, differentiated and convenient online financial services to customers. We deepened the application of new technologies, improved the “smart brain for retail business”, realized function iteration of digitization tool, strengthened the system and data interconnection, and built an online and offline integrated business model.

- **We served the people's livelihood with every effort.** We strengthened the financial supply for rural revitalization by assigning vanguards to villages for providing services to villagers and promoting "rural revitalization" specialized Yinliduo, Huinong wealth management and other exclusive products. We served new urban residents with every effort, devoted greater effort for the promotion of products such as "Gongxin Bao" and "Zhufu Card", initiated pilot promotion of Delivery Driver Card and Business Card, providing exclusive inclusive financial services. We actively developed the third pillar personal pension business, which was at the forefront of the market in terms of policy, system, products and customer services.

Retail Deposits

- Adhering to the customers-centered principle, we continued to enrich our product system and optimize the service processes to meet customers' diversified wealth management needs such as savings, investment and wealth management, and achieved sustained and steady growth in retail deposits.
- At the end of 2022, the balance of domestic retail deposits reached RMB14,977,766 million, representing an increase of RMB2,007,316 million as compared to the end of the previous year, remaining the leading position in banking industry.

Retail Loans

- Focusing on making contributions to the stabilization of the overall economy, and serving the real economy and domestic demand expansion and consumption promotion, we continued to increase retail loans. At the end of 2022, the balance of retail loans increased by RMB428,070 million as compared to the end of the previous year, taking a leading position in banking industry.
- We adhered to the position that houses are for living in, not for speculation, increased and accelerated the granting of retail residential mortgage loans, and actively met the residents' purchasing and improvement demand for housing for non-investment purpose to promote the steady and healthy development and virtuous cycle of the real estate industry. At the end of 2022, the balance of retail residential mortgage loans increased by RMB104,315 million as compared to the end of the previous year, taking a leading position in banking industry.
- Focusing on serving people's livelihood, we pushed forward the scene-sensitive and Internet-based transformation of our retail consumption loans business model. We continued to tap the potential of consumption market in county and rural areas, and promoted the enhancement of the quality and effectiveness of financial services for consumers in county areas. In 2022, we granted personal consumption loans of RMB262,162 million, including RMB126,083 million granted to customers in County Areas.
- Focusing on serving the market entities, we strengthened credit financing support for the inclusive customer groups. We comprehensively implemented the policies of "fee reduction and interest concession, benefiting enterprises and the people", and improved the effectiveness of measures to relieve the difficulty faced with private enterprises. At the end of 2022, the balance of loans to private business increased by RMB108,008 million as compared to the end of the previous year, recorded highs in both the amount of loans newly granted and the amount increased.

Bank Card Business

- We enhanced the innovation of debit cards. We launched Delivery Driver Card and Business Card in collaboration with Meituan to improve financial services to delivery drivers and small and micro merchants. We carried out a variety of debit card marketing activities, jointly built the marketing brand "Fans' Festival" with UnionPay, and organized a number of promotion activities involving catering, supermarkets for the convenience and benefit of the people. We fully implemented the policies of "fee reduction and interest concession", further waived inter-bank fees for cash withdrawal in rural areas, and continued to waive inter-bank ATM cash withdrawal fees for all debit cards. At the end of 2022, we had 1,066 million existing debit cards, and 38,201.9 thousand debit cards were newly issued in 2022.

Discussion and Analysis

- We upgraded key products such as Nation's Greatest Treasures Card, Pretty Mother Card, and Youran Joy Platinum Card, built the activity brand "Affectionate", continued to carry out marketing activities, such as "Affectionate Companion", "Affectionate Benefit", "Prime Membership Day", "Automobile Festival" and "Home Decoration Festival" to penetrate into the consumption scenes of clothing, food, housing, transportation and entertainment in an all-round way. We strengthened the marketing cooperation with top internet platforms, and deepened the development of the membership system so as to continuously improve the customer experience with the use of cards. We actively served rural revitalization, vigorously promoted credit cards for rural revitalization, and launched 127 special marketing activities for car installment and 165 "Home Decoration Festivals" in county areas. The transaction volume of credit cards for the year amounted to nearly RMB2.2 trillion.

Private Banking Business

- We implemented the "On-the-Wing Initiative" for private banking business, accelerated the transformation and upgrade of customer service model and continued to strengthen the comprehensive marketing service for private banking customers. We strengthened the building of professional teams and customer service system for private banking business, and accelerated the construction of private banking centers at the Head Office level and wealth management center at branch level. We steadily developed the high-end wealth management business, and persisted in the promotion of steady asset allocation. The scale of family trust business increased by RMB30.1 billion as compared to the end of the previous year. We greatly developed public welfare financial services, and implemented several charitable trusts with strong social influence such as Yuan Longping Charitable Trust, taking a leading position in banking industry in terms of the increase of scale of charitable trusts.
- At the end of 2022, the number of our private banking customers reached 200 thousand and the balance of assets under management amounted to RMB2.2 trillion, representing an increase of 30 thousand customers and RMB0.36 trillion, respectively, as compared to the end of the previous year.

Treasury Operations

Treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the real economy, focused on promoting high-quality development, made contribution to stabilization of the overall economy, and supported the green and low-carbon development. We flexibly adjusted investment strategies and strengthened flow operations on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We strengthened our research on monetary policies and forecasts of market liquidity, comprehensively used various financing instruments such as placement and lending, repurchases, certificates of deposit and deposits to smoothen liquidity fluctuations and reasonably allocated maturing funds to improve the efficiency of fund utilization on the basis of ensuring the security of our liquidity.
- In 2022, the volume of RMB-denominated financing transactions amounted to RMB166,311,622 million, including RMB165,834,384 million in lending and RMB477,238 million in borrowing.

Investment Portfolio Management

At 31 December 2022, our financial investments amounted to RMB9,530,163 million, representing an increase of RMB1,300,120 million or 15.8% as compared to the end of the previous year.

Trading Book Activities

- We maintained the leading position among comparable banks in respect of both the bond market-making business and the bond trading business in the inter-bank market. We proactively expanded the scale of market-making for green bonds to serve the real economy and support green development. We focused on serving the opening-up of the bond market, and our transaction volume of Bond Connect exceeded RMB700 billion in 2022, maintaining a leading position in the market.
- We continuously improved the management capability of bond trading portfolio. In 2022, the overall yields of domestic bond market were range-bound, with increased volatility. We dynamically adjusted the positions of portfolio considering the market trend, and used interest rate derivatives to reasonably manage the portfolio market risks.

Banking Book Activities

- We maintained our investment in government bonds and optimized the investment structure of credit bonds. We served the national regional strategies and macro policies, supported the infrastructure construction in transportation, power, energy and other sectors, vigorously supported the funding needs of green industries and green projects, and supported financing for information, technology and other strategic emerging industries.
- We reasonably seized the investment opportunities and dynamically adjusted the structures of investment portfolios by considering the market rate trend and pace of bond supply, through which we reduced portfolio risks and achieved high returns.

Asset Management

Wealth Management

In 2022, we actively implemented the requirements of rectification for existing wealth management business and steadily promoted net worth transformation of our wealth management business. At the end of 2022, the balance of the Group's wealth management products amounted to RMB1,933,155 million, of which RMB157,434 million was generated from the Bank and RMB1,775,721 million was generated from Agricultural Bank of China Wealth Management Co., Ltd.

Wealth Management Products of the Bank

During the reporting period, all of the existing wealth management products of the Bank were non-principal guaranteed wealth management products. At the end of 2022, the balance of our non-principal guaranteed wealth management products amounted to RMB157,434 million, representing a decrease of RMB91,888 million as compared to the end of the previous year. In terms of offering approach, the balance of publicly offered wealth management products reached RMB157,434 million, representing a decrease of RMB90,782 million as compared to the end of the previous year; the balance of privately offered wealth management products amounted to zero, representing a decrease of RMB1,106 million as compared to the end of the previous year.

Discussion and Analysis

The table below presents the issuance, maturity and duration of wealth management products of the Bank during the reporting period.

In 100 million of RMB, except for tranches

Item	31 December 2021		Issuance		Maturity		31 December 2022	
	Tranche	Amount	Tranche	Amount	Tranche	Amount	Tranche	Amount
Non-principal guaranteed wealth management	54	2,493.22	–	12,568.90	45	13,586.93	9	1,574.34

Note: The amount of maturity includes redemption and maturity amount of wealth management products during the reporting period; net worth wealth management products were measured at net assets on 31 December 2022.

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management business as of the date indicated.

In 100 million of RMB, except for percentages

Item	31 December 2022	
	Amount	Percentage (%)
Cash, deposits and interbank certificates of deposit	333.83	19.9
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	20.00	1.2
Debt securities	698.27	41.6
Non-standardized debt assets	458.94	27.3
Other assets	167.32	10.0
Total	1,678.36	100.0

Wealth Management Products of Agricultural Bank of China Wealth Management Co., Ltd.

At the end of 2022, the balance of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB1,775,721 million. These were all net worth wealth management products, among which publicly offered wealth management products accounted for 99.2% while privately offered wealth management products accounted for 0.8%.

Custody Service

- We successfully achieved the custodianship of the largest central enterprise's Infrastructure Publicly Offered REITs in terms of market scale. The number of initially offered public funds under custody ranked top in the market. The number and scale of the individual pension FOF under custody both led in the banking industry. We implemented the first batch of custody business of wealth management pension, and won several bids for annuity custodianship projects of central enterprises and provincial state-owned enterprises. The insurance assets under custody exceeded RMB5 trillion and the pension funds under custody exceeded RMB1 trillion.
- At the end of 2022, our assets under custody amounted to RMB13,919,028 million, representing an increase of 11.8% as compared to the end of the previous year, of which the pension funds under custody amounted to RMB1,206,463 million, representing an increase of 28.1% as compared to the end of the previous year.

Pension

- To proactively serve the national strategy of rigorously coping with aging population and contribute to the development of a multi-layered and multi-pillar social pension insurance system, we carried out the overall layout of pension financial services. We further enriched our annuity product and achieved steady growth in the number of annuity customers and business scale.
- At the end of 2022, our pension funds under entrusted management¹ amounted to RMB203,838 million, representing an increase of 19.3% as compared to the end of the previous year.

Precious Metals

- In 2022, we traded 3,790.76 tons of gold and 17,048.29 tons of silver for our own account as well as on behalf of customers and maintained the leading position in the industry in terms of transaction volume.
- We steadily developed the precious metal leasing and lending businesses and continuously strengthened the support for entity customers of the precious metal industry chain. We effectively supported the supply of raw materials for jewelry enterprises during the peak consumption period. We deeply implemented the concept of green development and actively supported the development of green mine enterprises.

Treasury Transactions on Behalf of Customers

- We actively developed foreign exchange trading on behalf of customers. We continuously promoted the concept of exchange rate risk neutrality and provided foreign trade enterprises with spot, forward, swap and option products to help stabilize the scale and optimize the structure of foreign trade. In 2022, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD502.0 billion.
- The counter bond (Zhaishibao) business developed steadily, with our business scale maintaining a leading position in the market. In 2022, the amount of counter distribution of bonds was approximately RMB30.0 billion, greatly supporting the financing needs of local construction, green and low-carbon, rural revitalization and other areas, while providing financial products that combined safety, liquidity and profitability to investors.

Agency Insurance Business

- We seized the opportunity of bancassurance market development to achieve incremental development of business income. The agency regular insurance premium amounted to RMB33.0 billion in 2022, increased by 15.1% year-on-year, and the business structure continued to be optimized.

Agency Distribution of Fund Products

- We further deepened the cooperation with the leading fund companies, strengthened the agency distribution of publicly offered funds with relatively-low risks, proactively explored strategic fields, such as pension FOF and publicly offered REITs, and were among the first qualified institutions for selling personal pension funds. We launched the innovative internet product "Easy Investment" to provide customers with lightweight and convenient services of automatic investment plan. We strengthened whole process management of products and provided accompanying services to customers. In 2022, the number of funds distributed by the Bank amounted to 3,690, with sales volume amounting to RMB205,485 million.

¹ Including occupational annuity, enterprise annuity and other pension assets under entrusted management.

Discussion and Analysis

Agency Sales of PRC Government Bonds

- In 2022, we, as an agent, distributed 14 tranches of savings PRC government bonds with the actual sales amount of RMB33,191 million, including 6 tranches of savings PRC government bonds (in certificate form) of RMB11,480 million and 8 tranches of savings PRC government bonds (in electronic form) of RMB21,711 million.

Internet Finance

Focusing on customers' needs, we devoted efforts to establishing a user-centered online service system, took value operation of online traffic as the core, and comprehensively built an "omni-channel, all-scene and all-chain" online and offline collaborative closed-loop business ecology.

Smart Mobile Banking

We launched the 8.0 Version of Mobile Banking. Focusing on the improvement of customer experience and enhancement of the activity of mobile banking customers, we made mobile banking the main front of our online operations. At the end of 2022, we had 172 million of monthly active users (MAU) of mobile banking, representing a net increase of 19.88 million MAU as compared to the end of the previous year, ranking first in the industry in terms of existing customers and new customers.

- We refined financial products and services. We upgraded account services, asset profile display, income and expenses, and other functions to provide a multi-dimensional view and analysis of financial assets. We expanded wealth management services by launching saving PRC government bonds and the "Easy Investment" scene-sensitive fund automatic investment service.
- We launched a differentiated service system. We upgraded and optimized the rural version, large font version, accessible services version and ethnic language version of mobile banking. We created the rural revitalization channel to enhance the capabilities to connect urban and rural areas and serve Sannong. We strengthened data-driven application, implemented precise and intelligent recommendations, and provided differentiated services for segmentation customer groups.
- We established a three-dimensional business supports. We established marketing centers to support the implementation of diversified marketing activities. We created innovative instrumentalized applications, such as special urban zone, mobile banking cardless application, and smart customer identification to empower online operations of branches and realize the integrated services, such as synergy between branches and the Head Office, online and offline collaboration.

Online Corporate Banking

- We launched the corporate internet finance platform version 6.0. We upgraded the technical framework of the platform, optimized configuration center for special versions, and improved the interaction process of account-type high-frequency trading. We launched the Enterprise WeChat Bank to-do task prompt and other functions to improve the channel collaboration service ability. We launched mobile corporate banking version 4.0, which enhanced the platform support capability through online self-registration, smart customization and simplified operation steps. We upgraded "Inclusive E-Station" channel, and launched the special version of "funds, resources and assets management" to precisely meet the mobile financial needs of the Sannong and inclusive customers.
- We upgraded the "Salary Manager" service. We realized the separation of authority of human resources and finance of payroll business in financial scenes of banking industry. We developed and launched hybrid salary payment function, supporting hybrid payment of salary from digital RMB accounts and basic settlement accounts. We provided non-financial functions such as employee management, tax calculation and tax filing to create a one-stop integrated service for payroll scenes.

Smart Scene-based Finance

- We deeply explored high-frequency transactions. In terms of campuses, we accelerated iteration of headquarters' version of smart campus application to provide comprehensive financial and non-financial services such as campus payment, attendance recording and campus access control, campus notice, and homework submission. In terms of canteens, we launched the headquarters' version of canteen mini apps to provide services such as recharge, catering ordering, facial recognition payment, and meal allowance distribution. In terms of travel, we launched car owner service mini app to provide one-stop services such as car selection and purchase, ETC, parking and refueling, penalty payment and annual inspection. In terms of government affairs, we promoted the cooperation with the provincial and municipal e-government platforms by the specialized e-government zone of Mobile Banking. We established the specialized zone of social security and medical insurance services to provide diversified livelihood services such as government affairs services, electronic social security card, electronic certificate of medical insurance, and mobile payment of medical bills under medical insurance.
- We improved the service capabilities of open banking. We enriched the types and functions of external cooperation interfaces to support the wider application of financial services and the integration of scene-based services. We increased the breadth and depth of open financial cooperation by covering more areas such as government affairs, education, consumption, Sannong, and industrial chains, and providing a comprehensive solution for the industry instead of a single product interface service, and highlighted traffic-based operation and value transformation.

Digital RMB Projects

- We accelerated the expansion of digital RMB cooperation. We cooperated with customers in key industries to provide digital RMB services such as corporate wallet opening, exchange, payment, and cash concentration of "parent-child wallet". We cooperated with government platforms to provide convenient payment, corporate tax payment, personal social security payment, provident fund loan granting and other digital RMB services.
- We highlighted the role of digital RMB in Sannong. We actively promoted the application of digital RMB in Sannong-related scenes, adding digital RMB functions to the smart devices at the Huinongtong service stations, and creating China's first "digital RMB demonstration village for rural revitalization".

Cross-border Financial Services

We actively served the high-quality opening up of China, made contributions to the Regional Comprehensive Economic Partnership (RCEP) and the Belt and Road Initiative, RMB internationalization, the establishment of pilot free trade zone and Hainan Free Trade Port, and greatly supported the development of foreign trade and foreign enterprises. In 2022, the volume of international settlement by domestic branches reached USD1,615,913 million and the volume of international trade financing (including financing with domestic letters of credit) reached USD168,849 million. At the end of 2022, the total assets of our overseas branches and subsidiaries reached USD158.75 billion, and their net profit for 2022 amounted to USD0.60 billion.

- We played the role of functional platform of overseas institutions according to local conditions. At the end of 2022, we had established 22 overseas institutions and a joint-venture bank in 18 countries and regions, initially forming the cross-border financial service network covering major international and regional financial centers and countries (regions) with close bilateral exchanges.
- We optimized our cross-border integrated financial service system. We improved the quality and efficiency of trade facilitation, and handled trade facilitation business of USD80.6 billion in 2022, representing an increase of 212.4% as compared to the previous year. We broadened the financing channels for foreign trade enterprises, innovatively carried out refinancing, interbank refactoring and other businesses, and innovatively promoted the new trade financing model of "bank + credit guarantee + government guarantee". We vigorously developed insurance policy financing and the financing business based on export credit insurance grew by 92.5% in 2022.

Discussion and Analysis

We accelerated product innovation and digital transformation, and supported the development of new business model. We handled a total of USD28.2 billion of international settlement business related to new offshore international trade, overseas warehouse for cross-border e-commerce, market procurement trade, integrated foreign trade services, and bonded maintenance in 2022.

- We made our best efforts to provide cross-border financial services in key regions. Taking the opportunity that the RCEP agreement came into effect, we actively served cross-border trade and investment in the involved regions, and the volume of international settlement by domestic institutions within the RCEP region reached USD197.8 billion in 2022. We supported the enterprises' financial demands of "going global". The volume of loans, letters of guarantee, overseas bond issuance and other businesses related to "going global" amounted to USD22,384 million in 2022, and the related businesses in countries along the Belt and Road amounted to USD7,399 million. We promoted free trade ("FT") separate account business, with international settlement volume of USD80.2 billion under FT account in 2022, representing an increase of 69% as compared to the previous year. We supported the development of Hainan Free Trade Port by formulating differentiated policies, and holding the forum of "Joint Efforts between Banks and Enterprises to Build the Free Trade Port" and the promotion conference for cross-border financial services by the Bank.
- We actively developed foreign institutions customers. We organized marketing activities such as promotion conferences for foreign banks' visit into the Bank, China-Tajikistan Cross-border RMB Business, and the "Invest in China Market" video conference for foreign institutions, and implemented cooperation projects such as bond issuance, Bond Connect counterparties, account opening and CIPS indirect participation.
- We achieved rapid development of cross-border RMB business. The volume of cross-border RMB business amounted to RMB2.32 trillion in 2022. Actively playing its role as an RMB clearing bank, Dubai Branch handled RMB clearing business amounting to RMB92.1 billion in 2022, representing an increase of 157%.

Overseas Subsidiary Banks

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At the end of 2022, its total assets and net assets amounted to USD55 million and USD24 million, respectively. It recorded a net profit of USD0.64 million for 2022.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At the end of 2022, its total assets and net assets amounted to USD216 million and USD120 million, respectively. It recorded a net profit of USD6.91 million for 2022.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD0.1 billion, and we have been undertaking the dissolution procedures of Agricultural Bank of China (UK) Limited.

Integrated Operations

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management businesses. In 2022, our six subsidiaries of integrated operation (namely ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Financial Asset Investment Co., Ltd. and Agricultural Bank of China Wealth Management Co., Ltd.) focused on the Group's overall development strategy, continued to perfect the corporate governance, strengthened risk prevention and control, and deepened the synergies of the Bank and subsidiaries, and their abilities of value creation and serving the Group were continuously improved.

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management and its major fund products include stock funds, mixed funds, index funds, bond funds, monetary funds and FOF funds. At 31 December 2022, its total assets and net assets amounted to RMB4,708 million and RMB4,388 million, respectively. It recorded a net profit of RMB346 million for 2022.

ABC-CA Fund Management Co., Ltd. actively served rural revitalization and green development, with the proportion of investment in related assets increased steadily. At the end of 2022, the assets under management amounted to RMB323.2 billion, and it had 74 publicly offered funds with a scale of RMB171.9 billion. The scale of bond funds increased by 20% as compared to the end of the previous year, and its investment performance was among the top in the market. It successively won several awards, among others, "Golden Bull Fund Management Company" and "Golden Bull Remarkable Return" by *China Securities Journal*, "Star Fund Company with Positive Return and Active Equity for Five Consecutive Years" by *Securities Times*, and "Golden Fund • TOP Company Award" by *Shanghai Securities News*.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong SAR in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong SAR, including sponsorship and underwriting for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in businesses in Chinese mainland, including private fund management, financial consultation and investment. At 31 December 2022, its total assets and net assets amounted to HKD45,778 million and HKD9,864 million, respectively. It recorded a loss of HKD111 million for 2022.

ABC International Holdings Limited maintained its leading position among its comparable peers in terms of core indicators of investment banking business. In 2022, it completed 5 IPO sponsorship projects and 28 underwriting projects, ranking top in the market in terms of the number and scale of underwriting. It made new breakthroughs in investment banking product innovation. Interra Acquisition promoted by it and Primavera Capital became the fourth successfully listed SPAC in Hong Kong, and it assisted three Chinese new energy and new materials companies to complete GDR issuance on SIX Swiss Exchange.

Discussion and Analysis

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. Its principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing of controlled subsidiaries and project companies, and other businesses approved by the CBIRC. At 31 December 2022, its total assets and net assets amounted to RMB83,298 million and RMB11,155 million, respectively. It recorded a net profit of RMB662 million for 2022.

ABC Financial Leasing persisted in the characteristic positioning and the basics of leasing business, and therefore achieved stable growth in asset scale, continuous optimization of business structure and steady improvement in asset quality. It achieved positive results in serving the goals of “peak carbon emissions and carbon neutrality” and rural revitalization. At the end of 2022, the balance of green leasing assets and agriculture-related leasing assets amounted to RMB55,132 million and RMB23,088 million, respectively. It returned to basics and trends of leasing business, with the proportion of the balance of direct lease in the balance of financial leasing amounted to 44.7%, increased by 2.1 percentage points as compared to the end of the previous year.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the abovementioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the CBIRC. At 31 December 2022, its total assets and net assets amounted to RMB145,760 million and RMB7,012 million, respectively. It recorded a loss of RMB1,277 million for 2022.

With steady growth trend, ABC Life Insurance Co., Ltd. achieved a total premium income of RMB33,637 million, representing a year-on-year increase of 11.7%. The growth rate of original premium income was higher than the overall growth rate of the industry, and the growth momentum of high-value regular business remained strong, and various risks were generally controllable. It won several awards by media such as *People.cn*, *21st Century Business Herald*, and *China Securities Journal*, including the “People’s Craftsmanship Service of the Year”, the “Brand Influence Insurer of the Year”, and “Insurance Industry Investment Golden Bull Award of the Year”.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB20.0 billion, 100% of which was held by the Bank. Its principal scope of business includes: acquiring the creditor’s rights of the banks to the enterprises for the purpose of debt-to-equity swap, converting the creditor’s rights into equity and managing the equity; restructuring, transferring and disposing of the creditor’s rights that cannot be converted into equity; investing in enterprises for the purpose of debt-to-equity swap, where the invested enterprise uses all the equity investment funds to repay the existing creditor’s rights; raising funds from qualified investors according to law and regulations, issuing private asset management products to support debt-to-equity swaps; issuing financial bonds; raising funds through bond repurchase, inter-bank lending and placement, inter-bank borrowing; conducting necessary investment management for proprietary funds and raised funds, where the proprietary funds may be used for interbank deposit taking, interbank loan, purchase of national bonds or other fixed income securities and other businesses, and the use of raised funds shall conform to the purposes agreed upon in fund raising; financial advisory and consulting services related to the debt-to-equity swap business; other business approved by the banking regulatory authority of the State Council. At 31 December 2022, its total assets and net assets amounted to RMB122,293 million and RMB27,950 million, respectively. It recorded a net profit of RMB3,442 million for 2022.

ABC Financial Asset Investment Co., Ltd. focused on the primary responsibilities and core businesses of debt-to-equity swap, actively served the supply-side structural reform and the real economy, and put more emphasis on fields such as rural revitalization, green and low-carbon development, risk mitigation, scientific and technological innovation and other fields, with debt-to-equity swap investment of RMB24.87 billion for its own account for 2022.

Agricultural Bank of China Wealth Management Co., Ltd.

Agricultural Bank of China Wealth Management Co., Ltd. was established in July 2019 with a registered capital of RMB12.0 billion, 100% of which was held by the Bank. Its principal scope of business includes public offering of wealth management products to the general public, investment and management of the above-mentioned properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above-mentioned properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 31 December 2022, its total assets and net assets amounted to RMB18,799 million and RMB18,580 million, respectively. It recorded a net profit of RMB3,523 million for 2022.

2022 was the first year for the full net worth operation of wealth management business after the end of the transition period of the *Guiding Opinions regarding Asset Management Business of Financial Institutions*. It maintained a leading position in the industry in terms of assets under management through various measures, such as unleashing reform momentum, cultivating core competencies, enriching the product spectrum, and optimizing customer experience.

- Upgrading product brands. It launched the brand concept of “Steadily Guarding Value, Professionally Driving Growth” and released new product brands of “Six Xin”, namely “Anxin”, “Jiangxin”, “Tongxin”, “Hengxin”, “Jingxin” and “Shunxin”.
- Achieving significant results in serving the real economy. In terms of services for green development, the ESG-themed wealth management products reached a scale of RMB49 billion at the end of 2022. In terms of services for rural revitalization, the wealth management products under the theme of rural revitalization and Huinong reached a scale of approximately RMB50 billion at the end of 2022.
- Constantly improving the market image. It won major awards, such as Trustworthy Wealth Management Institution of Banks and 2021–2022 Excellent Wealth Management Institution of Banks held by the *Economic Observer*.

Besides, we own Agricultural Finance Co., Ltd. in Hong Kong SAR, with a share capital of HKD589 million, 100% of which is held by the Bank.

FinTech

During the reporting period, we continued to deepen the application of frontier technologies related to FinTech, further promoted the implementation of our “iABC” strategy in information technology, and continued to improve the scientific and technological support and empowerment level. In 2022, the total investment in information technology amounted to RMB23,211 million.

Focusing on FinTech Innovation

Actively responding to the accelerated evolution of technology transformation, we speeded up the transformation into a new-generation technology system, built a new digital infrastructure and an IT architecture base which were future-oriented, and deepened the application of FinTech to empower the high-quality development of business operations.

- Regarding the application of Big Data technology, we promoted in-depth data integration and common data accumulation and provided one-stop exclusive data services through the big data platform and the middle-end data platform. We launched the construction of Data Lake, and completed the pilot implementation of new technology framework featuring disaggregation of computing and storage and flow batch integration. In addition, we steadily advanced the cloud deployment of data-type applications of our branches.
- Regarding the application of cloud computing technology, we completed the construction of technology stack of “one cloud with multiple cores”, incorporating management of 40,000+ servers and hosting 1,200+ application modules. We increased IaaS, PaaS and SaaS cloud deployments, with the proportion of PaaS-based applications reaching 68%.

Discussion and Analysis

- Regarding the application of AI technology, we started the construction of a new generation of AI platform, and the computing engine performance will improve by 4–5 times. We launched the enterprise-level privacy computing platform and realized interoperability verification with third-party institutions. We made in-depth research on the trend of AI big model technology and explored application scenario for the financial industry. We promoted the construction of smart mobile banking, and improved the accuracy and personalization of services such as intelligent voice assistants, intelligent customer service, and intelligent search.
- Regarding the construction of distributed core system, we promoted the transformation to distributed architecture, with the distributed core handling more than 67% of the trading volume during the peak trading period. We established the distributed middle-end technology platform to provide technical support of high-availability, high-reliability and high-performance.
- Regarding the application of block chain technology, we launched block chain service framework 2.0, which provides diversified services of on-chain certificate and distributed digital identity authentication, and supports the application innovation in the field of on-chain payment, credit risk control and other fields.
- Regarding the application of cyber security technology, we completed the promotion and deployment of the enterprise-level network Security Operation Center (SOC) platform in the Head Office and 37 tier-1 branches and achieved the overall access of security log sources covering 28 categories, which supported the bank-wide supervision of daily network security situation.
- Regarding the application of network technology, we enabled the deployment of IPv6 for all of the bank-wide Internet applications.
- Regarding the application of Internet of Things, we initiated the bank-wide-level platform construction of Internet of Things to promote the integration of online and offline data.
- Regarding the application of robotic process automation, we built an enterprise-level platform, which was applied in credit card, finance and accounting, and operation to effectively improve the efficiency of business process execution.

Improving the Level of Guarantee of Our Business Continuity

We focused on construction of a disaster recovery system, expanded the take-over scope of disaster recovery business, improved the coverage of emergency drills, and comprehensively improved the guarantee level of business continuity.

- The construction of disaster recovery was promoted. We completed the disaster recovery construction of 537 systems/modules, equipping all the tier-1 businesses, tier-2 businesses and tier-3 businesses with the remote/local disaster recovery capacity. We completed the dual-active construction of 90 systems/modules, making all the tier-1 businesses (exclusive of host machine) dual-active of full process, and the disaster recovery system for business continuity was basically established.
- Normal and practical emergency drills were carried out. The coverage rate of drills for important system was 100%. In the emergency drills for financial information system arranged by the PBOC, our efficiency in personnel organization, technology switching and business verification was all at the advanced level in the industry.
- We deepened the integrated production, operation and maintenance platform, with monitoring coverage rate of production system reaching 100%. We launched the emergency working station and emergency dispatching platform, further improving the capabilities of fault diagnosis and rapid disposal.
- The transaction volume of production and operation grew rapidly, with the average daily transactions handled by the core system on business days reaching 1,215 million and the daily transaction peak volume reaching 1,517 million. The availability rate during major business hours of the core system was 99.99%.

Human Resources Management and Institution Management

Human Resources Management

During the reporting period, we continued to deepen the organizational reform, focusing on serving the national development strategies, implementing the regulatory requirements and in consideration of the operational management needs.

- We set up the Green Finance/Peak Carbon Emissions and Carbon Neutrality Working Committee to strengthen the strategic coordination of green finance.
- We continued to promote the digital transformation, launched the construction of digital business operation center and data center Inner Mongolia branch, so as to serve the intensification reform of operation system, and improve the technological system support and production and operation disaster recovery capacity, respectively.
- We withdrew and merged Asset Management Department, and completed the organizational adjustment during the transition period of wealth management business transformation. We renovated and established Capital Operation Center, and fully completed the rectification of non-licensed remote operational institutions.
- We served the national strategies of regional development. We set up the Rongdong Sub-branch in Rongcheng, Xiongan New Area, a branch in Jinan start-up area to replace old growth drivers with new ones and the Qingdao Jiaozhou Branch in Shandong Province to strongly support the construction of the national new economic areas.
- We strengthened establishment of institution and allocation of staff for network and data security, refined the division of functions in internal supervision and continuously improve the risk prevention and control organization system.

Management of Remuneration

During the reporting period, we formulated and adjusted our remuneration policy in strict compliance with relevant laws, regulatory requirements and corporate governance requirements of the Bank. Our overall remuneration level was determined by factors including the efficiency of the Bank, and the total annual remuneration was reviewed and approved by the Board of Directors of the Bank, as required by relevant national regulations. We formulated the annual remuneration plan in strict compliance with regulatory requirements and corporate governance requirements, according to which we managed and allocated the total remuneration of institutions at all levels under the Bank and remuneration of employees.

- The total remuneration allocated to institutions at all levels under the Bank was determined based on their operating efficiency, performance assessment results and completion status of key tasks according to our management system for total remuneration. Performance assessment indicators included but not limited to efficiency, risks, development transformation, and social responsibility indicators, which comprehensively reflected their long-term performance and risk profiles.
- Our employee remuneration policy was applied to all contracted employees. The employee remuneration primarily comprised basic salary, position salary and performance salary, which was linked to position value, employee performance assessment results, etc.
- We continued to deepen the reform of the remuneration allocation mechanism, optimize resource allocation and improve internal allocation structure, taking into account both efficiency and fairness. We promoted targeted incentives and enhanced compliance management. Our remuneration allocation strengthened incentives for strategy implementation, reform in key sectors, development of major businesses and profit-generating units, and encouraged value creation and high-quality development. At the same time, our remuneration allocation prioritized the frontline staffs at foundation-level branch outlets, consolidated our achievements in poverty alleviation, and supported rural revitalization. We continued to improve the long-term incentives and constraints through preferential incentives for key positions, skeleton talents and professional talents, to effectively promote the Bank-wide talent development.

Discussion and Analysis

Please refer to “Corporate Governance Report — Operation of Corporate Governance — Board of Directors” for the composition and authority of the nomination and remuneration committee of the Board of Directors. Please refer to “Note IV. 31 Other Liabilities (1) Staff costs payable and 6 Operating Expenses (1) Staff costs to the Consolidated Financial Statements” for the total annual remuneration and the remuneration distribution structure. Please refer to “Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management” for details of the remuneration of the Board of Directors, the senior management and employees on positions that have a significant impact on the risks of the Bank.

Information on Employees

As of the end of 2022, we had a total of 452,258 in-service employees. Among them, 752 employees were employed by our overseas branches, subsidiary banks and representative offices, and 8,615 employees were employed by the subsidiaries of integrated operations and rural banks.

Distribution of Employees by Regions

	31 December 2022	
	Number of Employees	Percentage (%)
Head Office	13,640	3.0
Yangtze River Delta	63,423	14.0
Pearl River Delta	50,300	11.1
Bohai Rim	64,118	14.2
Central Region	92,566	20.5
Northeastern Region	41,523	9.2
Western Region	117,321	25.9
Overseas Branches, Subsidiary Banks and Representative Offices	752	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,615	1.9
Total	452,258	100.0

Distribution of Employees by Education Background

	31 December 2022	
	Number of Employees	Percentage (%)
Doctorate Degree	580	0.1
Master's Degree	37,565	8.3
Bachelor's Degree	263,507	58.3
College and Vocational School	125,365	27.7
Below College	25,241	5.6
Total	452,258	100.0

Distribution of Employees by Departments

	31 December 2022	
	Number of Employees	Percentage (%)
Management	121,596	26.9
Risk Management	15,374	3.4
Finance	18,008	4.0
Administration	16,218	3.6
Sales/Marketing	142,417	31.5
Trading	462	0.1
Information Technology	10,021	2.2
Tellers/Counter Staff	70,108	15.5
Technicians	23,438	5.2
Others	34,616	7.6
Total	452,258	100.0

Note: The number of employees in risk management, finance, administration, sales/marketing, trading and information technology did not include the managers in related departments.

Distribution of Employees by Age

	31 December 2022	
	Number of Employees	Percentage (%)
30 or below	96,583	21.4
31–40	110,549	24.4
41–50	103,269	22.8
51 or above	141,857	31.4
Total	452,258	100.0

Distribution of Employees by Gender

	31 December 2022	
	Number of Employees	Percentage (%)
Male	247,110	54.6
Female	205,148	45.4
Total	452,258	100.0

Discussion and Analysis

Information on Institutions

At the end of 2022, we had 22,788 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized business institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 407 tier-2 branches, 3,329 tier-1 sub-branches, 18,959 foundation-level branch outlets and 46 other establishments. We had a total of 13 overseas branches and four overseas representative offices, including branches in Hong Kong SAR, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macao SAR and Hanoi, and representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe. Besides, we had 16 major subsidiaries, including subsidiaries with integrated operation, overseas subsidiary banks and rural banks. Details referred to “Business Review — Integrated Operations”, “Business Review — Cross-border Financial Services” and “County Area Banking Business — Rural Banks” under “Discussion and Analysis”.

Number of Domestic Branch Outlets by Regions

	31 December 2022	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office ¹	10	—
Yangtze River Delta	3,011	13.2
Pearl River Delta	2,377	10.4
Bohai Rim	3,283	14.4
Central Region	5,160	22.7
Northeastern Region	2,191	9.6
Western Region	6,756	29.7
Total	22,788	100.0

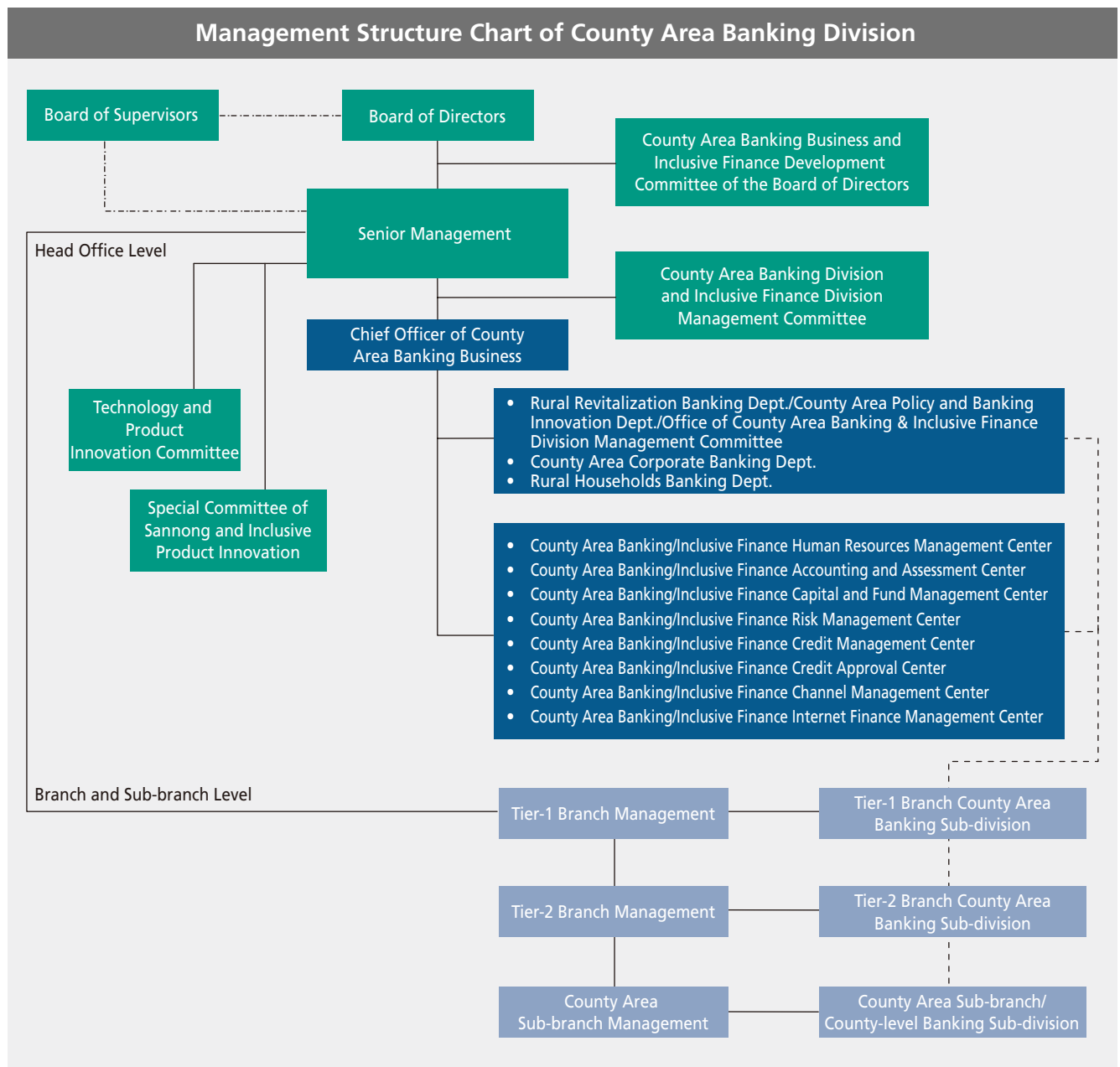
Note: 1. Organizations of the Head Office include the Head Office, Business Department of the Head Office, Capital Operation Center, Private Banking Department, Credit Card Center, Bills Business Department, Beijing Advanced-Level Training Institute, Tianjin Financial Training Institute, Changchun Financial Training Institute and Wuhan Financial Training Institute.

County Area Banking Business

Management Structure and Management Mechanism

We provide customers in county areas and rural areas with comprehensive financial services through all our branch outlets under the County Area Banking Division. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, focusing on our strategic positioning of building a leading bank serving the rural revitalization, we kept improving the operation system and mechanism of the County Area Banking Division and the capability and standard of financial services to rural revitalization, by conscientiously implementing the central government's decisions and plans on "Sannong".

Management Structure



Discussion and Analysis

Management Mechanism

During the reporting period, the Bank continued increasing the inputs of and guarantee for resources in rural revitalization key areas, and consistently optimized the policy system, through which the system and mechanism of the County Area Banking Division was further refined.

- **We increased policy and resource support to county areas.** We prioritized ensuring the scale of credit in county areas, allocated economic capital in county areas separately, and improved assessment of economic capital for giving full play to the role of capital leverage, so as to encourage branches to increase the credit supply related to agriculture loans and in county areas. We strengthened FTP preferential treatment and pricing support in county areas, so as to consolidate and build on the achievements in poverty alleviation and to promote the revitalization of rural areas.
- **We deepened the human resources reform in county areas.** We deeply promoted rural revitalization by strengthening Party building efforts. We carried out the campaign of “Financial Talents in Counties to Help Towns and Villages and Enrich People”, continuously promoted the “Double One Hundred Plan” to help cadres and talents focusing on rural revitalization. We strengthened the talent team building for rural revitalization by developing a special plan in this aspect and expanding the implementation scope of special recruitment of rural revitalization talents.
- **We refined the Sannong credit policy system.** We issued annual credit policy guidelines on Sannong, focusing on key fields in rural revitalization and specifying 25 differential support policies. We refined credit policies of agriculture-related industries, implemented differentiated region credit policies, and improved credit systems for new types of agricultural business entities and credit products systems related to agriculture.

County Area Corporate Banking Business

During the reporting period, We proactively implemented the national rural revitalization strategy. Focusing on key areas such as food security, stable production and sufficient supply of agricultural products, rural industrial development, rural construction action, digital village project, rural consumption upgrade, and reform of rural collective property institution, we continuously enhanced financial services, accelerated product innovation and digital transformation, and developed the County Area Corporate Banking Business to a new level. At the end of 2022, loans to corporate customers in county areas (excluding discounted bills) amounted to RMB3,964.5 billion, representing an increase of RMB596.1 billion as compared to the end of the previous year.

- **We continued to increase loans to key sectors in county areas.** At the end of 2022, the balance of loans relating to hog production was RMB78.5 billion, representing an increase of RMB9.9 billion as compared to the end of the previous year; the balance of rural habitat loans was RMB53.5 billion, representing an increase of RMB7.3 billion as compared to the end of the previous year; the balance of hydraulic loans was RMB439.2 billion, representing an increase of RMB28.8 billion as compared to the end of the previous year.
- **We accelerated to promote the digital transformation of County Area Corporate Banking Business.** We promoted the pilot program of “Smart Investment Attraction” and “Smart Animal Husbandry” and other county area corporate scene business. At the end of 2022, the balance of the online loans to corporate customers in county areas increased by RMB69.5 billion to RMB253.9 billion as compared to the end of the previous year.
- **We proactively carried out innovation of featured corporate financial products in county areas.** We launched products such as the smart animal husbandry loan, rural habitat loan and rural collective economic organization loan. Product innovation authority of our branches was further expanded in key areas of Sannong such as agriculture, forestry, animal husbandry and fishery, whole industrial chain of food, seed industry, county tourism, county manufacturing and counties lifted out of poverty.

County Area Retail Banking Business

During the reporting period, keeping close to the financial needs of customers in county areas, we continuously strengthened the innovation of products, channels and models. Our service capability of County Area Retail Banking Business improved steadily. At the end of 2022, the balance of loans to retail customers in county areas amounted to RMB2,958.5 billion, representing an increase of RMB279.2 billion as compared to the end of the previous year.

- **We increased loans to rural households in key sectors.** Focusing on key sectors such as rural revitalization, food security, and stable production and supply of important agricultural products, we took the initiative to go to villages and households to investigate the credit needs of rural households, enhanced credit support for industries such as planting, breeding, processing and trading, and expanded the coverage of loans to rural households.
- **We promoted the granting of “Fumin Loan”.** We kept refining the “Fumin Loan” policy and expanded the scope of granting covering 832 counties lifted out of poverty, key old revolutionary counties, large counties for oil-tea camellia cultivation, and all of Xinjiang, Tibet and Ningxia. At the end of 2022, the balance of “Fumin Loan” was RMB11.6 billion.
- **We strengthened technological empowerment to enhance the accessibility of financial services.** We continued optimizing the business system and process of Huinong E-loan, and streamlined the loan procedures, to improve the efficiency of loan processing. We developed and piloted “Huinong Internet loan”, a purely online loan product for rural households.
- **We continuously provided sound basic financial services in rural areas.** We enhanced the service capacity of the “Jinsui Huinongtong Project”. We also optimized the layout of “Huinongtong” service stations, expanded their coverage, enriched service functions, and improved the capabilities of the basic financial services.

Financial Services for Rural Revitalization

During the reporting period, we earnestly implemented the central government’s decisions and plans on Sannong, insisted on making rural revitalization and common prosperity services a top priority of our work, and increased operating resources to county areas and rural areas, so as to provide more financial resources to rural revitalization.

- **We made new breakthroughs in serving the consolidation and expansion of the achievements of poverty alleviation.** Focusing on areas lifted out of poverty, counties receiving assistance in pursuing rural revitalization and low-income population in rural areas, we implemented the requirement that poverty relief responsibilities, policies, assistance, and monitoring shall continue even after a county was removed from the poverty list, and insisted on no overall change in financial support policies, no deviation in target and no reduction in effort. At the end of 2022, the balance of loans in 832 counties lifted out of poverty was RMB1.69 trillion, representing an increase of RMB225.3 billion or 15.4% as compared to the end of the previous year; the balance of loans in key counties receiving assistance in pursuing rural revitalization was RMB314.9 billion.
- **We continued strengthening financial services in key fields in rural revitalization.** We formulated a work plan for rural revitalization during the 14th Five-Year Plan period and implemented three major campaigns to serve national food security, rural industrial development and rural construction. We, in cooperation with national ministries and commissions, built a project pool, formulated differentiated policies and innovated service models around key projects such as the revitalization of the seed industry, irrigation and water conservancy, and promoting agriculture through science and technology. At the end of 2022, the balance of loans in the key fields of food, rural industry and rural construction were RMB235.9 billion, RMB1.39 trillion and RMB1.56 trillion respectively, representing an increase of 22.5%, 22.4% and 21.6% respectively as compared to the end of the previous year.

Discussion and Analysis

- **We achieved great achievements in Sannong product innovation.** We formulated the advice on Sannong financial products innovation in 2022 to encourage branches to innovate products in light of local conditions. We launched featured products such as the national reserve forest loan, forest carbon sink loan, and pledge loan of new plant variety rights. 54 products were innovated and revised by the Head Office and branches in 2022, and featured Sannong credit products totaled to 273.
- **We further expanded the coverage of Sannong service.** We further extended the reach of the service network, and relocated 65% of new outlets to counties, urban-rural fringe, villages and towns. We continuously carried out the activity of “providing financial services to the countryside” to extend the service reach, and provided over 161 thousand mobile services in 2022. We had 197 thousand Huinongtong service stations, with a coverage rate of 94.1% in villages and towns, and had over 0.2 billion registered customers of mobile banking in county areas.
- **We intensified efforts in digital village project.** We promoted the county version of mobile banking and the digital rural cloud platform, and built a series of scenarios covering rural production, consumption and governance affairs in county areas, such as the management of rural collective capitals, resources and assets, smart animal husbandry, rural governance, smart investment attraction, smart market and smart scenic spot. At the end of 2022, 1,725 counties (districts) were contracted to the management platform for rural collective capitals, resources and assets, and 1,488 counties (districts) launched this platform.

Rural Banks

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31.00 million, 50% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB390 million and RMB66 million, respectively. It recorded a net profit of RMB3,010.8 thousand for 2022.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB237 million and RMB44 million, respectively. It recorded a net profit of RMB1,362.6 thousand for 2022.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai District, Yan'an City, Shaanxi Province, with a registered capital of RMB40.00 million, 51% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB498 million and RMB58 million, respectively. It recorded a net profit of RMB510.7 thousand for 2022.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB389 million and RMB43 million, respectively. It recorded a net profit of RMB87.1 thousand for 2022.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in April 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB0.21 billion, 51% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB720 million and RMB276 million, respectively. It recorded a net profit of RMB15,239.2 thousand for 2022.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in May 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB0.15 billion, 51% of which was held by the Bank. At 31 December 2022, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,006 million and RMB191 million, respectively. It recorded a net profit of RMB5,133.7 thousand for 2022.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	7,328,336	—	6,218,312	—
Allowance for impairment losses on loans	(324,962)	—	(286,111)	—
Loans and advances to customers, net	7,003,374	58.3	5,932,201	56.9
Intra-bank balance ¹	3,916,097	32.6	3,540,949	34.0
Other assets	1,084,438	9.1	946,065	9.1
Total assets	12,003,909	100.0	10,419,215	100.0
Deposits from customers	10,797,714	97.3	9,413,446	97.7
Other liabilities	295,986	2.7	217,721	2.3
Total liabilities	11,093,700	100.0	9,631,167	100.0

Note: 1. Intra-bank balance refers to funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfers.

Major Income Items of the County Area Banking Business

In millions of RMB, except for percentages

	2022	2021	Increase/ (decrease)	Growth Rate (%)
External interest income	291,067	259,517	31,550	12.2
Less: External interest expense	165,864	140,954	24,910	17.7
Interest income from intra-bank balance ¹	158,544	136,984	21,560	15.7
Net interest income	283,747	255,547	28,200	11.0
Net fee and commission income	31,793	30,956	837	2.7
Other non-interest income	2,240	8,492	(6,252)	-73.6
Operating income	317,780	294,995	22,785	7.7
Less: Operating expenses	115,112	104,046	11,066	10.6
Credit impairment losses	71,334	64,790	6,544	10.1
Impairment losses on other assets	17	48	(31)	-64.6
Total profit before tax	131,317	126,111	5,206	4.1

Note: 1. Interest income from intra-bank balance represents the interest income earned on funds provided by the County Area Banking Business to other business segments of the Bank through internal funds transfer pricing, which is determined based on the market interest rate.

Discussion and Analysis

Major Financial Indicators of the County Area Banking Business

			Unit: %
Item	2022	2021	
Average yield of loans	4.30	4.45	
Average cost of deposits	1.63	1.55	
Net fee and commission income to operating income	10.00	10.49	
Cost-to-income ratio	35.35	34.51	
Item	31 December 2022	31 December 2021	
Loan-to-deposit ratio	67.87	66.06	
Non-performing loan ratio	1.27	1.42	
Allowance to non-performing loans	364.99	332.10	
Allowance to loan ratio	4.65	4.71	

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring, control and reporting of main material risks in business operation through the integration of elements including risk appetite, policies and rules, organizations and systems, tools and models, data systems and risk culture in line with the principle of comprehensive coverage, whole-process management and overall participation, so as to ensure effective risk management in decision-making, implementation and supervision in the whole bank.

In 2022, the Bank gave prominence to risk prevention as ever, continuously improved its comprehensive risk management system and solidly delivered outcomes in all aspects of our risk management. In terms of credit risk, the Bank prudently managed the credit risk in key areas such as real estate and related debt of local governments. In respect of market risk, the Bank strengthened the risk scanning, early warning and penetration monitoring of market-related businesses, and conducted systematic investigations to control risk exposures. On the operational risk front, the Bank investigated and managed case risks in key areas to build a strong compliance foundation for case prevention and completed the goals of the first and second phases of the disaster recovery system construction. We prepared for the implementation of the new regulations on capital supervision and orderly promoted the project construction of new measurement methods for credit risk, market risk and operational risk.

For details of risk governance, please refer to “Corporate Governance Report — Risk Governance”.

Risk Management Rules System

In 2022, we continued to refine our risk management policies system. In terms of comprehensive risk management, we revised the Group’s risk appetite and comprehensive risk management strategy. As far as credit risk management is concerned, the Company revised the *Administrative Measures for the Management of Industry Credit Policies*, the *Measures for the Classification Management of Corporate Customers*, the *Measures for the Management of Industry Credit Limits*, the *Measures for the Credit Management of Corporate Customers*, the *Measures for the Credit Management of Group Customers*, and the *Measures for the Management of Credit Business risk Monitoring*, and formulated the *Measures for the Implementation Management of the Expected Credit Loss Approach*. In operational risk management, we revised the *Regulations on the Classification and Grading of Operational Risk*, the *Management Rules on the Monitoring and Reporting of Operational Risk*, the *Management Measures for Business Outsourcing* and *Implementation Rules for the Management of Business Outsourcing*. The Bank revised the *Information Technology Risk Management Measures* and the *Administrative Measures on Continuity of Business*. We updated risk management policies for non-retail customer ratings, industry credit limits, capital transaction and market risks, inter-bank and agency distribution business as well as information technology, and performed daily risk management.

Risk Analysis Report

Facing the complex and fluid economic and financial situation, the Bank focused on the new features and changes of the risk situation, proactively identified new risk factors and strengthened the forward-looking research of and response to various risk trends, to continuously improve the relevance, timeliness and comprehensiveness of risk analysis reports.

Discussion and Analysis

Credit Risk

Credit risk refers to the risk of economic loss arising from the failure of a counterparty to fulfill its contractual obligations. The Bank's credit risk is primarily originated from loan portfolios, investment portfolios, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In 2022, we implemented the national macro-control policies, improved the establishment of credit risk management system, strengthened the risk prevention and control in key areas, and diversified the channels for collection and disposal of non-performing loans, thus maintaining our assets quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Asset Disposal Department and various front offices, forming a credit risk management structure characterized with centralized and unified management and multi-level authorization.

Risk Management of Corporate Banking Business

We refined the credit policy system. We formulated comprehensive policies such as the annual credit policy guideline and County Area Banking and Inclusive Finance credit policy guidelines. We formulated or revised the credit policies on coal, thermal power, power grid, steel, petrifaction, coal chemical, non-ferrous metal, cement, coking, communication equipment and other industries, introduced differentiated regional credit policies, and promoted refined portfolio management.

We strengthened credit risk management in key areas. Adhering to the principle that housing is for living in and not for speculation, we implemented the requirements of real estate financial policies, focused on supporting the construction of government-subsidized housing, rental housing and ordinary commercial housing, and actively satisfied the reasonable financing needs of the real estate market. We provided financial services of "guaranteeing the delivery of property, people's livelihood and stability" to advance the stable and sound development of the real estate market. We strengthened the credit risk monitoring of group customers with large loan balances, enhanced risk monitoring of overseas branches and subsidiaries, and actively and steadily promoted the risk mitigation of large amount customers. We continuously provided financial services for the supply-side structural reform of industries with "high energy consumption and high pollution" and overcapacity, and actively supported the high-quality development of green and low-carbon transformation of such industries. We refrained from launching the campaign-style carbon reduction and introducing the "one-size-fits-all" credit policies to effectively address the credit risk that may be incidental to the green and low-carbon transformation of our customers.

We strengthened the management of special mention loans and the disposal of non-performing assets. We strengthened the management of special mention loans, enhanced risk monitoring, and effectively reduced the risk of deterioration of special mention loans. We strengthened the disposal of non-performing loans. We carried out the disposal strategies of more collection, more write-offs, more restructuring and prudent transfer in batches, optimized the disposal management mechanism, and strengthened the disposal of loans in large amount.

Risk Management of Retail Banking Business

We strengthened system construction, enriched monitoring models, optimized business processes, and continued to enhance the intelligent and refined levels of personal loan risk management. We stabilized the structure of the centralized operation center for personal loans, and provided the corresponding rating. We enriched and optimized various risk warning models, carried out post-loan visits in a centralized manner, and tightened the supervision over risk disposal. We intensified the basic management, enhanced the integration with the real estate registration system, adjusted and optimized product policies and business processes, and continuously improved the personal loan system. We launched the real-time deduction management function of overdue personal loans, promoted the application of the overdue collection management system, and improved the multi-level collection system featuring remote telephone calls, local visits and judicial litigations.

Risk Management of Credit Card Business

Adhering to a “prudent” risk appetite, we continued to promote the construction of an intelligent, differentiated, intensive and integrated credit card smart risk control system. At the pre-loan stage, we strengthened precise credit granting, deepened differentiated management of regions, products and customer groups, and improved the anti-fraud business system for credit access to effectively control incremental risks. At the loan-processing stage, we further strengthened system support, built a main line for risk management and control and risk operation, and strengthened early identification of risks to effectively manage and control existing risk exposures. At the post-disbursement stage, we improved the integrated collection system, continued to promote write-offs and asset securitization, and improved the effectiveness of collection and disposal. The quality of credit card assets continued to be at the forefront of the industry.

Risk Management of Treasury Business

We refined the risk management measures and operational specifications for treasury business, optimized the whole-process risk management mechanism, and refined the management of credit bonds before, during and after investment. We constantly monitored the risk profiles of credit customers and counterparties in relation to our existing treasury business, and dynamically adjusted the measures to address risks. Moreover, we continuously promoted the construction of the treasury business management system platform and improved the mechanism for monitoring reporting and information sharing.

Loan Risk Classification

We formulated and refined the loan risk classification management system in accordance with the *Guidelines of Credit Risk Classification* issued by the CBIRC. We assessed the possibility of repayment of loans when due and classified the loans by comprehensively taking into account of factors including the borrower’s repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment sources, etc.

We adopted two classification management systems for loans, being the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with the 12-category classification system. We conducted comprehensive evaluations of customer default risk and debt transaction risk to objectively reflect the risk level of loans. The evaluations were made with more details in preparing the annual classification policies at the beginning of every year to specify the requirements for classification standards and management of loans to core corporate customers, thus improving the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system which automatically classified risks mainly based on the length of period by which payments of principal or interest were overdue and the types of collaterals, allowing for a more objective risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, timely adjustments were made to the classification based on the risk signals mastered during credit management to reflect the loan quality objectively.

Discussion and Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	8,299,082	42.1	7,963,577	46.5
Loans secured by pledges	2,270,647	11.5	2,269,076	13.2
Guaranteed loans	2,290,351	11.6	1,910,717	11.2
Unsecured loans	6,862,641	34.8	4,992,382	29.1
Sub-total	19,722,721	100.0	17,135,752	100.0
Accrued interest	43,024	—	39,321	—
Total	19,765,745	—	17,175,073	—

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	103,332	0.52	74,359	0.43
Overdue for 91 days to 360 days (including 360 days)	54,504	0.28	52,847	0.31
Overdue for 361 days to 3 years (including 3 years)	42,584	0.22	40,886	0.24
Overdue for more than 3 years	12,419	0.06	16,829	0.10
Total	212,839	1.08	184,921	1.08

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers		Percentage of total loans	
Industry	Amount	Amount	(%)
Borrower A	Finance	88,326	0.45
Borrower B	Transportation, storage and postal services	80,540	0.41
Borrower C	Transportation, storage and postal services	47,091	0.24
Borrower D	Transportation, storage and postal services	43,121	0.22
Borrower E	Transportation, storage and postal services	38,962	0.20
Borrower F	Production and supply of electricity, heating, gas and water	37,184	0.19
Borrower G	Transportation, storage and postal services	37,097	0.19
Borrower H	Production and supply of electricity, heating, gas and water	32,500	0.16
Borrower I	Transportation, storage and postal services	31,189	0.16
Borrower J	Finance	26,567	0.13
Total		462,577	2.35

At 31 December 2022, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 2.59% of our net capital and total loans to our ten largest borrowers represented 13.54% of our net capital.

Large Exposures

During the reporting period, pursuant to the *Administrative Measures for Large Exposures of Commercial Banks* issued by the CBIRC and other relevant regulatory requirements, we further refined the organizational structure and system for large exposures management, consolidated the data basis, optimized the measurement process, upgraded system functions, carried out the measurement and monitoring of large exposures in an orderly manner, strictly implemented regulatory indicators, regularly reported the regulatory reports and management statements, and continuously improved our capability to measure and manage large exposures.

Distribution Of Loans by Five-Category Classification

In millions of RMB, except for percentages

Item	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	19,163,860	97.17	16,636,899	97.09
Special mention	287,799	1.46	253,071	1.48
Non-performing loans	271,062	1.37	245,782	1.43
Substandard	122,688	0.62	48,712	0.28
Doubtful	131,072	0.66	170,611	1.00
Loss	17,302	0.09	26,459	0.15
Sub-Total	19,722,721	100.00	17,135,752	100.00
Accrued interest	43,024	—	39,321	—
Total	19,765,745	—	17,175,073	—

At 31 December 2022, the balance of our non-performing loans was RMB271,062 million, representing an increase of RMB25,280 million as compared to the end of the previous year; and the non-performing loan ratio decreased by 0.06 percentage point to 1.37% as compared to the end of the previous year. The balance of special mention loans was RMB287,799 million, representing an increase of RMB34,728 million as compared to the end of the previous year; and special mention loans accounted for 1.46% of the total loans, representing a decrease of 0.02 percentage point as compared to the end of the previous year.

In 2022, the Bank carried out the guideline of “maintaining overall stability, ensuring coordination, implementing category-based policies and defusing risks through targeted efforts”, adhered to the systematic thinking and baseline thinking, and strengthened the group-wide integrated risk management and control. We performed the targeted risk control in major areas, improved the digital risk management and control capacity, and cemented the foundation of credit management. We strengthened the resolution of non-performing loans and kept the credit asset quality basically stable. We paid close attention to risks in major industries, regions and customers, strengthened the risk monitoring and warning against the key areas such as the real estate sector, credit business related to local governments, and group customers with large loan balances. In addition, we made pertinent management and control plans, took measures to prevent and mitigate the credit risk, and strictly adhered to the bottom line of avoiding the systematic financial risk. We reinforced the industry limit management, strengthened the management and control over special mention loans and effectively prevented, mitigated and disposed potential risks. We refined the operation mechanism for the online credit business, optimized the risk management process and policy for the online business, and strengthened the risk management and control over online loans. We promoted the construction of digital credit management platform, and solidified the data basis and system support for credit management. We implemented the disposal strategy of more collection, more write-offs, more restructuring and prudent transfer in batches. We focused on the disposal of non-performing loans in key areas and enhanced the capacity to resolve risks actively.

Discussion and Analysis

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	31 December 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	215,078	79.4	2.00	203,939	83.0	2.22
Including: Short-term corporate loans	80,187	29.6	2.61	93,620	38.1	3.58
Medium- and long-term corporate loans	134,891	49.8	1.76	110,319	44.9	1.68
Discounted bills	—	—	—	—	—	—
Retail loans	49,048	18.0	0.65	36,246	14.7	0.51
Residential mortgage loans	27,258	10.0	0.51	18,872	7.7	0.36
Credit card balances	7,948	2.9	1.23	6,179	2.5	0.99
Personal consumption loans	2,428	0.9	1.25	2,340	0.9	1.33
Loans to private business	3,769	1.4	0.65	3,009	1.2	0.64
Loans to rural households	7,624	2.8	0.98	5,822	2.4	0.96
Others	21	—	9.38	24	—	8.25
Overseas and others	6,936	2.6	1.62	5,597	2.3	1.31
Total	271,062	100.0	1.37	245,782	100.0	1.43

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	46,618	21.7	2.59	66,402	32.6	4.43
Production and supply of electricity, heating, gas and water	8,190	3.8	0.72	12,269	6.0	1.21
Real estate	46,039	21.4	5.48	28,172	13.7	3.39
Transportation, storage and postal services	18,299	8.5	0.79	17,859	8.8	0.85
Wholesale and retail	18,709	8.7	3.05	18,384	9.0	3.72
Water, environment and public utilities management	9,332	4.3	1.07	3,371	1.7	0.47
Construction	8,387	3.9	2.43	6,558	3.2	2.25
Mining	13,568	6.3	6.78	20,314	10.0	10.50
Leasing and commercial services	31,588	14.7	1.80	24,026	11.8	1.61
Finance	299	0.1	0.08	362	0.2	0.24
Information transmission, software and IT services	3,785	1.8	5.22	1,024	0.5	1.76
Others	10,264	4.8	2.43	5,198	2.5	1.58
Total	215,078	100.0	2.00	203,939	100.0	2.22

Distribution Of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head office	1,200	0.4	0.20	1,297	0.5	0.41
Yangtze River Delta	30,913	11.4	0.65	26,265	10.7	0.64
Pearl River Delta	34,503	12.7	1.07	17,463	7.1	0.61
Bohai Rim	56,958	21.0	2.07	58,562	23.8	2.38
Central Region	47,178	17.4	1.53	49,632	20.2	1.86
Northeastern Region	14,214	5.2	2.24	12,258	5.0	2.07
Western Region	79,160	29.3	1.86	74,708	30.4	1.99
Overseas and others	6,936	2.6	1.62	5,597	2.3	1.31
Total	271,062	100.0	1.37	245,782	100.0	1.43

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	2022			
	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss	Stage III	Total
1 January 2022	516,225	57,503	162,959	736,687
Transfer ¹				
Stage I to stage II	(8,989)	8,989	—	—
Stage II to stage III	—	(19,154)	19,154	—
Stage II to stage I	6,978	(6,978)	—	—
Stage III to stage II	—	7,151	(7,151)	—
Originated or purchased financial assets	214,451	—	—	214,451
Remeasurement	(23,641)	46,764	72,488	95,611
Repayment and transfer-out of normal loans and special-mention loans	(129,855)	(13,431)	—	(143,286)
Repayment and transfer-out of non-performing loans	—	—	(25,646)	(25,646)
Write-offs	—	—	(57,584)	(57,584)
31 December 2022	575,169	80,844	164,220	820,233

- Notes: 1. For details of the three-stage impairment model, please refer to "Note IV. 17 Loans and advances to customers to the Consolidated Financial Statements".
2. The table includes the allowance for impairment losses on loans measured at fair value through other comprehensive income.

Discussion and Analysis

Market Risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises, but not limited to, interest rate risk, exchange rate risk, stock price risk and commodity price risk. The market risks which the Bank is exposed to primarily include interest rate risk, exchange rate risk and commodity price risk. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, the Risk Management Department, the Asset and Liability Management Department and other departments (institutions) bearing market risks.

In 2022, we continued to strengthen the Group's market risk management and the whole-process risk management and control of our financial market business. We closely monitored market trends, promptly conducted proactive analysis of risks in interest rate, exchange rate and commodity price, enhanced penetration monitoring capabilities, strengthened market risk prevention and control in key areas to strictly prevent external shocks and risk contagion. We solidly promoted the establishment of the market risk control platform, improved the intelligence level of the market risk management system, continuously optimized market risk measurement models and systems, and further improved the function of market risk capital requirement measurement. We conducted stress tests for market-related business and proactively prevented extreme market changes from affecting our financial market business.

Our market risk exposure limits are classified into directive limits and indicative limits. We classified all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodity positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book through various approaches such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing.

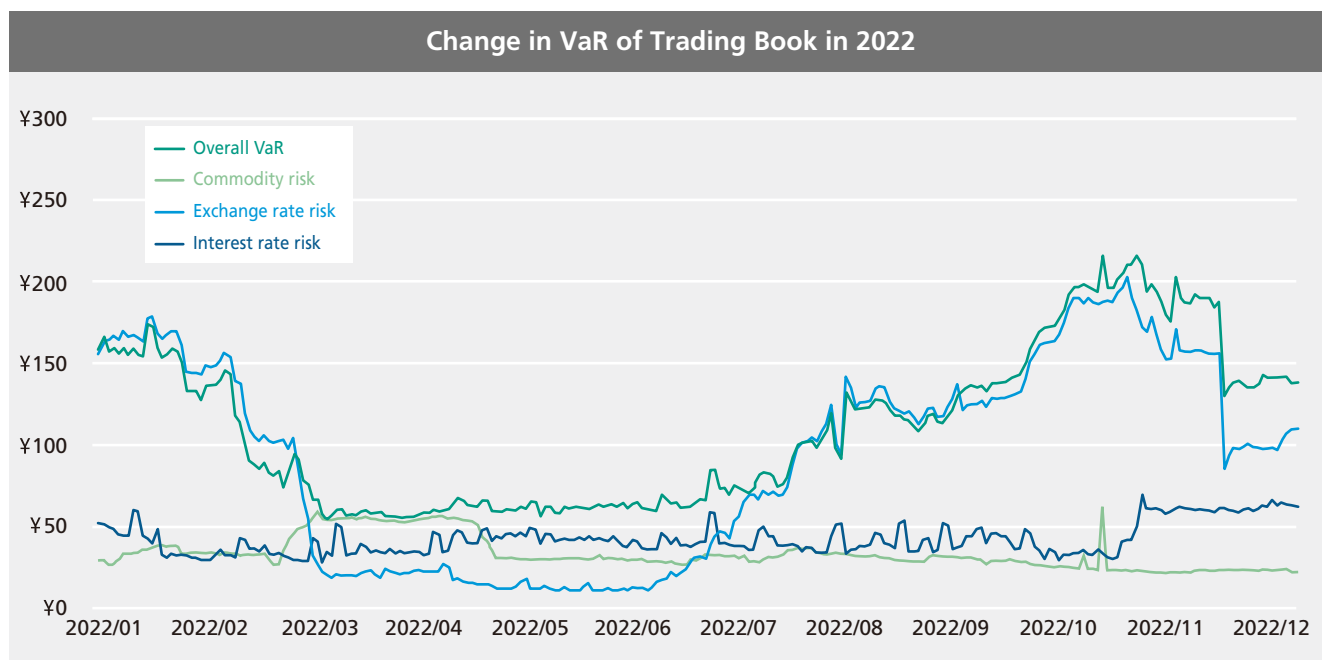
We adopted a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

VaR Analysis for the Trading Book

In millions of RMB								
Item	2022				2021			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	63	43	70	29	53	67	99	36
Exchange rate risk ¹	110	93	203	11	149	190	289	35
Commodity risk	23	34	62	22	44	83	136	21
Overall VaR	138	112	216	55	150	210	307	87

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

In millions of RMB



During the reporting period, the scale of bond portfolio declined slightly as compared to that of 2021, thus the VaR of interest rate risk was lower than that in the previous year. The gold portfolio exposure was kept small and the VaR of exchange rate risk was lower than that of the same period of the previous year; the silver portfolio exposure was lower than that of the same period of the previous year and the VaR of commodity risk declined slightly.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of technical measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book and overall income to suffer losses. The interest rate risk of the banking book of the Bank mainly comes from the mismatch of maturity or repricing periods of assets and liabilities which are sensitive to interest rate in the banking book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

In 2022, the Bank paid attention to the macroeconomic and interest rate trends closely, implemented the prudential management strategy for the interest rate risk of the banking book and adjusted the asset-liability duration structure in a forward-looking manner to achieve a reasonable balance between risks and returns. The Bank reinforced the support for key fields and vulnerable fields of the real economy, optimized the internal and external pricing strategy and achieved a prudential, coordinated and sustainable growth of assets and liabilities. The Bank optimized the limit system for interest rate risk, strengthened the transmission of the interest rate risk strategy, optimized the interest rate risk management system and model continuously and improved refined management. During the reporting period, the stress test results indicated all interest rate risk indicators of the Bank were within the scope of regulatory requirements and management targets and the interest rate risk of the banking book remained controllable on the whole.

Discussion and Analysis

Interest Rate Risk Analysis

At 31 December 2022, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB612,497 million, representing a decrease of RMB231,893 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1-3 months	3-12 months	Sub-Total of 1 year and below	1-5 years	Over 5 years	Non-interest earning
31 December 2022	(7,916,628)	1,131,350	6,172,781	(612,497)	(1,855,309)	4,896,869	(14,137)
31 December 2021	(6,739,001)	1,022,100	4,872,511	(844,390)	(554,215)	3,539,307	2,949

Note: Please refer to "Note IV. 44.3 Market risk to the Consolidated Financial Statements" for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

	31 December 2022		31 December 2021	
Movements in basis points	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	(43,292)	(59,146)	(37,792)	(39,264)
Decreased by 100 basis points	43,292	59,146	37,792	39,264

The interest rate sensitivity analysis above indicates the movements within the next 12 months in net interest income and other comprehensive income under various interest rate conditions, assuming that there is a parallel shift in the yield curve and without taking into account any risk management measures probably adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities at 31 December 2022, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB43,292 million and RMB59,146 million, respectively.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from currency mismatches of assets and liabilities of banks. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by assets and liabilities (the "non-trading exchange rate risk"), which could hardly be avoided in operations.

In 2022, the Bank regularly performed the exchange rate exposure monitoring, exchange rate sensitivity analysis and stress testing, and further refined the exchange rate risk measurement. We also flexibly adjusted the exchange rate risk exposure in the trading book, and maintained the stable exposure in the non-trading exchange rate risk and exchange risk exposure was controlled within the reasonable range.

Exchange Rate Risk Analysis

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2022, the mid-point rate of RMB against USD depreciated accumulatively by 5,889 basis points or 9.24%. As at the end of 2022, the foreign exchange exposure of on- and off-balance sheet financial assets/liabilities of the Bank was USD9,069 million.

Foreign Exchange Exposure

	31 December 2022		31 December 2021	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	58,857	8,451	66,079	10,364
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	4,306	618	(3,454)	(542)

Note: Please refer to "Note IV. 44.3 Market risk to the Consolidated Financial Statements" for more details.

Exchange Rate Sensitivity Analysis

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		31 December 2022	31 December 2021
USD	+5%	77	224
	-5%	(77)	(224)
HKD	+5%	1,470	1,484
	-5%	(1,470)	(1,484)

The non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the on- and off-balance sheet exchange rate exposure at the end of the reporting period, the profit before tax of the Bank will increase (or decrease) by RMB77 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfill other payment obligations and satisfy other funding needs in the ordinary course of business. The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor's default, difficulty in asset realization, weakening financing ability, etc.

Discussion and Analysis

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee and the senior management; the execution system comprises liquidity management department, asset and liability business department and information and technology department, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

Liquidity Risk Management Objectives

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in economic and financial situation, monetary policies and market liquidity, continued to monitor our bank-wide liquidity condition, anticipated the change trend, and strengthened the asset-liability matching management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of proactive liabilities instruments to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system and improved the level of our electronic management.

Stress Testing Situation

Based on the market condition and operation practice, we set liquidity risk stress scenarios based on full consideration of various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

In 2022, the internal and external liquidity situations faced by the Bank were complicated and ever-changing. The monetary policies in major developed economies were tightened, global economic growth slowed and inflation maintained at a high level. The domestic economy saw stable recovery, but the foundation for recovery was not yet solid. We faced a number of challenges in liquidity risk management, such as increased volatility of liabilities, the growth of long-term assets, which puts certain pressure on the maturity mismatch management and structural optimization of assets and liabilities, and the increased difficulty in balancing liquidity, security and profitability.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. As of the end of 2022, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 64.21% and 235.12%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2022 increased by 0.1 percentage point to 132.1% as compared to the previous quarter. As of the end of 2022, the net stable funding ratio was 129.6%, with available stable funding of RMB23,577.1 billion in numerator and the required stable funding of RMB18,195.0 billion in denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as of the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
31 December 2022	28,091	(14,851,083)	1,055,881	(851,713)	158,614	1,075,518	13,361,537	2,438,081	2,414,926
31 December 2021	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651

Note: Please refer to "Note IV. 44.2 Liquidity risk to the Consolidated Financial Statements" for more details.

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix I Liquidity Coverage Ratio Information" and "Appendix III Net Stable Funding Ratio Information", respectively.

Operational Risk

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, from employees or information technology system related factors, or from external affairs, including legal risk, but not including strategy risk or reputational risk.

We consolidated the foundation of operational risk management. We prudently determined operational risk appetite, adjusted specific management strategies, deepened the application of management tools, and perfected the matrix operational risk management system. We also upgraded the operational risk management system to promote the connection between systems and data sharing. We identified and evaluated operational risk events to promote risk management responsibilities in place. In preparation for the implementation of new operational risk standards, we confirmed and cleaned historical loss data, and propelled third-party verification in an orderly manner.

We strengthened operational risk management in key areas. We incorporated model risk in operational risk and standardized the life cycle model management, to strengthen the management and control over model risk. While strengthening the production and operation management of information systems, we coped with the impact of external factors on business continuity. We deepened the construction of a case prevention monitoring and early warning platform, a smart anti-fraud platform and a digital compliance platform, carried out case risk investigation regularly. We bettered the management process of outsourcing business and beefed up risk management and control.

Legal Risk Management

Legal risk refers to any risk of banks suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

Discussion and Analysis

In 2022, we continued the construction of Agricultural Bank of China under the rule of law to further promote law-based governance. Specifically, we provided legal support for Sannong and inclusive finance, and innovated the digital transformation business, to serve major projects and key businesses efficiently. We promoted the implementation of the *Personal Information Protection Law*, and strengthened the legal protection of intellectual property rights, to boost the financial services to the real economy in an all-round way. We made best efforts to “bring all legal actions so long as they meet the threshold for standing”, improved the diversified dispute resolution mechanism, and strengthened the rights protection of collection. Moreover, we prudently handled sensitive and major legal disputes, prevented and eliminated major risks, and actively safeguarded the rights and interests of the Bank. We further improved the legal risk management mechanism and realized closed-loop legal risk management. We enhanced legal risk management in comprehensive and international business to build an integrated domestic and overseas legal risk management mechanism of the Group. We took solid steps to promote the publicity and education on the rule of law as well as the culture of rule by law throughout the Bank, and organized a bank-wide legal knowledge competition to raise the awareness and capability of the rule of law among all staff.

Reputational Risk

Reputational risk refers to the risk resulting from negative feedback from related stakeholders, the public and the media due to the operation of the Bank's institutions, behavior of employees or external events, thus damaging the brand value, causing adverse impact on normal operation, and even affecting market stability and social stability.

In 2022, the Bank steadily promoted the normalized construction of reputational risk management and strengthened the whole-process management of reputation risk. The Bank improved its basic management system, perfected the mechanism for handling reputational risk, and carried out bank-wide reputation risk simulation drills. By making these efforts to improve the Group's prevention and control of reputational risk. Furthermore, we monitored and addressed the public opinions at important time points and key events, promptly investigated and rectified the prominent problems, and ensured effective retrospective management of reputation events.

Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses to the Bank in that country or region or other losses to the Bank.

We managed country risk through tools and approaches such as country risk rating, limit control, exposure monitoring, provision for asset impairment and stress testing. In 2022, in response to changes in the external situation, we timely evaluated country risk and made adjustments to country risk ratings and limits. Taking into full account the impact of country risk on our assets quality, we made full provision for asset impairment.

Risk Consolidated

In 2022, we continued to improve the risk consolidation management of the Group by improving the mechanism of risk consolidation management, strengthening risk monitoring of subsidiaries and enhancing the level of automated management. We continued to guide our subsidiaries to revise and improve their risk appetite statements and risk management policies respectively, optimize their quantitative indicators for risk appetite, and add risk limit indicators; raised additional policy requirements in key areas, such as market business penetration risk management and counterparty risk management. We closely tracked the impact of market fluctuations on our subsidiaries' investments in large categories of assets, assessed risk development trend, and proposed risk response measures in a timely manner. We also completed the Group risk isolation assessment and further strengthened the risk isolation measures.

In addition, the Bank incorporated climate risk into its comprehensive risk management system. For details of climate risk management, please refer to “Information on Environmental, Social and Corporate Governance — Green Finance”.

Capital Management

During the reporting period, we implemented our capital plan for 2022–2024 in accordance with the requirements of the *Administrative Measures for the Capital of Commercial Banks (Provisional)*, fulfilled the restriction and guidance functions of capital on business, enhanced the capacity of internal and external capital replenishment and improved our long-term mechanism of capital management, so that we promoted high-quality development of business operations to maintain capital adequacy ratio stable.

We continued to enhance the construction of the internal capital adequacy assessment process (ICAAP), broaden the scope of assessment coverage and enhance the level of assessment refinement. We completed the internal capital adequacy assessment for 2022, carried out the specific audit of ICAAP for 2022, and continuously optimized the ICAAP working mechanism to strengthen the foundation for capital and risk management. As one of the Global Systemically Important Banks and National Systematically Important Banks, we gradually enhanced retest mechanism for the recovery and disposal plan in accordance with regulatory requirements and constantly improved capabilities of risk warning and crisis management to reduce our risk spillover in the crises and strengthen the foundation for financial stability. We closely followed regulatory trends and studied the plan for satisfying Total Loss Absorption Capacity (TLAC) requirements to lay a solid foundation for compliance and enhance our risk resistance capability.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to the requirements of the CBIRC.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. On the basis of capital replenishment with retained profits, we proactively developed external resources for capital replenishment. We consolidated the capital foundation, optimized the capital structure and reasonably controlled the capital cost.

In February 2022 and September 2022, we issued RMB50.0 billion and RMB30.0 billion of write-down undated capital bonds in the National Interbank Bond Market, respectively. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our additional Tier 1 capital.

In June 2022, September 2022 and March 2023, we issued RMB60.0 billion, RMB70.0 billion and RMB70.0 billion of Tier 2 capital bonds in the National Interbank Bond Market, respectively. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our Tier 2 capital.

Management of Economic Capital

During the reporting period, we constrained total capital, optimized asset structure, improved the level of refined management, and reasonably controlled the growth of risk-weighted assets. We optimized the full-process control mechanism for the economic capital allocation, monitoring and appraisal, highlighted the transmission of business strategic objective, and increased the support for economic capital in key areas such as Sannong and County Areas, rural revitalization, inclusive finance, green credit and the manufacturing industry to improve the accuracy and effectiveness of capital management policy transmission.

Capital Adequacy Ratio and Leverage Ratio

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2022 Capital Adequacy Ratio Report* published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Bank. For details of the leverage ratio of the Bank, please refer to “Appendix II Leverage Ratio Information”.

Information on Environmental, Social and Corporate Governance

Relying on our traditional strengths in areas such as inclusive finance and green finance, we have promoted the deep integration of the sustainable development concept with our business management, and have been committed to building an Environmental, Social and Corporate Governance (ESG) management system with a sound governance structure, sound management mechanism and adequate information disclosure.

The Board of Directors is responsible for formulating our sustainable development strategies and objectives, evaluating the related risks and implementation of the strategies. The Strategic Planning and Sustainable Development Committee assists the Board of Directors in formulating and evaluating the sustainable development strategies and objectives. The County Area Banking Business and Inclusive Finance Development Committee, the Risk Management and Consumers' Interests Protection Committee, and the Related Party Transactions Management Committee consider core ESG issues such as County Area Banking Business and inclusive finance, consumers' interests protection, and related party transactions according to their respective responsibilities. The Green Finance/Peak Carbon Emissions and Carbon Neutrality Committee, the Consumers' Interests Protection Committee and the County Area Banking & Inclusive Finance Division Management Committee have been set up under the Senior Management, which are responsible for the management of the respective ESG issues, such as green finance, consumers' interests protection, County Area Banking Business and inclusive finance.

The Bank promoted ESG construction on the basis of corporate governance, clarified the ESG governance responsibilities of the Board of Directors and its special committees. We incorporated the ESG work into the work report of the Board of Directors and its work plan, comprehensively reported the progress of ESG work to the Board of Directors and the Strategic Planning and Sustainable Development Committee, and enabled the Board of Directors to fully play its role of leading the strategic deployment and decision-making by gradually expanding the scope of consideration or reporting on key ESG issues. Attaching great importance to communication with stakeholders, the Bank has established a multi-channel information disclosure coordination mechanism including regular reports, social responsibility reports, green finance development reports, official websites, and all media. The Bank explored and carried out information disclosure practices featuring ESG localization and ABC characteristic to actively demonstrate the Bank's ESG development performance to the public. In 2022, MSCI upgraded the Bank's ESG rating from "BBB" to "A".

Green finance

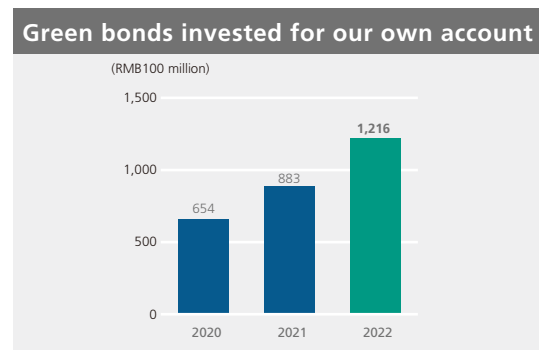
We identified green finance as one of our three major strategies. In 2022, the Bank, closely following the national decisions and plans of peak carbon emissions and carbon neutrality, strengthened the top-level design of green finance, accelerated the green transformation of investment and financing, optimized the green finance policy system, and promoted product innovation. Moreover, the Bank established a diversified green financial product and service system including green credit, green investment banking, green investment, green consumption, and green wealth management. As a result, the green finance business maintained a rapid growth, and the brand image of a green bank continued to enhance.

Governance structure

The Board of Directors is responsible for determining the bank-wide green finance development strategy and evaluating its implementation. The Board of Supervisors is responsible for supervising the implementation of the green finance strategy. The Senior Management is responsible for setting objectives for our green finance business, establishing mechanisms and procedures, and implementing green finance development strategy. The Green Finance/Peak Carbon Emissions and Carbon Neutrality Committee set up under the Senior Management is responsible for coordinating the implementation of strategic determination and overall deployment of the Board of Directors on green finance/peak carbon emissions and carbon neutrality, and reviewing major policies and measures for green finance/peak carbon emissions and carbon neutrality.

Green Credit

- We increased the supply of green credit. We focused on goals such as industrial restructuring, pollution treatment, ecological protection and climate change response. Our financial support in areas related to energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure and green services. As of the end of 2022, the balance of our green credit was RMB2,697.5 billion¹, representing an increase of 36.4% compared to the end of the previous year.
- We promoted the product and service innovation. We continued to develop competitive green credit products and innovatively launched featured products such as the national reserve forest loan, rural living environment loan, lucid waters and lush mountains loan, ecological common prosperity loan, and forest (bamboo) carbon sink loan. We appropriately expanded the authority of green-financial product innovation for eligible branches.
- We continuously optimized our credit policies for green finance. We improved our policy system featuring annual credit policy and industry credit policy guidance, and differentiated policy support. We revised our industry-specific credit policies in areas such as wind power, solar power and biomass power to clarify industry management strategies and green development orientation. For eligible green credit businesses, we implemented differentiated policy arrangements in areas such as authorization, rating, industry limit and product innovation.
- We actively used carbon emission reduction supporting tools. As of the end of 2022, a total of more than RMB100.0 billion in carbon emission reduction loans were issued to 939 projects accumulatively.



¹ According to statistics criteria of green financing formulated by CBIRC in 2020.

Information on Environmental, Social and Corporate Governance

Green Investment and Financing

- We increased our investment in green bonds and actively invested in innovative bonds such as blue bonds and sustainability-linked bonds. As of the end of 2022, the green bonds invested for our own account reached RMB121.64 billion¹, up 37.8% over the end of the previous year.
- ABC-CA Fund Management Co., Ltd. actively promoted the green transformation and initially completed the ESG transformation of access process of the core stock pool. It continuously improved the product layout, launched the Green Energy Select Hybrid Fund. MSCI China A-share Climate Change Index Fund was approved by the CSRC. It continued to increase investment in green products. As of the end of 2022, the proportion of green investment in stock assets increased 8.2 percentage points as compared to the end of the previous year, and the scale of green bond investment increased by RMB2.11 billion as compared to the end of the previous year.
- Agricultural Bank of China Wealth Management Co., Ltd. actively implemented green development philosophy and constantly launched ESG-themed featured products. It gave priority to invest in the industries related to clean energy, energy conservation and environmental protection and ecological protection. As of the end of 2022, the number of ESG-themed wealth management products reached 43, with the scale amounted to RMB49.0 billion.
- Adhering to the business concept of “green leasing”, ABC Financial Leasing Co., Ltd. included the green leasing plan into its development plan for 2022–2024 and explored the establishment of “leasing + credit”, “leasing + equity investment”, “direct leasing + EPC” and other business models. Moreover, it proactively served such fields as clean energy, energy conservation and environmental protection and green transportation. As of the end of 2022, the balance of green leasing assets was RMB55,132 million, representing an increase of 12.9% over the end of the previous year, accounting for 65.4% of its total leasing assets, an increase of 0.7 percentage point as compared to the end of the previous year.
- ABC Financial Asset Investment Co. Ltd. regarded green and low-carbon as key development areas, and proactively built a brand of green debt-to-equity swap investment. As of the end of 2022, the balance of the green investment for its own account was RMB33.56 billion, an increase of 38.1% over the end of the previous year, continuing to consolidate its advantages of green debt-to-equity swap investment. During the reporting period, the green investment for its own account was RMB11.45 billion, a year-on-year increase of 87.7%, targeting fields such as new energy power stations, photovoltaic component manufacturing, new energy vehicles, and green animal husbandry.
- ABC Life Insurance Co., Ltd. participated directly or indirectly in green investment through investment modes such as stocks, fund, bonds and infrastructure equity investment plans. In 2022, it mainly invested in the green projects related to the areas of photovoltaic wind power, energy conservation and emission reduction and environmental protection, with a total investment amount of RMB1,011 million.

Green Investment Banking

We engrained the green concept in all categories of products and services of our investment banking business, constantly promoted the construction of green investment banking business and product system and were committed to developing a leading bank in green investment banking.

- In 2022, we provided nearly RMB300.0 billion for enterprises through ways such as green syndicated loans, green M&A loans, green bonds, representing an increase of nearly 40% as compared to the previous year, and the funds were invested into areas such as clean energy, clean transportation, green buildings and infrastructure green upgrading.

¹ Including the balance of the invested green bonds in non-financial institutions (according to the CBIRC) for own account and the balance of the invested green bonds in financial institutions for own account.

Information on Environmental, Social and Corporate Governance

- We underwrote the first batch of transformation bonds, pledge bonds of carbon emission right, blue bonds of Guangdong-Hong Kong-Macao Greater Bay Area, “Carbon Neutrality + Special Rural Revitalization + Science and Technology Innovation” bonds, “framework issuance” of sustainable development bonds, etc. in the inter-bank market. We made innovative use of asset securitization tools and participated in the first REITs project of new energy and photovoltaic assets in the inter-bank market. We proactively participated in the innovation of sustainability-linked syndicated loan products and led the preparation of the first RMB sustainability-linked international syndicated loan in China and the largest sustainability-linked syndicated loan in the Asia-Pacific region and other market representative projects.
- As a shareholder of the National Green Development Fund, we actively participated in the operation of the fund and project investment.

Green bonds

- On 11 January 2022, we listed green bonds, with a total value of USD0.3 billion, on the Hong Kong Stock Exchange. The net proceeds will be used to finance or refinance the eligible green assets under the green financing framework of ABC New York Branch. In the view of Standard & Poor, ABC New York Branch’s green financing framework used in this issuance was consistent with *Green Bond Principles (GBP)*, *ICMA, 2021* and *Green Loan Principles (GLP)*, *LMA/LSTA/APLMA, 2021*, and the core factor “use of proceeds” was rated as “strong”.
- On 2 March 2022, we listed green bonds, with a total value of USD0.6 billion, on the Hong Kong Stock Exchange. The net proceeds will be used to finance or refinance the eligible green assets under the Sustainability Bond Framework of ABC Hong Kong Branch. The sustainability Bond Framework of ABC Hong Kong Branch was certified by Sustainalytics as a second party and received green finance certification from Hong Kong Quality Assurance Agency.
- On 24 October 2022, the Bank issued RMB20.0 billion of green finance bonds in the National Interbank Bond Market. The proceeds will be used for green credit. This bond issuance was certified by the Climate Bonds Initiative, with an assessment opinion issued by Lianhe Equator Environmental Impact Assessment Co., Ltd. It conformed to a number of national and international green standards such as the *China Green Bond Principles*, the *Green Bond Principles*, and *Common Ground Taxonomy: Climate Change Mitigation*.

ESG risk management

- We incorporated management requirements for environmental, social and governance risks into our bank-wide risk culture and management philosophy and improved the credit risk appetite and corresponding risk management strategies for our green finance business in the Group’s risk appetite and comprehensive risk management strategy, reinforcing the relevant management requirements for ESG risks.
- We conducted strict due diligence and promoted customer ESG risk assessments as an important basis for making credit business decisions. We implemented differentiated management measures based on the degree of the potential ESG risks faced by our clients. We strictly applied the rule of “One Vote for Veto” for clients with significant ESG risks. We required key customers to sign letters of commitment on environmental and social risk responsibility with us. Through contractual constraints on customers, our risk management and control capability was enhanced.
- We strengthened the research and analysis on green finance policies and paid attention to the impact on the market of relevant systems for the standardization of green bonds such as the *China Green Bond Principles*. Before investing in green bonds, we carried out researches on key industries issuing green bonds and focused on the green attributes, economic and environmental benefits, fund monitoring and information disclosure of investment projects. We also paid attention to the environmental and social risk management of issuers to improve the quality and effectiveness of the green investment. After the investment, we tracked and analyzed the environmental benefits of investment targets to continuously improve the quality of green assets.

Information on Environmental, Social and Corporate Governance

- We strengthened the digitization of green credit. By making use of big data and financial technology, we enhanced our capabilities of serving green finance and refined management of “precise identification, management empowerment and risk management and control”.

Climate risk management

- The Bank continued to explore the construction of the climate-related financial risk management mechanism and researched and promoted the incorporation of climate risk into the corporate governance and internal control framework. In 2022, the Board of Directors considered and approved revisions of the *Group Risk Appetite Statement* and the *Comprehensive Risk Management Strategy*, refining and improving the requirements related to green finance, environmental and climate risks. The Board of Directors considered and approved reports on comprehensive risk management regularly to gain a better understanding of environmental and climate-related financial risks and related management and control measures.
- We explored and carried out the identification and assessment of climate risks. We pursued the transmission channel of climate factors to traditional financial risks and incorporated climate related risks as an important factor in the management of the entire credit business process to identify and control. We paid close attention to risks in high-carbon industries and strengthened the identification and assessment of climate risks in our investment and financing business.
- We proactively performed stress testing of climate risk. In 2022, based on the practice of climate risk stress tests in the coal power industry, the Bank selected the petrochemical industry that was exposed to a higher transformation risk to conduct in-depth studies on the transmission channel and impact mechanisms of climate risk, explore the special stress tests and identify the main carbon emission reduction pathway in the industry. The Bank assessed the changes in the financial performance of petrochemical enterprises and the impact on the quality of the Bank’s relevant credit assets under stress scenarios, from the perspectives of enterprise costs, revenue and fixed assets, thus to promote the prior prevention and control of transformation risks. The test results showed that customers in the petrochemical industry were affected by low-carbon transformation factors, and their credit ratings moved down to a certain extent under the stress scenario. The default probability increased but the risk would be generally under control. During the reporting period, the Bank carried out sensitivity stress tests of climate risk on eight high-carbon industries, including power, steel, building materials, non-ferrous metal smelting, petrochemicals, aviation, chemicals and paper manufacturing. The test results indicated that the impact of increasing carbon emission costs of enterprises in high-carbon industries on credit asset quality and capital adequacy level of the Bank was generally controllable. The Bank also actively worked on the development of an analytical framework for physical risk stress tests and explored new directions for climate risk stress tests.

Promote our own green and low-carbon development

- We formulated the *Work Plan of Agricultural Bank of China for Peak Carbon Emission and Carbon Neutrality*, specifying nine key tasks, including accelerating the construction of green branch outlets, practicing green offices, promoting the use of green energy, advocating green travel, enhancing carbon management capabilities, improving technological empowerment, deepening the “carbon neutrality” pilot scheme, implementing green procurement and shaping a green culture. We established a carbon emission inventory system and strengthened our carbon footprint management to promote energy conservation, carbon reduction and green development across the Bank.

Improve the image of green bank

- We attended the second Sustainable Finance Summit of the Institute of International Finance (IIF), the annual meeting of the Global Investors for Sustainable Development (GISD) Alliance of the United Nations, the Side Event of “China Pavilion” at the second phase of the 15th meeting of the Conference of the Parties to the United Nations Convention on *Biological Diversity* (COP15), and the 2022 International Summit on Green Finance — Dianchi Forum, greatly enhancing our international influence.

Information on Environmental, Social and Corporate Governance

- We attended the annual meeting of the China Green Finance Committee in 2022 and were elected as the third director institution of the Green Credit Professional Committee of the China Banking Association to actively promote the establishment of a communication platform for the green and low-carbon development of the domestic banking industry.
- We were awarded the “Outstanding Contribution Institution of Green Credit Professional Committee” and “Advanced Institution of Green Bank Evaluation” by the China Banking Association. We also received the Evergreen Award — “Sustainable Development Green Award” by the *Cajing Magazine*. Our innovative development model of green finance was selected as one of the top ten cases of green development in 2022 by *The Beijing News*.

Green finance training

- During the reporting period, we made great efforts in cultivating green finance talents, implemented the “Green Finance Talent Empowerment Program” and built a team of green finance professionals for enhancing the professional level of green finance management and services.
- A separate topic on “Green Finance” was included in the education and training program for 2022. We organized special rotation trainings for presidents of sub-branches on “peak carbon emission and carbon neutrality” and green finance, special trainings on green finance and industry credit management, and special online trainings on green finance for financial market business.

Human Capital Development

Talent Development Strategy

We take talents as the first resource to lead our reform and development. We deeply implemented the strategy of empowering the Bank with talent force in the new era, put great efforts on training compound, high-level, innovative, urgently needed and scarce talents and continuously improved the structure and the overall quality of our talent team.

- We continuously deepened the system and mechanism reform of talent development. We formulated a talent development plan for the “14th Five-Year Plan” period to enhance the top design and implement a number of major talent projects and special talent programs. We implemented classified and hierarchical professional talent pools construction, innovated talent cultivation model, issued a series of policies, further strengthened team construction of customer managers. We revised the management measures for selection and recruitment of professionals, optimized talent promotion mechanism, and further lubricated talent development channel. We implemented relevant requirements for the reform of national professional ranks and title reform and carried out senior post title assessment, so that our team of senior professional and technical personnel grew further.
- We promoted the Young Talent Project which connected the urban with County Areas and cultivated integrately. We implemented a project named “Hundred, Thousand and Ten Thousand” to build a team of outstanding young leaders at all levels of the Bank with age diversity and complementary professional strengths. We carried out talent exchanges between eastern and central and western provinces, selected outstanding young talents to practice in foundation-level institutions. We also paid attention to cultivating, training and using talents in the front line of foundation-level institutions and rural revitalization areas.
- We continuously created the employer brand of “ABC Elite Plan” and innovatively implemented the “Smart Leadership Plan” for outstanding science and technology graduates to attract more talents in rural revitalization, green finance, FinTech and emerging business.
- We recruited more than 24 thousand staff in 2022 to actively implement the national policy of employment priority, 52.6% of which are female and 11.6% of which are ethnic minorities. We recruited more than 60 thousand staff from 2020 to 2022, 51.9% of which are female and 11.2% of which are ethnic minorities. The composition of the workforce of the Bank has satisfied gender diversity, and is expected to maintain a reasonable level of gender diversity.

Information on Environmental, Social and Corporate Governance

Human Resource Cultivation

- We held special training courses focusing on strategies. We cooperated with domestic famous universities such as Renmin University of China, Shanghai Jiao Tong University, Zhejiang University and Sun Yat-sen University to organize special rotation trainings on “Double Carbon” and green finance for presidents of tier-1 sub-branch and trained 2,500 participants. We conducted digital trainings. 202 thousand participants attended the online trainings on rural revitalization, 59 thousand on green finance, and 45 thousand on digital operation.
- We intensively conducted hierarchical and classified talent trainings. We organized online training session on “Peak Carbon Emissions and Carbon Neutrality Promotes High-quality Development of enterprises” on China E-learning Academy for Leadership for leaders under the direct management of the Head Office, senior experts of the Head Office and presidents of tier-2 branches, with over 1,100 participants from across the Bank. We held the “Customer Manager Dream Factory” livestream courses. 31 thousand customer managers attended the courses; implemented the exemplary “Youth Training — Sailing Plan” for young employees of the Head Office, 14 thousand employees attended the courses. In 2022, we held 17 thousand training sessions and trained 1.46 million employees.
- We continued to optimize and improve online learning. We built smart classrooms and intelligent studios, optimized and upgraded the ABC E-Learning platform, which were accessible to all employees with 90.1 hours of online learning per capita. We offered more quality learning resources, with 1,718 audio books and courses from external resources, 9,967 independently developed courses, and 30 printed textbooks on position qualification certification examination.
- We supported our staff to obtain professional qualification certification. We promoted the construction of a knowledge system in relation to the position qualification certification examination, with 392.2 thousand staff members attending position qualification certification examinations and with 598.4 thousand holders of position qualification certificate to complete subsequent continuing professional education. We supported and encouraged our staff to obtain domestic and international professional certificates including Chartered Financial Analyst (CFA), Financial Risk Manager (FRM), Association Of Chartered Certified Accountants (ACCA), and Certified Anti-Money Laundering Specialists (CAMS).

Performance Evaluation

We conducted regular assessments and evaluations on employees, which covered key performance and competency, etc. The results of the assessment were fed back to employees in an appropriate manner and applied in remuneration allocation, promotion, training and development, awards for progress and excellence, etc. Through the implementation of such employee performance management, the performance levels of employees continued to improve, which was conducive to their capability enhancement and career development.

Employees’ Interests Protection and Labor Relation Conciliation

- In strict observe with the national labor-related laws and regulations, we eliminated discrimination against nationality, race, gender, or religious beliefs, entered into labor contracts with employees in accordance with the law, and provided equal and fair career opportunities to all employees.
- In formulating, modifying or deciding on regulatory framework or significant proposals which are vital to the interest of employees, we ask for opinions from employees or employee representatives to effectively protect the legitimate rights and interests of both the Bank and all employees.
- We have established a labor dispute mediation committee, formulated the *Management Measures of ABC on Labor Dispute Mediation*, established compliant and effective mediation procedures, and provided employees with channels to appeal against labor disputes.

Employees’ Involvement in Democratic Management

- We have established a bank-wide staff representative assembly system to effectively safeguard the staff’s right to information, participation, expression and supervision.

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- In 2022, representatives of the staff representative assembly of the Bank considered and approved *Report on the Work of Employee Representative Supervisors of Agricultural Bank of China Limited for the Year 2021*, *Rules for Handling Violations of Employees of Agricultural Bank of China (Draft for Review)* and the *Rules for Punishment on Violations of the Bank's Regulation by Employees of Agricultural Bank of China (Draft for Review)* and other systems and measures, and re-elected the employee members for Enterprise Annuity Management Committee.

Caring for Employees

- In strict compliance with national laws and regulations, we paid social insurance and accumulation fund for our employees, and established supplementary medical insurance and enterprise annuity. Employees enjoy paid annual leave in accordance with national regulations.
- We proceeded with the “Five Actions” (employee health action, employee growth action, home construction action, employee burden reduction action, employee heartwarming action) of caring for employees in foundation-level institutions. We completed the renovation and upgrading of Home of Employees facilities in 2,894 branch outlets, built 3,753 new “five small” facilities, such as small canteens and small activity rooms, and newly built and renovated 651 “Care Rooms for Female Employees”.
- We cared for the physical and psychological health of employees. We offered health checkup for all employees across the Bank at least once a year. We incorporated mental health education into the general curriculum of staff training, and invited famous experts to record 10 psychological counseling courses that were watched or listened by more than 3 million staff members. We created the course brand “Yueshu School” for female employees. In 2022, eight featured courses have been broadcast, and more than 1.74 million people accumulatively attended the courses.

Consumers' Interests Protection

Upholding the concepts of “customers-oriented” and “consumers' interests protection always on the road”, the Bank continued to strengthen the building of the system and mechanism of consumers' interests protection, improved the complaint management mechanism, and timely responded to customer demands. In addition, the Bank steadily promoted the internalization and implementation of the *Personal Information Protection Law*, strengthened education and publicity of financial knowledge and trainings on consumers' interests protection, and strove to build a pattern of “the bank-wide management of consumers' interests protection, and the bank-wide responsibility for consumers' interests protection”, so as to promote high-quality development of consumers' interests protection.

Supervision and review of products/services

- The Board of Directors, the Risk Management and Consumers' Interests Protection Committee under the Board of Directors of the Bank holds a meeting on a regular basis to listen to the report on the implementation of consumers' interests protection work (including review of consumers' interests protection), and discuss major issues in relation to consumers' interests protection.
- The concept of consumers' interests protection is embodied in our products and services, and we continuously improved the review mechanism of consumers' interests protection. We have formulated *the Management Measures on Consumers' Rights Protection Review of Agricultural Bank of China*, which stipulates the review issues, standardizes the review process and enhances the process management. It requires review of consumers' interests protection in the design and development, pricing management, agreement formulation, marketing and publicity and customer management of products and services provided to consumers, in order to promptly identify, remind and eliminate potential risks and prevent the occurrence of infringement of the legitimate rights and interests of consumers from the source. We promptly updated the key points of consumers' interests protection review, unified the review standard, and enhanced the professionalism of review opinions against any changes in laws, regulations and regulatory requirements, and based on our accumulated experience in review. We carry out special audit for consumers' interests protection every year, and further enhanced audit for the key areas of regulatory concern.

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Personal Information Protection

The Bank actively implemented the requirements of *Personal Information Protection Law* and other laws and regulations, promoted the synchronous management of contract modification, system revisions, data management and control and system transformation, and penetrated the personal information protection requirements into the whole process and all links of business operation and customer service.

- We revised business contracts, fulfilled the obligation of notification to customers, and obtained explicit authorization from customers.
- We revised rules including the *Management Measures for Customer Information Protection*, the *Implementation Rules for Individual Customer Information Protection* and the *Implementation Rules for Corporate Customer Information Protection*. We strictly implemented the personal information processing mechanism with hierarchical authorization as the core, and reasonably determined the scope and authority of and the procedures for the information processed by the staffs and systems according to the importance, sensitivity of the customer information and business needs.
- We carried out adaptive reform of systems to ensure technological empowerment. We strengthened data security prevention and control, and improved the level of intelligent management of personal information protection by adopting encryption, de-identification and other technical security measures.
- We implemented the regulatory requirements, carried out special rectifications for violations against personal information rights and interests as well as special self-examination for personal information security risks, and carefully investigated and rectified corresponding problems.
- We followed the principle of “legality, propriety, necessity, and integrity” in collecting customer information, and specified the rules, purposes, methods, scope and procedures of collection; and to the minimum extent for the purpose of processing, we collected customer information as required by laws, administrative regulations and business needs, and used customer information in strict accordance with the scope of use authorized by customers and the agreed purposes.

Publicity and trainings of consumers’ interests protection

- We performed a series of characteristic and pertinent high-quality education and publicity activities on financial literacy in an innovative way at diversified educational scenes, focusing on key population, common financial knowledge, hot issues and crossing digital divide to meet the public needs. In 2022, we organized more than 127.6 thousand publicity activities, with nearly 0.67 million publicists attended and around 0.8 billion consumers involved.
- We continuously deepened the concept of consumers’ right protection among employees and conducted training in a multi-channel, multi-level, multi-form way, focusing on personal information protection, consumer suitability management and other key areas. We organized more than 2,700 collective training sessions on consumers’ interests protection, with more than 0.89 million trainees.
- We were awarded the 2022 Excellent Organizer in Joint Financial Literacy and Education Campaign by CBIRC.

Debt collection policies

The Bank carried out the collection of overdue retail loans in accordance with laws and regulations. In strict accordance with the regulations related to the protection of consumers’ legitimate rights and interests, we protected personal information and required collection personnel not to use improper means for collection. We developed related systems to standardize the procedure for collection of overdue individual loans. We offered training courses on retail loan risk management and conducted annual training, covering guidance on standardized collection of overdue loans.

Customer complaint monitoring

- We have a clear division of responsibilities for customer complaint management. The Consumers' Interests Protection Working Committee at all levels of the Bank is responsible for planning and deploying customer complaint management, studying and considering major issues in the complaint management, and coordinating the resolution of major complaint matters. The Consumers' Interests Protection Office, the Remote Banking Center, the Operation Management Department and the various business departments cooperate with each other to deal with customer complaints.
- We analyze and report all complaints on a regular basis, and implement classified measures. We have implemented the reduction and treatment of complaints in different types and established a Bank-wide working mechanism of tracing and rectification of complaints, which enables us to timely identify and improve problems and risks lying in products, systems, processes and services and identified in the course of handling complaint, and then take targeted rectification and risk management and control measures, so as to play the role of complaint management in driving product optimization and business improvement, and form a complete closed loop of "complaint acceptance — complaint handling — tracing and rectification — business improvement — complaint reduction".

Complaint handling

- The hotline for customer complaint of the Bank is 95599 and the hotline for credit card complaint is 400-669-5599.
- In 2022, the number of complaints received and classified as individual customer complaints by all channels across the Bank was 174 thousand, a decrease of 5% as compared to the previous year. Customer complaints mainly involved debit cards, credit cards, retail loans and other fields, with a larger number of complaints from branches with a larger scale of retail customers and branch outlets, such as branches in Guangdong, Shandong, Zhejiang, Hebei, Sichuan and Jiangsu.
- We revised the management measures for customer complaints, formulated complaint handling guidelines to standardize the handling process. We managed complaints in the key areas of credit cards to reduce credit complaints in an orderly manner. We continuously optimized the handling process of credit card complaints and actively introduced the mechanism of neutral evaluation for perplexing cases and fast mediation to properly handle customer disputes.

Privacy and Data Security

Entities Responsible for Privacy and Data Security (Including Cyber Security and Information Security)

- The Board of Directors and Senior Management of the Bank attach great importance to privacy and data security. The Bank's *Cyber Security Management Measures* specifies that the Chairman of the Board of Directors is the person assuming primary responsibility for the Bank's cyber security and the presidents in charge of cyber security in institutions of all levels are the persons assuming direct responsibility. The Technology and Product Innovation Committee is set up under the Senior Management as a body to consider major matters on IT construction and product innovation and the President serving as its chairman.
- During the reporting period, the Bank's Board of Directors listened to the reports on cyber security. The Senior Management reviewed and studied the data security management work and identified the key tasks for 2022.

Privacy Policy

- The Bank's privacy policy adheres to the following principles: the principle of legality, legitimacy, necessity, and integrity, the principle of consistency with rights and responsibilities, the principle of clarity of purpose, the principle of informed consent, the principle of data minimization, the principle of ensuring security, the principle of subject participation, and the principle of openness and transparency.

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- The Bank implements the *Privacy Policy (for Individuals)* and the *Privacy Policy (for Corporates)* (published on the Bank's official website). The Privacy Policy lists the personal information required to be processed by the core business functions of our main service channels, sets out the rules for our processing and protection of customers' personal information (such as the purpose, method, scope of processing, and protection measures), and presents the rights of customers in the processing of personal information and the way to exercise the relevant rights. Our rules for handling personal information may also be presented to customers through product or service agreements, power of attorney and other means to obtain authorization or consent from customers according to laws. The above documents, together with the Privacy Policy, constitute the entire privacy policy for the Bank's products and services for customers.
- In 2022, the Bank continued to update the privacy policy to enrich and improve the way and procedure for customers to exercise their legitimate rights.

Data Security Management

- We strengthened sensitive data management. We promoted deployment of the new version of terminal data leakage prevention tools, and specifically conducted centralized rectification and governance in respect to the personal sensitive data of customers to continuously improve the level of customer information protection. We drew up guidelines for outbound data security assessment and standardize outbound data management. We made a sensitive data catalog covering all data in all areas.
- We enhanced the construction of cyber security and data security teams. We optimized and improved the setting of cyber security and data security posts, and added "network security and data security management" posts in tier-1 branches to enhance the strength of professionals.
- We have formulated specific handling measures for different scenarios of data privacy leakage incidents. In response to employees' inquiries in violation of laws and regulations and improper provision or disclosure in the course of business as well as improper usage by third-party cooperative institutions, the Emergency Response Plan for Personal Information Security Incident of the Bank clarifies the organization and divisions' responsibilities in handling, and standardize the mechanisms and procedures of alert, drill, reporting, and handling, which was also updated in accordance with *the Personal Information Protection Law of the People's Republic of China* and other laws and regulations and regulatory requirements. For scenarios such as application loopholes being exploited and database being attacked to cause data leakage, we continued to enrich and improve our information systems' emergency response plans, clarifying the applicable scope of emergency response, coordinating departments, emergency duration and operation procedures in each scenario, to make the plans practical, so as to effectively improve our emergency response ability for relevant emergencies.
- We further improved the practical ability of cyber security, designed multi-dimensional and comprehensive scenarios of attack and defense drills with financial technology features to carry out attack and defense drills pertinently. We strengthened the governance of vulnerabilities, realizing zero-vulnerability in the Bank's service domain and channel domain for eight consecutive quarters, and reducing the number of basic infrastructure vulnerabilities by 76.4% year-on-year. We improved the overall cyber security level of the Group, and procured the subsidiaries and overseas institutions to improve the capacity of their cyber protection.

Privacy and Data Security Staff Training

Training content	Training channels	Scope of training
Held the “Application Security Training Class for Information Technology Line” to standardize application security management and enhance the capability to application security technologies.	Online	Head Office and branches
Held promotion and implementation lectures on “Strengthening Security Awareness for All Employees, Building a Solid Network Security Defense” and the <i>Law of the People’s Republic of China</i> on internet security in ABC Lecture to raise network security awareness of employees.	Online	Head Office and branches
A seminar on “Data Safety Regulations and Policies” was held to popularize information safety knowledge.	Online	Head Office and branches
Personal information protection law and data security	Online	All departments of the Head Office

Data Security Certification

- The Data Center of the Bank introduced the ISO27001 international standard in 2010, established a standardized information security management system with full coverage, and passed the certification in the same year. The Data Center of the Bank has continuously optimized and improved this system, and passed the certification of recertification audit of China Cybersecurity Review Technology and Certification Center (CCRC) in recent years.

Information Technology Audit

- The Bank’s internal audit department conducted special audits on IT management for the Head Office and 37 branches according to the requirement of full coverage of audited items every three years, covering IT governance, IT risk management, network information security, system R&D management, operation and maintenance of systems, business continuity, IT outsourcing management, data governance and data security, among others.
- During the financial reporting audit, the external auditor tested specific control points in areas of IT development planning, security, internal supervision, organizational structure and personnel, and risk management of the Bank. In addition, the external auditor focused on IT outsourcing management and business continuity management, including the compliance of the IT outsourcing management with regulatory requirements, business continuity plan, management of plans and drills, emergency management of the Bank.

Availability of Financial Services

Inclusive Finance

Taking improvement of the capability to serve the real economy as the driver and purpose, the Bank focused on enhancing the willingness, capability and sustainability of serving small and micro enterprises and other market entities, and helped stabilize market entities, employment, entrepreneurship, and economic growth. As of the end of 2022, the Bank's balance of inclusive loans for the small and micro enterprises was RMB1,768,994 million, an increase of RMB447,032 million or 33.8% as compared to the end of the previous year, 18.7 percentage points higher than that of the Bank; the loan customers were 2,528.6 thousand, an increase of 613.1 thousand as compared to the end of the previous year; and the annual interest rate of the newly granted loans stood at 3.90%, a decrease of 20 BPs as compared to the previous year. Meanwhile, focusing on our strategic positioning of building a leading bank serving rural revitalization, the Bank satisfied the financing needs of rural households and other clients for inclusive financial service by high-quality financial supply, and increased production and operation loans to rural households. As at the end of 2022, the balance of inclusive loans¹ reached RMB 2,566.116 billion.

- We optimized the construction of the inclusive finance service system. We continuously improved the digital customer service platform for inclusive finance — “inclusive E station” to build the online service capability to provide 24-hour inclusive finance for all scenes and all businesses. We improved the inclusive finance specialized institution system, and enhanced the classified operation of small and micro financial service of our branch outlets to comprehensively enhance the capability of grassroots branches to provide inclusive financial services.
- We innovated the system for inclusive finance credit products. We improved the layered and classified product innovation mechanism, enriched online and offline financing scenes and created a product series of “SME E-loan”, so as to meet the financing needs of inclusive customers such as small and micro enterprises, individual industrial and commercial households and farmers.
- We improved the long-term service mechanism for inclusive finance. We have established differentiated policies and systems for inclusive business. The economic capital assessment and pricing for internal fund transfer were assigned preferentially to inclusive loans. We performed special assessment and evaluation for inclusive finance, set up special incentive strategy expense, separately matched the incentive remuneration and detailed policies for liability exemption conditional on due diligence.
- We improved the digital risk control capability for inclusive finance. We made full use of internal and external multi-dimensional data for customer profiling, optimized the risk identification system and implemented the whole-process risk prevention and control so as to control the non-performing rate of inclusive loans in a tolerant range.

Accessibility of Channels

Through various offline, online and remote channels, the Bank continued to innovate service products, optimize service quality and expand service scope, so as to provide customers with extensive and accessible financial services.

Offline Channels

- We served the rural revitalization strategy. We maintained the stability of the total number of branch outlets, continuously optimized the layout of branch outlets by relocating the branch outlets to areas covering new districts of urban, urban-rural fringe and suburban, and key townships to continuously improve the coverage of channels in county areas.

¹ According to the statistics of the PBOC, inclusive loans include the small and micro enterprise loans, operating loans for private businesses and small and micro business owners, production and operation loans to rural households, consumer loans for ratified and registered poor people, startup guarantee loans, and student loans, with the single-account credit amount of less than RMB10 million.

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- We carried forward the marketing transformation of branch outlets. We strengthened the marketing team of branch outlet and conducted special trainings on the diversified marketing capabilities. We continuously reinforced the empowerment of science and technology, and enhanced system and tool support for marketing of the branch outlets. We introduced innovative marketing patterns of the branch outlets, perfected the marketing mechanism and enhanced the marketing function of the branch outlets.
- We strengthened the service capability of branch outlets. We continued to promote the “more humanized branch outlet service project”, created the “Caring and Considerate Services” service brand and carried out the “providing financial services to the countryside” project to extend the service reach and enrich personalized, special and differentiated service. We promoted smart devices, self-service cash terminal and large-print super counter APP to improve the inclusiveness and convenience of financial services. In 2022, the Bank had 21 thousand outlets joined the “Caring and Considerate Services” service brand, conducted activities of “providing financial services to the countryside” over 161 thousand times, and provided door-to-door services for special groups such as elderly customers with mobility problems over 0.28 million times.

Online Channels

- Mobile Banking. As of the end of 2022, the Bank had 460 million registered individual customers of mobile banking, an increase of 50 million as compared to the end of the previous year, with a transaction amount of RMB77.3 trillion in 2022; and 5.27 million registered corporate customers of mobile banking, an increase of 1.12 million as compared to the end of the previous year.
- Online Banking. As of the end of 2022, the Bank had 444 million registered individual customers of online banking, an increase of 43 million as compared to the end of the previous year; and 10.67 million corporate customers of online financial services platforms, an increase of 1.20 million as compared to the end of the previous year, with a transaction amount of RMB265 trillion in 2022.
- Self-service Banking. We pushed forward the construction of a unified platform for intelligent terminals, integrated equipment resources of branch outlets, and optimized equipment business functions and service processes. As of the end of 2022, the Bank operated 58.2 thousand super counters, 58 thousand cash-type self-service devices and 5.2 thousand self-service terminals.

Remote Channels

- In 2022, the Bank reached a total of 348 million customers through all-media customer service (including voice, text, video, and new media), with a year-on-year increase of 6.4%, of which 63.54 million customers were manually served through voice service, with a customer satisfaction of 99.73%.
- We improved customer experience of remote services. We drove the provision of more remote financial services to rural areas and county areas, launched the online special customer service page of the “Rural Version” mobile banking, and expanded the scope of remote “cloud expert” video service. We optimized telephone service accessibility for the elderly customers, serving 4.43 million elderly customers. We established a normalized escalation mechanism for handling key events involving more than one department to properly respond to customer service requests.
- We enhanced remote collaborative service capability. We enriched the scenarios of intelligent outbound calls, launched the functions such as repayment reminders for delaying loans, and inquiry request from customers of agriculture-related loans, strengthened service support for the unified marketing at the intelligent outbound call platform, and continued to improve the effectiveness of proactive customer contact. We promoted empowerment and output of the customer service knowledge sharing platform and provide all frontline employees of the Bank with customer service knowledge search service.
- We strengthened the innovation and application of financial technology. We expanded the prediction scenes of the all-voice portal customers’ intent, promoted intelligent voice navigation service for telephone communication in respect of credit cards, and improved the “one-stop” problem solving ability of intelligent robots. We strengthened the application of data and model, enriched the customer service label system, and continuously improved the capability of accurate identification.

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Corporate Behavior

High standards of professional ethics are key to good corporate governance, the Audit and Compliance Committee under the Board of Directors of the Bank paid attention to aspects including employees' conduct management, prevention and control of cases of violations and construction of compliance system, and special audits.

Whistleblower Protection

- We kept the reporting channels smooth for the public. Citizens, legal persons or other organizations can report problems through a variety of channels such as telephone, letters, the Internet and visits. The Bank's institutions at all levels received and handled letters, calls and visits within the prescribed time limit, listened to the opinions, suggestions and demands of the public, and accepted supervision by the public.
- We improved the mechanism for letters and visits. In 2022, the Bank revised the *Rules for Handling Letters from the Masses of Agricultural Bank of China*, *Rules for Receiving Visits from the Masses of Agricultural Bank of China* and *Rules for Inspecting and Supervising of Letters and Visits of Agricultural Bank of China*. The Bank further standardized the way of dealing visits and handling letters, improved efficiency and quality, and better protected the legitimate rights and interests of the visiting people.
- We strictly implemented the discipline for our work of letters and visits. Staff members of the Letter and Visit Office who have a direct interest in the letters and visits matters or the visitor must recuse themselves and shall not interfere with the relevant work or handle the relevant matters. Staff members of the Letter and Visit Office shall not accept gifts, money or negotiable securities from the visitors.
- We strictly enforced confidentiality requirements and minimized the scope of knowledge. The staff members of the Letter and Visit Office shall not spread the contents of the letters and visits to unrelated persons, and shall not take letters out without permissions. We prohibit to reveal the materials and relevant information of the informants' reports and denunciation or transfer to the person or the institution being reported or denounced to safeguard the information of the whistleblowers from being leaked.

Business Ethics and Anti-corruption Supervision

- We consistently carried out audits on economic responsibilities of leaders, focusing on the implementation of their responsibility for establishing a clean and integrity working environment construction in accordance with the requirements of the Party and integrity professional practices in economic activities. Through conducting audits, the regulation of power usage is facilitated while the anti-corruption initiatives are promoted.
- We continuously promoted the coordination between on-site supervision and audit supervision, internal control supervision and due diligence supervision. We strengthened our financial anti-corruption efforts, with a focus on the key minority and the critical areas while maintaining a high-pressure and deterrent posture.
- We promoted our "Three Lines and One Grid" new management mode, further enhanced the grid management responsibilities to improve the quality and efficiency of supervision and management of abnormal behaviors of employees. We strengthened the functions of monitoring and early warning of the smart case prevention platform to determine the management and control focus through quantitative evaluation and carry out accurate portraits of the compliance risk for institutions and employees.

Anti-bribery and Anti-corruption

- We enhanced the institutional systems and tightened institutional “constraints”. We formulated and improved 19 policies, including the implementation measures of the detailed rules of the Party’s eight-point frugality code, and basically built an institutional system covering the implementation of the spirit of the Party’s eight-point frugality code so as to safeguard the building of working style with policy systems.
- We paid attention to critical areas and attached importance to the construction of prevention of cases of violations. We focused on critical areas and key links such as “people, power and money”, and strengthened supervision and administration. We carried out special investigation and rectification of integrity risks in key areas and positions such as credit approval and granting, disposal of non-performing assets, centralized procurement, emerging business and selection and appointment of personnel. We consolidated “Two-line” risk compliance management responsibilities of business lines and personnel by all-level, enhanced the foundation of management basics and foundation-level management, optimized the “Three Lines and One Grid” and prevention of cases of violations by means of technology so as to constantly improve the capabilities of prevention, analysis and early warning of cases of violations.
- We focused on the “key minority” and strengthened supervision of cadres. We formulated rules such as records and reports for leading cadres to intervene in major events in violation of regulations, and the detailed rules for that cadres can be demoted as well as promoted, strictly implemented the rules such as the exchange and rotation of leading cadres and avoidance of duty performance, and strictly regulated the behaviors of leading cadres’ spouses, children and their spouses in running business and enterprises. We organized and carried out reports on personal matters of leading cadres and dealt with serious accountability for inconsistencies in the inspections. We insisted on reminding the newly appointed leading cadres of integrity and requiring them to make commitment to integrity. We insisted on giving integrity reminders to cadres through text messages, mails and meetings during important holidays to urge them to strictly conduct self-discipline.
- We strengthened the construction of a culture of integrity and created an atmosphere of upholding integrity and cleanliness. The warning education conferences across the Bank were held four times successively, and the cases of violation of disciplines and laws were reported intensively, and the cases were used to promote rectification and construction, and improve our governance, forming a strong deterrent. We organized employees to visit clean government education bases and other ways to carry out warning education, educated and guided cadres and employees to hold discipline in awe and respect, and not cross the line, so as to maintain a clean and upright political ecology.

Anti-money Laundering

- We complied with the regulatory requirements in an all-round way, and effectively promoted the transformation of the Bank’s anti-money laundering work into a risk-oriented approach. We improved institutional money laundering risk assessment indicators and methods, and accurately identified money laundering risks across the Bank and in areas such as customers, regions, products, and channels. We optimized the customer due diligence and risk rating regulations and system, issued opinion on strengthening the building of anti-money laundering management capability of the first line of defense, vigorously promoted customer information management, promoted customer money laundering risk differentiated and automatic management and control, and dynamically evaluated product (channel) money laundering risks, forming integrated controlling strengths of three lines of defense.
- Strictly complying with laws and regulations on anti-money laundering, we earnestly performed customer due diligence responsibilities. We constantly improved the customer identification and due diligence regulations, upgraded the function of a customer due diligence system, comprehensively optimized the risk rating model related to customer money laundering and deepened the application of rating results. Adhering to the concept of “risk-based”, we adopted different due diligence measures for customers, business relationships or transactions with different money laundering or terrorist financing risk characteristics. We persistently strengthened the management of critical risk areas to ensure that the Bank’s customer money laundering risks are in line with risk appetite.

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- We conducted audits of anti-money laundering, with a focus on the implementation of the regulatory requirements on anti-money laundering promulgated by the PBOC and the CBIRC, including corporate governance and internal management, customer due diligence, reporting of large-amount transactions and suspicious transactions, and assessment of money laundering risks of institutions and products. The audit covered the departments of the head office, domestic branches, overseas institutions and subsidiaries. The audit information was reported to the Board of Directors and included in the closed-loop management of audit rectification and supervision.
- The high-frequency and high-quality compliance training courses on anti-money laundering and sanction risk management were held, especially focusing on the management and the frontline business personnel. 4,592 special training courses were carried out, and over 1.02 million attendances were trained throughout the year, covering the Directors, the Supervisors and the senior management members, the “Three Lines of Defense” of the Head Office, the heads of all tier-1 branches, overseas institutions and subsidiaries of integrated operation, new employees, and the personnel in anti-money laundering and sanction risk management positions at all levels.

Employee Ethical Standards Training

- We have formulated the *Code of Conduct for Employees of Agricultural Bank of China* to establish the basic principles for employees to do the right things. We set out general requirements for the employees’ professional ethics and conduct in four aspects, including dedication, credibility, diligence and compliance. It also specifies the special requirements by the laws and regulators for bank employees in nine aspects, including confidentiality obligations, conflict of interest, customer relations, fair competition, integrity and self-discipline, colleague relations, daily office work, professional image and supervision and reporting.
- We carried out “Year of Compliance Education” activity to solve problems such as “incorrect concept, weak ability, ineffective implementation and poor results”.
- Studying and training on the *Code of Conduct for Employees* were normalized and integrated into the “Year of Compliance Education” activity. We broadly held the legal compliance education throughout institutions of all level and business lines, covering all institutions and personnel of the Bank.

Supplier Anti-corruption

- We persistently upheld the prevention of corruption as a core responsibility in centralized procurement, strictly implemented national laws, regulations and the internal management policies and made endeavour to establish a centralized procurement management system with high-quality that is fair, clean and efficient, to ensure that our anti-corruption policies cover all centralized procurement projects and participating suppliers.
- We established and improved the centralized procurement management system. We included soliciting suppliers through public channels as a principal requirement in basic regulations such as *the Centralized Procurement Management Measures of Agricultural Bank of China*, which clearly stipulates that centralized procurement projects should, in principle, give priority to tendering methods, in order to strengthen the openness of procurement and prevent and eliminate corrupt practices at the source.
- We strictly implemented supplier access review. We included suppliers’ illegal, untrustworthy, corruption-related behaviors, being banned by the Bank as well as specific associated circumstances into prohibitive conditions for tendering, required suppliers to provide integrity commitments, and implemented comprehensive supplier access review relying on authoritative information channels such as “Credit China” and “National Enterprise Credit Information Public Display System” and internal and external supervision and monitoring means.

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- We continuously supervised and inspected suppliers. We used big data to monitor the risk of performing suppliers of the Bank regularly, followed up related clues from the disciplinary inspection and audit timely, banned suppliers that had committed collusion, bribery or conveyance of other improper benefits according to regulations, and made the list of banned suppliers public.
- We widely accepted the supervision of the whole society. We hired notary publics to supervise the entire tendering process, made centralized procurement information public promptly and fully in accordance with regulations, disclosed the contact information for complaints and queries on the Bank's portal and the branch sub-sites as well as included in procurement documents in specific projects, and accepted the supervision of all sectors of society widely.

Please refer to the "Corporate Governance Report" for information on the Bank's corporate governance. For details of the Bank's corporate social responsibility, please refer to the Bank's *Social Responsibility Report (Environmental, Social and Governance Report) 2022* published separately. For details of the Bank's green finance, please refer to the Bank's *Green Finance Development Report 2022* published separately.

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Shareholding Structure

Particulars of Ordinary Shares

Details of Changes in Share Capital							Unit: Share	
	31 December 2021		New Shares Issued	Increase/decrease during the reporting period (+, -)			31 December 2022	
	Number of Shares	Percentage ⁴ (%)		Others	Sub-total		Number of Shares	Percentage ⁴ (%)
I. Shares held subject to restrictions on sales²	19,959,672,543	5.70	–	–	–		19,959,672,543	5.70
1. State-owned ³	19,959,672,543	5.70	–	–	–		19,959,672,543	5.70
II. Shares held not subject to restrictions on sales	330,023,361,330	94.30	–	–	–		330,023,361,330	94.30
1. RMB-denominated ordinary shares	299,284,538,234	85.51	–	–	–		299,284,538,234	85.51
2. Foreign-invested shares listed overseas ³	30,738,823,096	8.78	–	–	–		30,738,823,096	8.78
III. Total number of shares	349,983,033,873	100.00	–	–	–		349,983,033,873	100.00

Notes: 1. Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited.

2. "Shares held subject to restrictions on sales" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules or commitments.

3. "State-owned" in this table refers to the shares held by the MOF and Huijin. "Foreign-invested shares listed overseas" refer to the H shares as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2022) of the CSRC.

4. Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.

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The trading date of shares held subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	Balance of shares held subject to restrictions on sales	Balance of shares held not subject to restrictions on sales	Description
2 July 2023	19,959,672,543	–	349,983,033,873	Huijin, MOF

The shareholdings of the shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares held subject to restrictions on sales	Date of trading	Number of new shares for trading	Restrictions on sales
1	Huijin	10,082,342,569	2 July 2023	–	Five years from the date of equity acquisition
2	MOF	9,877,329,974	2 July 2023	–	Five years from the date of equity acquisition

Note: Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository as of 31 December 2022.

Particulars of shareholdings of the top 10 shareholders of the Bank

Unit: Share

Total number of shareholders (31 December 2022)	485,368 (as set out in the registers of shareholders of A Shares and H Shares), including 464,338 holders of A shares and 21,030 holders of H Shares.
Total number of shareholders (28 February 2023)	495,349 (as set out in the registers of shareholders of A Shares and H Shares), including 474,400 holders of A shares and 20,949 holders of H Shares.

Particulars of shareholdings of the top 10 shareholders

(the information below is based on the registers of shareholders as of 31 December 2022)

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, -)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged, marked or locked-up
Huijin	State-owned	A Shares	–	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	–	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-12,027,520	8.72	30,531,115,483	–	Unknown
SSF	State-owned	A Shares	–	6.72	23,520,968,297	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	–	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+733,602,346	0.71	2,469,876,170	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,177	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	–	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.36	1,255,434,700	–	None
Zhongwei Capital Holding Company Limited	State-owned legal entity	A Shares	–	0.22	755,667,506	–	None

- Notes:
1. The shareholdings of holders of H Shares are based on the number of shares as set out in the register of members of the Bank maintained by its H Share registrar. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares in aggregate held by it as a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2022.
 2. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong SAR and overseas.
 3. Among the shareholders listed above, 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 Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above, or whether they are parties acting in concert. The number of shares held by Huijin and Central Huijin Asset Management Ltd. amounted to 141,342,881,051 in aggregate, accounting for 40.39% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited amounted to 4,534,005,036 in aggregate, accounting for 1.30% of the total share capital of the Bank.
 4. Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account.
 5. Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.
 6. None of the top 10 shareholders were engaged in the business of margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling or refinancing.

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Particulars of shareholdings of the top 10 shareholders not subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares held not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A Shares
MOF	113,637,855,266	A Shares
HKSCC Nominees Limited	30,531,115,483	H Shares
SSF	23,520,968,297	A Shares
China National Tobacco Corporation	2,518,891,687	A Shares
Hong Kong Securities Clearing Company Limited	2,469,876,170	A Shares
China Securities Finance Corporation Limited	1,842,751,177	A Shares
Shanghai Haiyan Investment Management Company Limited	1,259,445,843	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
Zhongwei Capital Holding Company Limited	755,667,506	A Shares

- Notes:
1. The information above is based on the registers of shareholders as at 31 December 2022.
 2. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2022.
 3. Among the shareholders listed above, 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 Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or between such shareholders and the top 10 shareholders, or whether they are parties acting in concert.
 4. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong SAR and overseas.
 5. None of the top 10 shareholders not subject to restrictions on sales were engaged in the business of margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling or refinancing.
 6. Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.

Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no *de facto* controller.

Except for MOF, Huijin and SSF, there was no other legal entity shareholder who held a shareholding of 5% or above in the Bank as of 31 December 2022.

MOF

The MOF, established in October 1949, is a ministry under the State Council and is empowered to be responsible for macro-economic control and regulation of state finance and taxation policies.

As of 31 December 2022, the MOF held 123,515,185,240 shares of the Bank, representing 35.29% of the total share capital of the Bank.

Huijin

Huijin was established on 16 December 2003 as a wholly state-owned company through state investment in accordance with the *Company Law of the PRC* with a registered capital of RMB828,209 million. The registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. The unified social credit code of Huijin is 911000007109329615 and its legal representative is Mr. PENG Chun. Its businesses include: making equity investments in major state-owned financial institutions based on the authorisation of the State Council; and other relevant businesses approved by the State Council.

As of 31 December 2022, Huijin held 140,087,446,351 shares of the Bank, representing 40.03% of the total share capital of the Bank.

During the reporting period, Huijin nominated Mr. ZHANG Qi as a Non-executive Director of the Bank.

Huijin issued a non-competition commitment, please see “Significant Events — Commitments” for more details.

As of 31 December 2022, the direct shareholdings of Huijin in its investees were as follows:

No.	Name of Institutions	Shareholding of Huijin
1.	China Development Bank	34.68%
2.	Industrial and Commercial Bank of China Limited ★☆	34.71%
3.	Agricultural Bank of China Limited ★☆	40.03%
4.	Bank of China Limited ★☆	64.02%
5.	China Construction Bank Corporation ★☆	57.11%
6.	China Everbright Group Ltd.	63.16%
7.	China Export & Credit Insurance Corporation	73.63%
8.	China Reinsurance (Group) Corporation ☆	71.56%
9.	China Jianyin Investment Limited	100.00%
10.	China Galaxy Financial Holding Co., Ltd.	69.07%
11.	Shenwan Hongyuan Group Co., Ltd. ★☆	20.05%
12.	New China Life Insurance Company Limited ★☆	31.34%
13.	China International Capital Corporation Limited ★☆	40.11%
14.	Evergrowing Bank Co., Limited	53.95%
15.	Bank of Hunan Corporation Limited	20.00%
16.	China Securities Co., Ltd. ★☆	30.76%
17.	China Galaxy Asset Management Co., Ltd.	13.30%
18.	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes 1: ★ represents A share listed company; ☆ represents H share listed company.

2: Apart from the above investees, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd. was established and incorporated in Beijing in November 2015 with a registered capital of RMB5.0 billion. It is engaged in asset management business.

SSF

The SSF, a public institution managed by the MOF, was founded in August 2000. Its registered address is South Tower, Fortune Time Plaza, No. 11 Fenghui Garden, Xicheng District, Beijing and its legal representative is LIU Wei. With the approval of the State Council and in accordance with the requirements by the MOF and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: the national social security fund, the central subsidy funds for individual accounts, part of the basic endowment insurance funds for enterprise employees, the basic endowment insurance fund and part of the transferred state-owned capital.

As of 31 December 2022, the SSF held 23,520,968,297 shares of the Bank, representing 6.72% of the total share capital of the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons¹

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/nominee ²	133,312,244,066 (A Shares) ³	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares) ⁴	Long position	7.97	0.70
		2,408,696,255 (H Shares) ⁴	Long position	7.84	0.69
Qatar Holding LLC	Beneficial owner	2,310,221,689 (H Shares) ⁵	Long position	7.52	0.66
BlackRock, Inc.	Interest of controlled entity	30,566,000 (H Shares)	Short position	0.10	0.01
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
China Taiping Insurance Group Ltd.	Interest of controlled entity	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares) ⁷	Long position	0.00	0.00

- Notes:
1. As of 31 December 2022, the Bank received notifications from the above persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.
 2. 9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.
 3. According to the register of members of the Bank as of 31 December 2022, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank.
 4. Qatar Investment Authority is deemed to be interested in 2,448,859,255 H Shares in aggregate, held by Qatar Holding LLC and QSMA1 LLC, both of which are wholly-owned subsidiaries of Qatar Investment Authority.
 5. BlackRock, Inc. is deemed to be interested in 2,310,221,689 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.
 6. China Taiping Insurance Group Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Ltd. and China Taiping Insurance Holdings Company Limited.
 7. Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represents approximately 0.0048% of the issued class shares.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

We make profit distribution with a focus on providing reasonable return on investments by the investors, and maintaining continuity and consistency of the profit distribution policy, as well as having interests of all shareholders as a whole and our sustainable development. We may make dividends distribution in cash or shares or by a combination of both. Our profit distribution prioritizes cash dividend distribution. We may also make interim profit distribution when we meet the conditions to do so.

The formulation and implementation of our cash dividend policy comply with our Articles of Association and the resolutions of the shareholders' general meetings. The relevant decision-making procedure and mechanism are complete, and the distribution standards and proportion are clearly stated. Independent Non-executive Directors have diligently fulfilled their duties, made their due efforts and expressed their opinions. The minority shareholders have opportunities to fully express their opinions and requests, and their legitimate interests have been adequately protected.

Profits and Dividends Distribution

Our profit for the year ended 31 December 2022 is set out in “Discussion and Analysis — Financial Statement Analysis”.

Upon approval at the 2021 Annual General Meeting, we distributed cash dividend of RMB0.2068 (tax inclusive) per ordinary shares, with a total amount of RMB72,376 million (tax inclusive), to shareholders of ordinary shares on our registers of members at the close of business on 14 July 2022.

The Board of Directors proposed distribution of cash dividends of RMB2.222 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2022 with a total amount of approximately RMB77,766 million (tax inclusive). The distribution plan will be submitted for approval at the 2022 Annual General Meeting. Once approved, the above-mentioned dividends will be paid to the holders of A Shares and H Shares, whose names appear on our registers of members on 17 July 2023. The register of transfers of H Shares will be closed from 12 July 2023 to 17 July 2023 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H Shares are required to deposit the transfer documents together with the relevant share certificates at our H Share registrar, Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 11 July 2023. Dividends of A Shares are expected to be paid on 18 July 2023 and dividends of H Shares are expected to be paid before or on 8 August 2023. A separate announcement will be published if there is any change to the aforesaid dates.

The table below sets out our cash dividend payment for the preceding three years.

In millions of RMB, except for percentages

	2021	2020	2019
Cash dividend (tax inclusive)	72,376	64,782	63,662
Cash dividend payment ratio ¹ (%)	30.0	30.0	30.0

Note: 1. Representing cash dividend (tax inclusive) divided by the net profit attributable to equity holders of the Bank for the reporting period.

Pursuant to the *Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348), individuals who are resident outside the PRC and who hold shares issued in Hong Kong by domestic non-foreign invested enterprises enjoy preferential tax rate in accordance with the tax conventions between PRC and the country where the residents reside and the tax arrangements between the Chinese mainland and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding tax rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Pursuant to the *Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises* (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to overseas non-resident enterprise shareholders of H Shares.

No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the tax implication in Chinese mainland, Hong Kong SAR and other tax implications arising from their holding and disposal of H Shares of the Bank.

Particulars of Preference Shares

Issuance and Listing of Preference Shares										
Code	Abbreviation	Issuance date	Issuance price (in RMB)	Coupon rate	Number of preference shares issued	Listing date	Number of preference shares approved to be listed	Transfer deadline	Proceeds raised (in RMB)	Use of proceeds
360001	農行優1	2014/10/31	100 per share	5.32%	400 million shares	2014/11/28	400 million shares	None	40.0 billion	Replenish the additional Tier 1 capital
360009	農行優2	2015/3/6	100 per share	4.84%	400 million shares	2015/3/27	400 million shares	None	40.0 billion	Replenish the additional Tier 1 capital
Notes: 1. For the terms and details of the issuance of the preference shares above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. 2. The coupon rate of “農行優1” in the second dividend period is 5.32% since 5 November 2019; the coupon rate of “農行優2” in the second dividend period is 4.84% since 11 March 2020.										

Corporate Governance Report

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優1” (360001)

Unit: Share

As of the end of the reporting period, the Bank had a total of 36 holders¹ of preference shares “農行優1”.

As of 28 February 2023 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 36 holders of preference shares “農行優1”.

Name of shareholders ¹	Nature of shareholders ²	Type of shares	Increase/decrease during the reporting period ³ (+, -)	Number of preference shares held	Shareholding percentage ⁴ (%)	Number of preference shares subject to pledge or lock-up
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	67,000,000	16.75	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	—	49,000,000	12.25	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	—	30,000,000	7.50	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	—	30,000,000	7.50	None
CITIC-Prudential Life Insurance Company Limited	Others	Domestic preference shares	—	29,760,000	7.44	None
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	—	25,110,000	6.28	None
BNB Wealth Management Co., Ltd.	Others	Domestic preference shares	+20,000,000	24,890,000	6.22	None
Shanghai Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+4,000,000	20,000,000	5.00	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+3,200,000	16,800,000	4.20	None
Bank of Beijing Scotiabank Asset Management Co., Ltd.	Others	Domestic preference shares	—	12,000,000	3.00	None

- Notes:
1. China Merchants Fund Management Co., Ltd. and China Merchants Securities Asset Management Co., Ltd. are acting in concert. Save as mentioned above, the Bank is not aware of any other connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.
 2. According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders”. Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as “others”.
 3. “Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.
 4. “Shareholding percentage” refers to the percentage of “農行優1” held by the holders of preference shares to the total number of “農行優1” (i.e. 400 million shares).
 5. The preference shares “農行優1” of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares “農行優1” who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.

¹ The number of the holders of preference shares was calculated by the number of qualified investors that hold the preference shares. When calculating the number of qualified investors, an asset management institution that purchases or transfers the preference shares through two or more products under its control will be counted as one.

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優2” (360009)

Unit: Share

As of the end of the reporting period, the Bank had a total of 33 holders of preference shares “農行優2”.

As of 28 February 2023 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 34 holders of preference shares “農行優2”.

Name of shareholders ¹	Nature of shareholders ²	Type of shares	Increase/decrease during the reporting period ³ (+, -)	Number of preference shares held	Shareholding percentage ⁴ (%)	Number of preference shares subject to pledge or lock-up
China Life Insurance Company Limited	Others	Domestic preference shares	—	50,000,000	12.50	None
China National Tobacco Corporation	Others	Domestic preference shares	—	50,000,000	12.50	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Others	Domestic preference shares	—	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	—	20,000,000	5.00	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	—	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	—	20,000,000	5.00	None
BNB Wealth Management Co., Ltd.	Others	Domestic preference shares	+15,405,000	19,695,000	4.92	None
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	—	19,000,000	4.75	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	—	15,700,000	3.93	None

- Notes:
1. China National Tobacco Corporation Jiangsu Province Company, China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are the wholly-owned subsidiaries of China National Tobacco Corporation. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.
 2. As stipulated in the Standards on the Content and Format of Information Disclosure of Companies with Public Offerings No. 2 — Content and Format of the Annual Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders”. Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as “others”.
 3. “Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.
 4. “Shareholding percentage” refers to the percentage of “農行優2” held by the holders of preference shares to the total number of “農行優2” (i.e. 400 million shares).
 5. The preference shares “農行優2” of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares “農行優2” who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.

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Dividends Distribution of Preference Shares

Dividends of our preference shares are paid in cash annually. When we resolve to cancel part or all of the dividends to holders of preference shares, such undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of our preference shares, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

Stock name	Distribution date	Registration date	Distribution method	Coupon rate	Dividend per share (tax included)	Total dividend (tax included)
農行優2 (360009)	11 March 2022	10 March 2022	Cash dividend	4.84%	RMB4.84	RMB1.936 billion
農行優1 (360001)	7 November 2022	4 November 2022	Cash dividend	5.32%	RMB5.32	RMB2.128 billion
農行優2 (360009)	13 March 2023	10 March 2023	Cash dividend	4.84%	RMB4.84	RMB1.936 billion

For details of the distribution of dividends above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Bank.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of the preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of the preference shares issued by the Bank.

Accounting Policies of Preference Shares

In accordance with the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* issued by the MOF, as well as *International Financial Reporting Standard 9 — Financial Instruments* and *International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares “農行優1” and “農行優2” meet the requirements of equity instruments.

Details of Issuance and Listing of Securities

Issuance of Securities

For issuance of other securities of the Bank during the reporting period, please refer to “Note IV. 30 Debt securities issued to the Consolidated Financial Statements” for details.

Employee Shares

The Bank had no employee shares.

Shareholders' Rights

Convening of Extraordinary General Meetings

We protect shareholders' rights strictly in compliance with the regulatory requirements and related corporate governance rules. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") may request the Board of Directors to convene an extraordinary general meeting, and submit proposals to the Board of Directors in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may request the Board of Supervisors to convene an extraordinary general meeting and propose to the Board of Supervisors in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, which shall be deemed to have failed to convene and preside over such meeting, shareholders who individually or jointly hold 10% or more of the total voting shares of the Bank for not less than 90 consecutive days shall be entitled to convene and preside over an extraordinary general meeting by themselves.

Enquiries

Shareholders may deliver enquiries to the Board of Directors and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may consult copies of minutes of the shareholders' general meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes of the shareholders' general meetings, the Bank shall send such copy within seven days after the receipt of the reasonable fees. Shareholders who request to consult or obtain the relevant information shall provide us with written documents evidencing the class and number of shares held by them, and we shall provide such information so requested upon verification of such shareholders' identities. The Office of the Board of Directors is responsible for aiding the Board of Directors in its daily affairs. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") may submit proposals when we convene Shareholders' general meetings. Proposing Shareholders shall submit provisional proposals to the Board of Directors in writing 10 days prior to the date of shareholders' general meetings. The Office of the Board of Directors is responsible for organizing shareholders' general meetings, preparing documents, and taking minutes of the meetings.

Special Regulations of Holders of Preference Shares

The holders of preference shares are entitled to voting rights in the event of the circumstances outlined below happen to the Bank: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, administrative regulations and the Articles of Association of the Bank.

Upon the occurrence of any of the circumstances above, holders of preference shares shall have the right to attend shareholders' general meetings and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares following notice procedures for holders of ordinary shares set forth in the Articles of Association.

When the Bank fails to pay dividends on preference shares for accumulated three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the shareholders' general meetings and vote with holders of ordinary shares jointly, starting from the day following the date on which the shareholders' general meeting resolves to not distribute dividends on preference shares as agreed in the profit distribution plan of that year. The voting rights shall be restored until the date on which all dividends for such preference shares of that year are distributed.

Protection of Minority Shareholders' Interests

The Implementation of One-share-one-vote

The Bank strictly implemented the one-share-one-vote among shareholders. The shares of the Bank shall be issued following the principles of fairness and justice, and each share in the same class has the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held. Shareholders who hold shares of the same class shall have the same rights, including (1) to receive dividends and other kinds of distribution of interests based on the number of shares held by them; (2) to attend or appoint a proxy to attend the shareholders' general meetings, and to exercise voting rights based on the number of shares held by them, etc.

Communication Channel

Shareholders' general meetings of the Bank are held in the form of on-site meetings. Minority shareholders have the right to attend or appoint a proxy to attend the shareholders' general meetings of the Bank, and to exercise voting rights based on the number of shares held by them by way of on-site voting or online voting.

According to the requirements of the relevant laws, regulations and the Articles of Association, minority shareholders have the right to obtain relevant information of the Bank, including: status of the share capital of the Bank, minutes of the shareholders' general meetings; the published financial and accounting reports, interim reports and annual reports of the Bank, etc.

Pursuant to the Articles of Association of the Bank, when the shareholders' general meeting considers material issues affecting the interests of minority investors, votes of minority investors shall be counted separately. The results of the separate vote count shall be publicly disclosed in a timely manner.

During the reporting period, when the shareholders' general meeting of the Bank considered material issues such as the election of directors, the profit distribution plan for 2021, the appointment of an accounting firm for 2022, and the 2021 remuneration of the Directors, the votes of A share shareholders holding less than 5% of the Bank's voting shares were counted separately and the results of the count were publicly disclosed in a timely manner.

For the Bank's information disclosure and investor relations management, please refer to "Corporate Governance Report — Communication with Stakeholders — Communication with Shareholders".

Returns to Shareholders

For details of dividends distribution on ordinary shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares". For details of dividends distribution on preference shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Preference Shares".

Role of Independent Non-executive Directors

Article 151 of the Articles of Association provides that Independent Non-executive Directors shall provide objective, fair and independent opinions on the matters, such as material related party transactions, profit distribution plans and modification of profit distribution policy, nomination and appointment and removal of directors, appointment and removal of senior management members, remuneration of directors and senior management, and appointment of external auditors.

In 2022, Independent Non-executive Directors of the Bank provided objective, fair and independent opinions on the proposals including the profit distribution plan for 2021, the 2021 remuneration of the Directors, the 2021 remuneration of the senior management members and nomination of candidates for Directors. Independent Non-executive Directors of the Bank were of the view that the content of these proposals and the consideration procedures were in compliance with the requirements of the relevant laws, regulations and the Articles of Association of the Bank, and there was no circumstance that would jeopardize the interests of the Bank and all shareholders, especially the legitimate interests of minority shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Year of Birth	Tenure
Incumbent Directors				
GU Shu	Chairman of the Board of Directors, Executive Director	Male	1967	2021.01–2024.01
FU Wanjun	Vice Chairman of the Board of Directors, Executive Director, President	Male	1968	2023.01–2026.01
ZHANG Xuguang	Executive Director, Executive Vice President	Male	1964	2020.10–2023.10
LIN Li	Executive Director, Executive Vice President	Male	1968	2021.06–2024.06
LIAO Luming	Non-executive Director	Male	1963	2017.08–2023.06
LI Wei	Non-executive Director	Male	1966	2019.05–2025.06
ZHOU Ji	Non-executive Director	Female	1972	2021.03–2024.03
LIU Xiaopeng	Non-executive Director	Male	1975	2022.01–2025.01
XIAO Xiang	Non-executive Director	Male	1966	2022.01–2025.01
ZHANG Qi	Non-executive Director	Male	1972	2022.12–2025.12
HUANG Zhenzhong	Independent Non-executive Director	Male	1964	2017.09–2023.06
LEUNG KO May Yee, Margaret	Independent Non-executive Director	Female	1952	2019.07–2025.06
LIU Shouying	Independent Non-executive Director	Male	1964	2019.07–2025.06
WU Liansheng	Independent Non-executive Director	Male	1970	2021.11–2024.11
WANG Changyun	Independent Non-executive Director	Male	1964	2022.12–2025.12
Incumbent Supervisors				
DENG Lijuan	Supervisor Representing Shareholders	Female	1975	2022.06–2025.06
WU Gang	Supervisor Representing Employees	Male	1965	2019.10–present
HUANG Tao	Supervisor Representing Employees	Male	1966	2021.07–2024.07
WANG Xuejun	Supervisor Representing Employees	Male	1972	2022.05–2025.05
LIU Hongxia	External Supervisor	Female	1963	2018.11–2024.11
XU Xianglin	External Supervisor	Male	1957	2021.11–2024.11
WANG Xixin	External Supervisor	Male	1968	2021.11–2024.11
Incumbent Senior Management				
FU Wanjun	Vice Chairman of the Board of Directors, Executive Director, President	Male	1968	2023.01–
ZHANG Xuguang	Executive Director, Executive Vice President	Male	1964	2019.12–
LIN Li	Executive Director, Executive Vice President	Male	1968	2021.03–
XU Han	Executive Vice President	Male	1965	2020.10–
LIU Jiawang	Executive Vice President	Male	1975	2022.11–
HAN Guoqiang	Secretary to the Board of Directors	Male	1967	2020.11–
Former Directors, Supervisors and Senior Management				
ZHANG Qingsong	Former Vice Chairman of the Board of Directors, Executive Director, President	Male	1965	2020.01–2022.09
WANG Xinxin	Former Independent Non-executive Director	Male	1952	2016.05–2022.12
WANG Jingdong	Former Chairman of the Board of Supervisors, Supervisor Representing Shareholders	Male	1962	2018.11–2023.02
FAN Jianqiang	Former Supervisor Representing Shareholders	Male	1964	2020.11–2022.06
SHAO Lihong	Former Supervisor Representing Employees	Male	1972	2018.08–2022.05
CUI Yong	Former Executive Vice President	Male	1969	2019.05–2022.08
ZHANG Yi	Former Executive Vice President	Male	1971	2021.11–2023.03
LI Zhicheng	Former Chief Risk Officer	Male	1963	2017.02–2023.02

- Notes: 1. Mr. GU Shu has served as the Chairman of the Bank's Board of Directors since February 2021. His term of office as a Director is set out in the table above.
2. Mr. ZHANG Qingsong's term of office as the former Vice Chairman of the Board of Directors, Executive Director is set out in the table above. His term of office as the Former President of the Bank began in November 2019.
3. Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for information relating to the changes in the Directors, Supervisors and Senior Management of the Bank.

Biography of Directors, Supervisors and Senior Management

Biography of Directors



GU Shu Chairman of the Board of Directors, Executive Director

Mr. GU Shu holds a doctor's degree in economics from Shanghai University of Finance and Economics and is a senior accountant. He was appointed as the Executive Director of the Bank in January 2021 and has served as the Chairman of the Board of Directors and an Executive Director of the Bank since February 2021. Mr. GU previously served as the deputy general manager of the Accounting and Settlement Department, the deputy general manager of the Planning and Finance Department, the general manager of the Finance and Accounting Department, the board secretary and concurrently general manager of the Corporate Strategy and Investor Relations Department, and president of Shandong Branch of Industrial and Commercial Bank of China. Mr. GU was appointed as the executive vice president and the president of Industrial and Commercial Bank of China in October 2013 and October 2016, respectively. Mr. GU was appointed as the vice chairman of the board, an executive director and the president of Industrial and Commercial Bank of China in December 2016. He concurrently serves as the president of the National Association of Financial Market Institutional Investors.



FU Wanjun Vice Chairman of the Board of Directors, Executive Director, President

Mr. FU Wanjun holds a degree of executive master of business administration from Dalian University of Technology and is a senior economist. Mr. FU has served as the Vice Chairman of the Board of Directors, an Executive Director and the President of the Bank since January 2023. He previously served as an assistant president and vice president of Urumqi Branch of Bank of Communications, president of Yinchuan Branch, president of Xinjiang Uygur Autonomous Region (Urumqi) Branch, president of Chongqing Branch, general manager of Corporate and Institutional Business Department of Bank of Communications, and chief business officer (corporate and institutional business sector) of Bank of Communications. He served as a deputy general manager of China Everbright Group Ltd. since March 2019, and served as an executive director of China Everbright Group Ltd. and executive director and president of China Everbright Bank Company Limited since June 2021.



ZHANG Xuguang Executive Director, Executive Vice President

Mr. ZHANG Xuguang received a master's degree in law from Peking University and a master's degree in law from Minnesota State University in the United States, and is a senior economist. He was appointed as an Executive Vice President of the Bank in December 2019 and has served as an Executive Director and an Executive Vice President since October 2020. Mr. ZHANG previously worked with China National Aero-Technology Import & Export Corporation. In addition, Mr. ZHANG previously served as the executive vice president of Tianjin branch and the deputy general director of the Executive Office, and the president of the Guangxi Zhuang Autonomous Region branch of China Development Bank. Mr. ZHANG also served as the president of China Development Bank Capital Co., Ltd. and the investment director of China Development Bank. In December 2013, he was appointed as an executive vice president of China Development Bank. Mr. ZHANG concurrently serves as the vice president of Research Association of Ideological and Political Work of China Financial Institutions.



LIN Li *Executive Director, Executive Vice President*

Mr. LIN Li holds a doctor's degree in Economics and is a senior economist. Mr. LIN was appointed as an Executive Vice President of the Bank in March 2021 and has served as an Executive Director and an Executive Vice President of the Bank since June 2021. Mr. LIN successively worked in China Raw Materials Investment Corporation and China Development Bank. He previously served as a deputy director and director of general office, a director and secretary to the board of directors of China Everbright Group Corporation (concurrently serving as chief of the Reform and Development Steering Group Office of China Everbright Group Corporation, chief of the Office of Executive Directors of China Everbright Holdings Company Limited (in Hong Kong), a director of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of supervisors of China Everbright Investment Management Co., Ltd.), and the executive vice president and senior executive vice president of China Everbright Bank (concurrently serving as a director of China UnionPay). Mr. LIN was appointed as the vice president of Agricultural Development Bank of China in January 2014, and was appointed as an executive director and the vice president of Agricultural Development Bank of China in February 2018. He concurrently serves as a Director of China Internet Investment Fund.



LIAO Luming *Non-executive Director*

Mr. LIAO Luming received a doctor's degree in public finance from the Public Finance Science Institute of the MOF. He currently works with Central Huijin Investment Ltd. Mr. LIAO has served as a Non-executive Director of the Bank since August 2017. He started working at the MOF in August 1985 and served successively as a director clerk of the Research Division, a deputy director and a director of the Information Division, and a director of the News Division at the General Office of MOF. He was appointed as a deputy director of the General Office of MOF in January 2003, a bureau level cadre of the Party Committee of MOF in January 2012 and an executive vice secretary (bureau level) of the Party Committee of MOF in February 2012.



LI Wei *Non-executive Director*

Mr. LI Wei graduated from Zhejiang University of Finance and Economics with a bachelor's degree in finance and is a senior accountant. Mr. LI currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. Mr. LI previously served as a deputy director clerk, a director clerk and a deputy director of the Budget Office of Ningbo Finance and Taxation Bureau, as well as a deputy director, a director, an assistant commissioner and a deputy supervisor of the First Division of the Office of the Ministry of Finance in Ningbo.



ZHOU Ji *Non-executive Director*

Ms. ZHOU Ji received a master's degree in National Economic Planning and Management from Department of National Economic Management of Renmin University of China, and is an economist. Ms. ZHOU currently works with Central Huijin Investment Ltd. Ms. ZHOU has served as a Non-executive Director of the Bank since March 2021. She previously worked as a deputy director of Balance of Payments Division and a deputy director of Analysis and Forecast Division of Balance of Payments Department of the State Administration of Foreign Exchange (the "SAFE"); a director of Balance of Payments Statistics Division of Balance of Payments Department of the SAFE; a deputy director of Balance of Payments Department and a deputy director of Capital Account Management Department of the SAFE.



LIU Xiaopeng *Non-executive Director*

Mr. LIU Xiaopeng holds a doctor's degree in world economics from Nankai University, and is a senior economist. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously worked as a deputy director of Financial Asset Management Department of State Grid Corporation of China, the general manager of Investment Management Department, and concurrently served as an assistant to the general manager of the company and the general manager of Development Planning Department of State Grid Yingda International Holdings Co., Ltd., a vice general manager and the secretary to the board of directors of China Power Finance Co., Ltd., a deputy director-general of the Global Energy Interconnection Office of State Grid Corporation of China and the Global Energy Interconnection Development and Cooperation Organisation, an executive director and the chief executive officer of Gome Finance Technology Co., Ltd., and the chief strategic operating officer of Gome Holding Group Co., Ltd. He concurrently serves as a non-executive director of China Reinsurance (Group) Corporation and a visiting professor of Nankai University.



XIAO Xiang *Non-executive Director*

Mr. XIAO Xiang is a postgraduate from Sichuan Institute of Business Administration specialising in business administration. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously served as a deputy director of the Office, a deputy director of the Business Division I (person-in-charge) and an assistant commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Sichuan. He served as a deputy inspection commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Fujian, an inspection commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Hunan and a director general of Hunan Regulatory Bureau of the Ministry of Finance.


ZHANG Qi Non-executive Director

Mr. ZHANG Qi holds a doctor's degree in economics from Dongbei University of Finance & Economics. He is currently working at Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since December 2022. He served as a non-executive director of China Construction Bank from July 2017 to December 2022, and a non-executive director of Bank of China from July 2011 to June 2017. He was the deputy director and director of the Minister's Office under the General Office of Ministry of Finance, the senior manager of the Office of China Investment Corporation, and the managing director of Equity Management Department I of Central Huijin Investment Ltd.


HUANG Zhenzhong Independent Non-executive Director

Mr. HUANG Zhenzhong holds a doctor's degree in law. Mr. HUANG is currently a professor and a supervisor for Ph.D. candidates of the School of Law in Beijing Normal University, and a deputy director of Chinese Entrepreneurs Crime Prevention Research Center. He has served as an Independent Non-executive Director of the Bank since September 2017. He previously served as a vice director and a senior economist of the Enterprise Reform Division at the Asset Management Department of Sinopec Group, a deputy head of School of Law and a director of the Legal Counsel Office in School of Law of Beijing Normal University, and a deputy chief prosecutor, a member of the Committee of Inspection of the Procuratorate of Tibet Autonomous Region and an independent director of Ciwen Media Co., Ltd., Yunnan Jinggu Forestry Co., Ltd., Beijing Leadman Biochemistry Co., Ltd., Sinopec Oilfield Equipment Corporation and CECEP Solar Energy Technology Co., Ltd. He is currently an executive director of the Energy Law Research Committee of China Law Society, an arbitrator of China International Economic and Trade Arbitration Commission, a panel mediator with the Mediation Center of China Chamber of International Commerce, an arbitrator of Tianjin Arbitration Commission, an arbitrator of Hainan Arbitration Commission, a lifetime honorary director of Beijing Jingshi Law Firm, a member of the Chartered Institute of Arbitrators, and an independent director of Beijing Qilin Hesheng Network Technology Co., Ltd. and UTour Group Co., Ltd.


LEUNG KO May Yee, Margaret Independent Non-executive Director

Ms. LEUNG KO May Yee, Margaret, holds a bachelor's degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was awarded Silver Bauhinia Star and Justice of the Peace by the HKSAR. She has served as an Independent Non-executive Director of the Bank since July 2019. She previously served as a vice chairman and the chief executive of Chong Hing Bank Limited, a vice chairman and the chief executive of Hang Seng Bank Limited, the general manager and global cohead of Industrial and Commercial Business of HSBC Group, a director of HSBC, and a director of Wells Fargo HSBC Trade Bank; she was an independent non-executive director of China Construction Bank, Hong Kong Exchanges and Clearing Limited, Li & Fung Limited, QBE Insurance Group Limited (listed on the Australian Securities Exchange), etc. She currently serves as an independent non-executive director of First Pacific Company Limited, Sun Hung Kai Properties Limited and China Mobile Limited, and a member of the Executive Council of the Hong Kong Special Administrative Region and the president of HKSAR Advisory Committee on Arts Development.



LIU Shouying *Independent Non-executive Director*

Mr. LIU Shouying serves as a second-level professor and supervisor for Ph.D. candidates in School of Economics, Renmin University of China, the director of All China Federation of Supply and Marketing Cooperatives, vice president of the Chinese Association of Agro-Technical Economics, and executive director of the China Land Science Society. He has served as an Independent Non-executive Director of the Bank since July 2019. He previously served as a deputy secretary-general of the Academic Committee of the Development Research Center of the State Council, a deputy minister of the Rural Economic Research Department, a director of the Urban and Rural Coordination Fundamental Area of the Development Research Center of the State Council, and the president and chief editor of China Economic Times.



WU Liansheng *Independent Non-executive Director*

Mr. WU Liansheng holds a doctor's degree in management and currently serves as the associate dean and chair professor of the Business School of Southern University of Science and Technology. He served as a distinguished professor of the Chang Jiang Scholars Programme of the Ministry of Education, and awarded as the winner of the National Outstanding Young Scholars. He was elected into the "Programme for New Century Excellent Talents in University" of the Ministry of Education and the "Accountant Specialist Training Project" of the Ministry of Finance. He has served as an Independent Non-executive director of the Bank since November 2021. He previously served as the associate dean and professor for the Guanghua School of Management of Peking University. He previously served as an independent director of Huaneng Power International, Inc., RiseSun Real Estate Development Co., Ltd., Western Mining Co., Ltd., Wanda Cinema Line Co., Ltd., China National Building Material Company Limited, Xinhuanet Co., Ltd. and BOC International (China) Co., Ltd. Mr. WU currently serves as an independent director of Rightway Holdings Co., Ltd. and Pop Mart International Group Limited.



WANG Changyun *Independent Non-executive Director*

Mr. WANG Changyun, holds a master's degree in economics from Renmin University of China and a doctor's degree in financial economics from University of London. He currently serves as a professor in finance at the School of Finance, a supervisor for Ph.D. candidates, the director of the Institute of International M&A and Investment and a deputy director of ESG Research Center of Renmin University of China. He is a distinguished professor of the Chang Jiang Scholars Programme and entitled to Government Allowance granted by the State Council. He has served as an Independent Non-Executive Director of the Bank since December 2022. He concurrently serves as an independent non-executive director of China Cinda Asset Management Co., Ltd., Sunway Co., Ltd., Hexie Health Insurance Co., Ltd. and Aerospace Science and Technology Finance Co., Ltd., a vice president of China Investment Specialty Construction Association, an executive director of China Investment Association, a director of China Finance Association and special auditor of National Audit Office. He previously served as the dean of Hanqing Advanced Institute of Economics and Finance in Renmin University of China, an independent non-executive director of Bank of China and Beijing Haohua Energy Resource Co., Ltd.

Biography of Supervisors

**DENG Lijuan** *Supervisor Representing Shareholders*

Ms. DENG Lijuan holds a master's degree in economics from Jilin University and is a senior economist. She has served as a Supervisor Representing Shareholders of the Bank since June 2022. She previously served in several positions in the Human Resources Department of the Bank, including the deputy director of the Headquarter Staff Management Division, the deputy director and director of the Senior Management Training Management Division and the director of the Affiliated Institutions Staff Management Division. She was appointed as the vice general manager of the Human Resources Department of the Bank in August 2016 and the person-in-charge of the Office of the Board of Supervisors of the Bank in January 2022. She has served as the director of the Office of the Board of Supervisors of the Bank since March 2022.

**WU Gang** *Supervisor Representing Employees*

Mr. WU Gang holds a master's degree from Tianjin University specialising in management engineering and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since October 2019. Mr. WU previously served as the assistant to the general manager and the deputy general manager of the Corporate Banking Department of the Bank, the general manager of the Big Client Department/Business Department and concurrently a member of Party Committee and vice president of the Beijing Branch. He served as the secretary of Party Committee and president of the Henan Branch in June 2014. He has been the general manager of Audit Office of the Head Office since May 2018.

**HUANG Tao** *Supervisor Representing Employees*

Mr. HUANG Tao holds a master's degree in arts from Huazhong University of Science and Technology and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since July 2021. He previously served as the first secretary (director level), the consultant, concurrently the consultant and the deputy director of the General Office of the Secretary Bureau I of General Office of the State Council, the director of Division III and the deputy inspector and concurrently the director of Division III of the Supervision Office of General Office of the State Council, a member of the Municipal Standing Committee and the deputy mayor (temporary) of Guilin, the Guangxi Zhuang Autonomous Region, the deputy inspector and the inspector of the Supervision Office of the General Office of the State Council, the general manager of Party Committee Office of the Bank and the Office/Complaint Office of the Bank. He has served as the chairman of the board of directors of ABC-CA Fund Management Co., Ltd. since September 2022.



WANG Xuejun *Supervisor Representing Employees*

Mr. WANG Xuejun holds a master's degree from Central China Normal University and is a senior engineer. He has served as a Supervisor Representing Employees of the Bank since May 2022. He used to serve in several positions in the Bank, including the deputy manager (deputy director) of the Computer Operation Division, the deputy manager (deputy director) and then manager (director) of the Information Technology Division of the Business Department, the director of Big Client Department Division IV, the president of the Beijing Branch Shijingshan Sub-branch, the assistant president of the Beijing Branch (concurrently the president of the Shijingshan Sub-branch), the vice president of the Beijing Branch (concurrently the president of the Zhongguancun Sub-branch) and the deputy general manager of the Information Management Department of the Bank. He served as the deputy director of the United Front Work Department/Trade Union Affairs Department of the Bank (person-in-charge) in March 2022. He has served as the director of the Trade Union Affairs Department of the Bank since February 2023.



LIU Hongxia *External Supervisor*

Ms. LIU Hongxia holds a doctor's degree in management from Central University of Finance and Economics. She has served as an External Supervisor of the Bank since November 2018. Currently, Ms. LIU works as a professor and a supervisor for Ph.D. candidates at the School of Accounting of Central University of Finance and Economics and is entitled to Government Allowance granted by the State Council. Ms. LIU previously worked as a teaching assistant at Beijing Institute of Finance and Trade, a lecturer of Shandong University of Finance, an auditor of Zhongzhou Certified Public Accountants in Beijing, and a deputy professor of Central Financial Management Cadre College. She previously served as independent director for China Merchants Bank, Fangda Special Steel Technology Co., Ltd., Beijing AriTime Intelligent Control Co., Ltd., Shanghai New Huang Pu Real Estate Co., Ltd., Langold Real Estate Co., Ltd., Nanjing Tanker Corporation of China Changjiang National Shipping Group Co., Ltd., Cinda Real Estate Co., Ltd., etc. She currently serves as an independent director of Joyoung Co., Ltd., Tianyu Digital Technology (Dalian) Group Co., Ltd., and Henan Zhongfu Industrial Co., Ltd.


XU Xianglin External Supervisor

Mr. XU Xianglin holds a master's degree in economics from Renmin University of China, and has served as an External Supervisor of the Bank since November 2021. He is a professor and a supervisor for Ph.D. candidates in Economics of the Party School of the CPC Central Committee National School of Administration. He previously served as a teacher in the Department of Agricultural Economic Management of Renmin University of China, a teacher of the Economics Teaching and Research Office of Party School of the CPC Central Committee, and lectured the agricultural and rural economic development course at classes for cadre of the Party School of the CPC Central Committee for a long time prior to his retirement. He is currently involved in guiding the development of a "three-in-one" integrated farmers' cooperative system in Jingpeng town, Keshiketeng Banner, Inner Mongolia Autonomous Region. He is concurrently serving as the chairman of the board of supervisors of Beijing Jingxi Lilinghui Agricultural and By-products Planting Professional Cooperative.


WANG Xixin External Supervisor

Mr. WANG Xixin holds a doctor's degree in law from Peking University and has served as an External Supervisor of the Bank since November 2021. He is currently a professor and a supervisor for Ph.D. candidates of Peking University Law School; the director of PKU-Yale Joint Centre for Law and Policy Reform Studies (China) and the Peking University Centre for Public Participation Studies and Supports, the executive dean of Peking University Law & Development Academy, the chief editor of Peking University Law Journal, the director of Peking University Centre for Studies of Constitutional and Administrative Law, being the Key Research Base of Humanities and Social Sciences of Ministry of Education. He previously worked at the Legal Affairs Office of Wuhan Municipal People's Government of Hubei Province; served as a vice dean of Peking University Law School and a deputy chief judge of the Administrative Trial Division of the Supreme People's Court (temporary). He is concurrently serving as a legal advisor of ministries and commissions under the State Council including Ministry of Education and State Administration for Market Regulation, a member of expert consultant committee for local governments including Beijing and Shanghai, and an independent director of Capital Securities Co., Ltd.

Biography of Senior Management

Please see “Biography of Directors” for biographical details of Mr. FU Wanjun, Mr. ZHANG Xuguang and Mr. LIN Li. The biographical details of other members of the senior management are as follows:



XU Han Executive Vice President

Mr. XU Han holds a master's degree in engineering from Shanghai University of Technology, is a senior engineer and an expert entitled to Government Special Allowance granted by the State Council. Mr. XU has served as an Executive Vice President of the Bank since October 2020. Mr. XU previously served in various positions in Bank of Communications, including the deputy general manager of IT Department of Hong Kong Branch, deputy general manager of Computer Department, vice CEO (CEO for Domestic Business) and CEO of Pacific Credit Card Centre, general manager of Personal Finance Department (Consumer Rights Protection Department), general manager of Personal Finance Department (Consumer Rights Protection Department) and general manager of Network Channel Department, general manager of Personal Finance Department (Consumer Rights Protection Department) and chief executive officer of Internet Centre (Online Centre), and chief business officer (Retail and Private Business Sector) and general manager of Personal Finance Department (Consumer Rights Protection Department). He concurrently serves as the Chief Information Officer of the Bank.



LIU Jiawang Executive Vice President

Mr. LIU Jiawang holds a bachelor's degree in economics from Nankai University, is a senior economist and holds a master's degree in economics. He has served as an Executive Vice President of the Bank from November 2022. Mr. Liu previously served as the president of Suzhou Branch, the vice president of Jiangsu Branch and president of Suzhou Branch and the president of Anhui Branch, and the president of Sichuan Branch of the Bank.



HAN Guoqiang Secretary to the Board of Directors

Mr. HAN Guoqiang holds a master's degree in business administration from Lanzhou University, and is a senior economist. He has served as the Secretary to the Board of Directors of the Bank since November 2020. Mr. HAN previously served as the assistant president, vice president, the president of Gansu Branch, and the president of Chongqing Branch of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 11 November 2021, Mr. LIU Xiaopeng and Mr. XIAO Xiang were elected as Non-executive Directors of the Bank at the 2021 Third Extraordinary General Meeting of the Bank. The qualifications of Mr. LIU Xiaopeng and Mr. XIAO Xiang were ratified by the CBIRC on 20 January 2022.

On 29 June 2022, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying were re-elected as Independent Non-executive Directors of the Bank and Mr. LI Wei was re-elected as a Non-Executive Director of the Bank at the 2021 Annual General Meeting of the Bank.

On 6 September 2022, Mr. ZHANG Qingsong resigned as the Vice Chairman of the Board, an Executive Director of the Bank due to work arrangements.

On 2 December 2022, Mr. FU Wanjun was elected as the Vice Chairman of the Board of Directors of the Bank, which would be effective upon the consideration and approval of his appointment as an Executive Director of the Bank by the shareholders' general meeting and the ratification of his qualifications by the CBIRC; on 22 December 2022, Mr. FU Wanjun was elected as an Executive Director of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The qualifications of Mr. FU Wanjun were ratified by the CBIRC on 20 January 2023.

On 22 December 2022, Mr. WANG Changyun was elected as an Independent Non-Executive Director of the Bank and Mr. ZHANG Qi was elected as a Non-Executive Director of the Bank at the 2022 Second Extraordinary General Meeting of the Bank.

On 22 December 2022, Mr. LIU Li was elected as an Independent Non-Executive Director of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The qualification of Mr. LIU Li is subject to the ratification of the regulatory authorities of the banking industry.

On 22 December 2022, Mr. WANG Xinxin ceased to serve as an Independent Non-Executive Director of the Bank due to expiration of his term of office.

Changes in Supervisors

On 10 May 2022, Mr. SHAO Lihong resigned as a Supervisor Representing Employees of the Bank and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank due to work arrangements.

On 10 May 2022, Mr. WANG Xuejun was elected as a Supervisor Representing Employees of the Bank at the Employee Representative Meeting of the Bank.

On 13 June 2022, Mr. FAN Jianqiang resigned as a Supervisor Representing Shareholders of the Bank, a member of the Due Diligence Supervision Committee and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank due to work arrangements.

On 29 June 2022, Ms. DENG Lijuan was elected as a Supervisor Representing Shareholders of the Bank at the 2021 Annual General Meeting of the Bank.

On 7 February 2023, Mr. WANG Jingdong resigned as the Chairman of the Board of Supervisors of the Bank, a Supervisor Representing Shareholders and a member of each of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors due to age.

Changes in Senior Management

On 9 August 2022, Mr. CUI Yong resigned as an Executive Vice President of the Bank due to work arrangements.

On 6 September 2022, Mr. ZHANG Qingsong resigned as the President of the Bank due to work arrangements.

On 29 September 2022, Mr. LIU Jiawang was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. LIU Jiawang was ratified by the CBIRC on 28 November 2022.

On 2 December 2022, Mr. FU Wanjun was appointed as the President of the Bank by the Board of Directors of the Bank. The qualification of Mr. FU Wanjun was ratified by the CBIRC on 20 January 2023.

On 28 February 2023, Mr. LI Zhicheng resigned as the Chief Risk Officer of the Bank due to age.

On 21 March 2023, Mr. ZHANG Yi resigned as an Executive Vice President of the Bank due to work arrangements.

Shareholdings of Directors, Supervisors and Senior Management

At the end of the reporting period, none of the Directors, Supervisors or senior management members of the Bank held or purchased any share of the Bank. During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share option of the Bank, or was granted restricted shares of the Bank.

Remuneration of Directors, Supervisors and Senior Management

Since 1 January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors as well as the Executive Vice Presidents of the Bank shall be in line with the relevant state regulations, which the Bank has followed to pay their salaries. The final remuneration of the Directors, Supervisors and senior management members for 2022 is still subject to confirmation and will be disclosed in a further announcement published by the Bank.

The following table sets out the remuneration paid to the Directors, Supervisors and senior management members of the Bank in 2022.

Name	Position	Tenure	Salaries paid before tax (1)	Remuneration paid in 2022 (Unit: RMB Ten Thousand)		Total (4)=(1)+(2)+(3)	Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
				Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)		
Incumbent Directors, Supervisors and Senior Management							
GU Shu	Chairman of the Board of Directors, Executive Director	2021.01–2024.01	65.63	21.25	—	86.88	N
FU Wanjun	Vice Chairman of the Board of Directors, Executive Director, President	2023.01–2026.01	5.47	1.86	—	7.33	N
ZHANG Xuguang	Executive Director, Executive Vice President	2020.10–2023.10	59.07	20.57	—	79.64	N
LIN Li	Executive Director, Executive Vice President	2021.06–2024.06	59.07	20.57	—	79.64	N
LIAO Luming	Non-executive Director	2017.08–2023.06	—	—	—	—	Y
LI Wei	Non-executive Director	2019.05–2025.06	—	—	—	—	Y
ZHOU Ji	Non-executive Director	2021.03–2024.03	—	—	—	—	Y
LIU Xiaopeng	Non-executive Director	2022.01–2025.01	—	—	—	—	Y
XIAO Xiang	Non-executive Director	2022.01–2025.01	—	—	—	—	Y
ZHANG Qi	Non-executive Director	2022.12–2025.12	—	—	—	—	Y
HUANG Zhenzhong	Independent Non-executive Director	2017.09–2023.06	—	—	38.00	38.00	Y
LEUNG KO May Yee, Margaret	Independent Non-executive Director	2019.07–2025.06	—	—	38.00	38.00	Y
LIU Shouying	Independent Non-executive Director	2019.07–2025.06	—	—	36.05	36.05	N
WU Liansheng	Independent Non-executive Director	2021.11–2024.11	—	—	38.00	38.00	Y
WANG Changyun	Independent Non-executive Director	2022.12–2025.12	—	—	0.99	0.99	Y
DENG Lijuan	Supervisor Representing Shareholders	2022.06–2025.06	—	—	—	—	N
WU Gang	Supervisor Representing Employees	2019.10–present	—	—	5.00	5.00	N
HUANG Tao	Supervisor Representing Employees	2021.07–2024.07	—	—	5.00	5.00	N
WANG Xuejun	Supervisor Representing Employees	2022.05–2025.05	—	—	2.92	2.92	N
LIU Hongxia	External Supervisor	2018.11–2024.11	—	—	30.00	30.00	Y
XU Xianglin	External Supervisor	2021.11–2024.11	—	—	33.00	33.00	N
WANG Xixin	External Supervisor	2021.11–2024.11	—	—	28.00	28.00	Y
XU Han	Executive Vice President	2020.10–	59.07	21.55	—	80.62	N
LIU Jiawang	Executive Vice President	2022.11–	14.77	7.30	—	22.07	N
HAN Guoqiang	Secretary to the Board of Directors	2020.11–	100.48	29.12	—	129.60	N

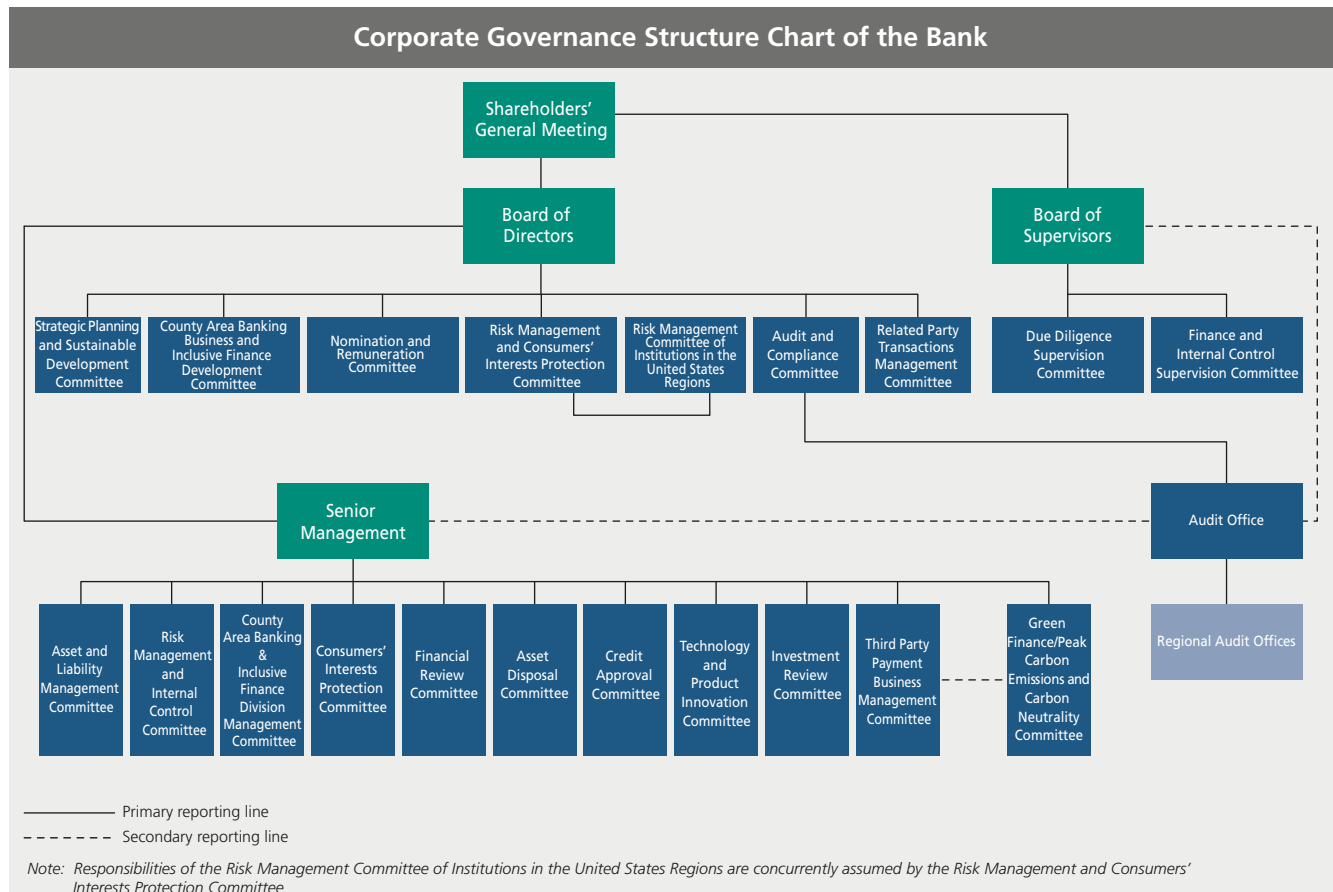
Corporate Governance Report

Name	Position	Tenure	Salaries paid before tax (1)	Remuneration paid in 2022 (Unit: RMB Ten Thousand)			Total (4)=(1)+(2)+(3)	Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
				Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)			
Former Directors, Supervisors and Senior Management								
ZHANG Qingsong	Former Vice Chairman of the Board of Directors, Executive Director, President	2020.01–2022.09	43.75	13.82	—	57.57		N
WANG Xinxin	Former Independent Non-executive Director	2016.05–2022.12	—	—	39.88	39.88		Y
WANG Jingdong	Former Chairman of the Board of Supervisors, Supervisor Representing Shareholders	2018.11–2023.02	65.63	21.25	—	86.88		N
FAN Jianqiang	Former Supervisor Representing Shareholders	2020.11–2022.06	—	—	—	—		N
SHAO Lihong	Former Supervisor Representing Employees	2018.08–2022.05	—	—	2.08	2.08		N
CUI Yong	Former Executive Vice President	2019.05–2022.08	34.46	11.77	—	46.23		N
ZHANG Yi	Former Executive Vice President	2021.11–2023.03	59.07	20.57	—	79.64		N
LI Zhicheng	Former Chief Risk Officer	2017.02–2023.02	100.53	30.47	—	131.00		N

- Notes:
1. The Directors, Supervisors and senior management members of the Bank who are also our employees are entitled to receive remuneration from the Bank. The remuneration package includes salary, bonus and contributions to all kinds of social insurance and housing fund payable by the Bank. The Independent Non-executive Directors of the Bank are entitled to receive Director's fee. The External Supervisors of the Bank are entitled to receive Supervisor's fee. The Chairman of the Board of Directors, Executive Directors and senior management members of the Bank do not receive any remuneration from any subsidiary of the Bank. For Supervisors Representing Employees of the Bank, the amount set forth above only includes fee for their services as Supervisors.
 2. Mr. Fu Wanjun's term as the Vice Chairman of the Board of Directors, Executive Director and President of the Bank are set out in the table above, and his term as the deputy secretary of the Party Committee of the Bank began in November 2022.
 3. The total remuneration (before tax) paid to the Directors, Supervisors and senior management members, including former Directors, Supervisors and senior management members, by the Bank in 2022 was RMB11,840.2 thousand.

Operation of Corporate Governance

Corporate Governance Structure



During the reporting period, we attached great importance to enhance the communication and interaction among the Board of Directors, the Board of Supervisors and the senior management. By attending or presenting meetings of the Board of Directors and relevant special committees, meetings of the Board of Supervisors and relevant special committees as well as meetings of the Senior Management, and jointly participating in special topic meetings such as seminars on reform and development, the Directors, Supervisors and senior management members conducted in-depth discussions and exchanges. By jointly participating in trainings on the Personal Information Protection Law and banking consumer information protection, green finance related lectures and other activities, the communication efficiency and synergy were continuously improved.

Shareholders' General Meetings

As our authority of power, our shareholders' general meeting is formed by all shareholders. Our shareholders' general meeting is responsible for, among other things, deciding on our business policies and investments plans; electing, replacing and dismissing Directors and deciding on matters concerning the remuneration of the relevant Directors; electing, replacing and dismissing External Supervisors and Supervisors Representing Shareholders, and deciding on matters concerning the remuneration of the relevant Supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; examining and approving our annual financial budget and final accounts, and profit distribution and loss appropriation plans; adopting resolutions concerning the increase or reduction of our registered capital, the issue and listing of corporate bonds and other negotiable securities, merger, division, dissolution, liquidation, change of corporate form and repurchase of ordinary shares; and amending the Articles of Association as well as considering and adopting the rules of procedures for a shareholders' general meeting, the rules of procedures for the Board of Directors and the rules of procedures for the Board of Supervisors, etc.

Shareholders' General Meetings

Meetings	Date	Proposals reviewed	Reports listened to	Attendance of Directors (Number of attendance in person ¹ /Number of meeting requiring attendance)
The 2022 First Extraordinary General Meeting	18 March 2022	Capital plan for 2022–2024, the issuance plan of write-down eligible tier-2 capital instruments	None	14/14
The 2021 Annual General Meeting	29 June 2022	The 2021 work report of the Board of Directors; the 2021 work report of the Board of Supervisors; the final financial accounts for 2021; the profit distribution plan for 2021; the appointments of auditors for 2022; the re-election of Ms. LEUNG KO May Yee, Margaret as an Independent Non-executive Director, the re-election of Mr. LIU Shouying as an Independent Non-executive Director, the election of Ms. GUO Xuemeng as an Independent Non-executive Director, the re-election of Mr. LI Wei as a Non-Executive Director, the election of Ms. DENG Lijuan as a Supervisor, the amendments to the <i>Articles of Association of the Bank</i> , the authorization to the Board to handle the liability insurance for Directors, Supervisors and Senior Management; and the fixed assets investment budget for 2022	The 2021 work report of Independent Non-executive Directors; the report on the implementation of the Plan on <i>Authorization of Shareholders' General Meeting to the Board of Directors</i> for 2021; and the report on the management of related party transactions for 2021	14/14
The 2022 Second Extraordinary General Meeting	22 December 2022	The 2021 remuneration of the Directors, the 2021 remuneration of the Supervisors, the election of Mr. WANG Changyun as an Independent Non-executive Director, the election of Mr. LIU Li as an Independent Non-executive Director, additional budget for donation for targeted support for 2022, the election of Mr. FU Wanjun as an Executive Director, the election of Mr. ZHANG Qi as a Non-executive Director	None	13/13

- Notes:
1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference.
 2. The Bank published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 18 March 2022, 29 June 2022 and 22 December 2022, respectively, and on the website of the Shanghai Stock Exchange as well as on the newspapers designated by the Bank for information disclosure on 19 March 2022, 30 June 2022, and 23 December 2022, respectively.
 3. For details of the attendance of each Director, please refer to "Attendance of Directors at Meetings".

Board of Directors

Details of the Board of Directors

As our decision-making organ, the Board of Directors is accountable to, and shall report its work to, the shareholders' general meeting. The Board of Directors is responsible for, among other things, convening the shareholders' general meeting and reporting to the shareholders' general meeting; implementing the resolutions of the shareholders' general meeting; deciding on our development strategies, business plans and investment proposals; formulating our annual financial budget and final accounts, proposals on profit distribution and loss appropriation, proposals on the increase or reduction of registered capital and financial restructuring, the capital replenishment plans including, among other things, the issue and listing of corporate bonds and other negotiable securities; formulating proposals on merger, division, dissolution or change of the corporate form; formulating proposals on the ordinary share repurchase; establishing and supervising the implementation of our basic management systems and policies; establishing and improving basic management systems for risk management and internal control; considering and approving the general risk management report and the plan on allocation of risk-based capital, and evaluating the effectiveness of our risk management; formulating amendments to our Articles of Association, the rules of procedures for a shareholders' general meeting and the rules of procedures for the Board of Directors and establishing the relevant corporate governance system; appointing or dismissing the President and the Secretary to the Board of Directors; appointing and dismissing the Vice President and other senior management members (excluding the Secretary to the Board of Directors) nominated by the President; evaluating and improving our corporate governance; and managing the affairs related to our information disclosure.

The Bank has established relevant mechanism to ensure independent views and input are available to the Board of Directors. Pursuant to relevant requirements of the Articles of Association, the Board of Directors shall carefully consider the opinions of external auditors in performing its duties and may seek advice from professional firms or professionals at the cost of the Bank. After review, the Bank believes that the relevant mechanism was implemented effectively during the reporting period.

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors of the Bank consisted of 14 Directors, including three Executive Directors, namely Mr. GU Shu, Mr. ZHANG Xuguang and Mr. LIN Li; six Non-executive Directors, namely Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng, Mr. XIAO Xiang and Mr. ZHANG Qi; and five Independent Non-executive Directors, namely Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. WU Liansheng and Mr. WANG Changyun.

Terms of Directors

Each Director shall be elected at the shareholders' general meetings. A Director shall serve a term of three years and may serve consecutive terms if being re-elected. The term of an Independent Non-executive Director shall not exceed six years on an aggregated basis.

Chairman of the Board of Directors and President of the Bank

Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association, the roles of the Chairman and the President of the Bank are separate. The Chairman shall not be held concurrently by the legal representative or the person-in-charge of any controlling shareholder of the Bank. The roles of the Chairman and the President of the Bank are separate and independent, with clear division of responsibilities.

Mr. GU Shu serves as the Chairman of the Board of Directors and our legal representative and is responsible for organizing the Board of Directors to make decisions on material issues such as our development strategies.

Mr. FU Wanjun serves as the President of the Bank, who is in charge of our management of business operations. The President is appointed by, and accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

On 6 September 2022, Mr. ZHANG Qingsong resigned as the President of the Bank due to work arrangements. On the same day, the Board of Directors of the Bank considered and approved the performance of the President's responsibilities by Chairman Mr. GU Shu until the date when our new President is appointed by the Board of Directors of the Bank and the qualification of the new President is ratified by the CBIRC. Mr. FU Wanjun's term of office to serve as the President of the Bank commenced from 20 January 2023. Mr. GU Shu no longer performed the President's responsibilities.

Training of Our Directors

Training Methods: Training by conference, training by written materials, etc.

Training Contents: The Personal Information Protection Law and consumer information protection in the banking industry, Green Finance, special trainings for independent non-executive directors of listed companies, etc.

Training of Our Secretary to the Board of Directors and Company Secretary

Training Methods: Online training and training by written materials, etc.

Training Duration: Not less than 15 hours

Diversity of the Board of Directors

Number of Directors	% of Independent Non-executive Directors	% of female Directors	% of Directors with professional background in law	% of Directors with professional background in finance and audit	% of Directors under 55 (inclusive) years old
14	35.7%	14.3%	14.3%	42.9%	42.9%

We have formulated a policy on diversity of the composition of the Board of Directors, which specifies our opinions of upholding the diversity of the composition of the Board of Directors, and the approaches to be taken on an ongoing basis in the process of achieving it. We acknowledged and appreciated its importance and benefits and regarded it as a critical factor in achieving our strategic goals, maintaining our competitive strengths and achieving our sustainable development. We considered the diversity from various aspects, including talent, skills, industry experience, cultural and educational background, gender, age and other factors, in setting the composition of the Board of Directors.

The Board of Directors of the Bank is composed of professionals in the fields of accounting, law and economics, while achieving diversity in various dimensions such as gender, age and length of service, which effectively improved the decision-making ability and strategic management of the Board of Directors.

The composition of the Board of Directors of the Bank complies with the requirements of the Hong Kong Listing Rules on gender diversity of the composition of the Board of Directors and complies with the Bank's policy on diversity of the composition of the Board of Directors. The Bank's current nomination policy and policy on diversity of the composition of the Board of Directors can ensure that the Board of Directors will have alternate potential successors to continue the existing gender diversity of the Board of Directors.

Independence of Independent Non-executive Directors

As of the end of the reporting period, the qualifications, number and proportion of the Independent Non-executive Directors were in full compliance with the applicable regulatory requirements. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank or its subsidiaries, nor did they hold any managerial position in the Bank. We have received annual independence confirmation letters from each of the Independent Non-executive Directors and confirmed their independence.

Performance of Duties by Independent Non-executive Directors

During the reporting period, the Independent Non-executive Directors worked at the Bank for no less than 15 working days. The Directors who served as the chairmen of the Audit and Compliance Committee, the Risk Management and Consumers' Interests Protection Committee and the Related Party Transactions Management Committee worked at the Bank for no less than 25 working days.

During the reporting period, the Independent Non-executive Directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

Details were disclosed in the *Due Performance Report of Independent Non-executive Directors of Agricultural Bank of China Limited* for 2022, which was published on the website of the Shanghai Stock Exchange.

Issues that the Independent Non-executive Directors paid close attention to during the reporting period

The Independent Non-executive Directors focused on key issues such as management of related party transactions, nomination of the senior management members, information disclosure, internal control, operation of the Board of Directors and its special committees, etc. They made clear judgments on relevant matters in accordance with the law and regulations, expressed their opinions and made recommendations independently and objectively.

Communications between Independent Non-executive Directors and external auditors

The Independent Non-executive Directors listened to a number of reports from the external auditors with respect to the audit results, annual audit plan, management letter, etc. In the course of preparation of the 2021 Annual Report, the Independent Non-executive Directors individually communicated with the external auditors regarding issues identified in the audits.

The role of Independent Non-executive Directors in terms of internal control

The Independent Non-executive Directors considered the proposals, including the work plan of internal control evaluation for 2022, the internal control assessment report for 2021, the report on compliance risk management for 2021, and listened to the reports, including the work report on audit of financial statements and internal control for 2021, the audit report for 2021, the work report on prevention and control of cases of violations for 2021, the work report on anti-money laundering and sanction compliance for 2021, and the report on related party transactions management for 2021.

Specific Statement and Independent Opinion of Independent Non-executive Directors on the Guarantee Business of the Bank

Pursuant to the relevant requirements of the CSRC and the Shanghai Stock Exchange, as the Independent Non-executive Directors of Agricultural Bank of China Limited, we have reviewed the guarantee business of the Bank based on the principles of justice, fairness and objectivity, and hereby issue our specific statements and opinions as follows: according to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBIRC as one of the ordinary businesses within the scope of daily operations of the Bank. As at 31 December 2022, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees) amounted to RMB329,420 million. The Bank has attached great importance to the risk management of the guarantee business and formulated strict regulations in respect of the credit standard of guaranteed objects, and the operational procedure and approval process of the guarantee business. We believe that the Bank has effectively controlled the risks on the guarantee business.

The Independent Non-executive Directors of Agricultural Bank of China Limited:
HUANG Zhenzhong, LEUNG KO May Yee, Margaret, LIU Shouying, WU Liansheng and WANG Changyun

Other independent opinions

For details, please see "Corporate Governance Report — Shareholding Structure — Protection of Minority Shareholders' Interests".

Means for Non-executive Directors to access information

Daily information support

We regularly provide the Non-executive Directors with important operational information such as financial operation, asset and liability operation and risk management reports, and other important documents and information updates such as newly added or newly revised rules and regulations, meeting materials, internal audit reports. The Non-executive Directors have permission to access our intelligent office portal, integrated financial and accounting management platform, operating management information platform, credit management system, as well as internal control and compliance management system.

Communication with the Senior Management

The mechanism for the Directors to sit in on the president's office meetings and on the meetings held by the special committees of the Senior Management was established. During the reporting period, the Non-executive Directors sat in on 24 president's office meetings and four meetings held by the special committees of the Senior Management.

The Non-executive Directors participated in 16 communication meetings for proposals before the meetings of the Board of Directors and had in-depth and thorough discussions on the content of the proposals.

The Non-executive Directors participated in the meetings for monthly business briefings and departmental thematic debriefings, so as to gain a timely and comprehensive understanding of our operation and management.

Communication with independent third parties such as external auditors

The Non-executive Directors and the external auditors held six symposiums, having in-depth communication on the audit work and the issues identified during the audit and review.

Investigations and research

The Non-executive Directors visited six branches to conduct investigation and research. They prepared written investigation and research reports and put forward policy advice focusing on topics such as rural revitalization, inclusive finance, and consolidated management of subsidiaries, respectively.

Meetings of the Board of Directors

Item	Details
Number of regular meetings held	4
Number of extraordinary meetings held	9
Total number of meetings held	13
Dates of meetings	26 January, 28 February, 30 March, 29 April, 10 May, 31 May, 29 August, 6 September, 29 September, 28 October, 2 December, 22 December, and 28 December 2022
Particulars of considering proposals or listening to reports	<p>The Board of Directors considered 85 proposals such as periodic reports, Green Finance Development Report, the profit distribution, nominating the candidates of the Directors and the appointment of the senior management members.</p> <p>The Board of Directors listened to 25 reports such as the implementation of the "14th Five-Year Plan" and evaluation report on strategic risk for 2021, the establishment of ESG management system for 2021, and the work on consumers' interests protection.</p>

Corporate Governance Report

Attendance of Directors at Meetings

Number of attendance in person¹/number of meetings requiring attendance

			Meetings of Special Committees of the Board of Directors						
			Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Directors	Shareholders' General Meetings	Meetings of the Board of Directors							
Executive Directors									
GU Shu	3/3	13/13	8/8						
ZHANG Xuguang	3/3	13/13	8/8				6/7		4/4
LIN Li	3/3	10/13	6/8				6/7		3/4
Non-executive Directors									
LIAO Luming	3/3	13/13	8/8	2/2			7/7		4/4
LI Wei	3/3	13/13		2/2	10/10	6/6			
ZHOU Ji	3/3	13/13	8/8	2/2	10/10				
LIU Xiaopeng	3/3	13/13	7/7				6/6		3/3
XIAO Xiang	3/3	13/13	7/7				6/6		3/3
ZHANG Qi		1/1					1/1		
Independent Non-executive Directors									
HUANG Zhenzhong	3/3	11/13			10/10		7/7	2/2	4/4
LEUNG KO May Yee, Margaret	3/3	13/13				6/6	5/7	2/2	3/4
LIU Shouying	3/3	13/13		2/2	10/10	4/6			
WU Liansheng	3/3	12/13		2/2	10/10	6/6			
WANG Changyun		1/1			1/1		1/1	1/1	
Former Directors									
ZHANG Qingsong	2/2	6/7	4/5	1/2	4/5				
WANG Xinxin	3/3	12/12	7/7		9/9		6/6	1/1	4/4

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Directors who did not attend the meetings of the Board of Directors or special committees in person thereof had designated other Directors as proxies to attend and to vote on their behalf at the meetings.

Implementation of Resolutions of the Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors strictly implemented the resolutions of the shareholders' general meetings and the authorization to the Board of Directors by the shareholders' general meeting, and seriously implemented the proposals considered and approved by the shareholders' general meetings, including the fixed assets investment budget and issuance plan of write-down undated capital bonds.

Responsibilities of Directors on Financial Statements

The Directors acknowledge their responsibility for preparing the financial reports of each accounting period, and they are of the view that such financial reports give a true and fair view of the financial position, operating results and cash flows of the Group.

During the reporting period, we complied with relevant laws, regulations and the requirements of the listing rules of places where our shares are listed and published the annual report for 2021 and the first quarterly report, interim report and third quarterly report for 2022.

Risk Management and Internal Control

The Board of Directors is responsible for establishing sound and effective risk management and internal control and supervising and assessing the construction of our internal control and risk management systems and the risk level (including reviewing the effectiveness of such systems). Such systems are in place to provide reasonable (though not absolute) assurance against material misstatement or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the reporting period, the Board of Directors reviewed the adequacy and effectiveness of our risk management and internal control through the Audit and Compliance Committee, Risk Management and Consumers' Interests Protection Committee, Risk Management Committee of Institutions in the United States Regions and Related Party Transactions Management Committee established under it. The Board of Directors reviews the effectiveness of the risk management and internal control of the Bank at least once a year. The Board of Directors was of the view that our risk management and internal control were adequate and effective.

For details of our risk management and internal control, please refer to "Discussion and Analysis — Risk Management", "Corporate Governance Report — Risk Governance" and "Corporate Governance Report — Internal Control".

Corporate Governance Report

Details of the Special Committees under the Board of Directors

The Special Committees under the Board of Directors of the Bank and the Compositions of Their Members at the End of the Reporting Period

	Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors							
GU Shu	C						
ZHANG Xuguang	M				M		M
LIN Li	M				M		M
Non-executive Directors							
LIAO Luming	M	M			M		M
LI Wei		M	M	M			
ZHOU Ji	M	M	M				
LIU Xiaopeng	M				M		M
XIAO Xiang	M				M		M
ZHANG Qi		M		M	M		M
Independent Non-executive Directors							
HUANG Zhenzhong			M		C	M	C
LEUNG KO May Yee, Margaret				M	M	C	M
LIU Shouying		M	C	M			
WU Liansheng		M	M	C			
WANG Changyun			M		M	M	M
% of Independent Non-executive Directors	—	33.3%	66.7%	60.0%	33.3%	100%	33.3%

- Notes:
1. C refers to the Chairman of the relevant Committees and M refers to the Member of the relevant Committees.
 2. On 26 January 2022, the Board of Directors of the Bank considered and approved the proposal on Adjusting the Members of the Special Committees of the Board of Directors to adjust the positions of Mr. LIU Xiaopeng and Mr. XIAO Xiang in the special committees. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.
 3. On 6 September 2022, Mr. ZHANG Qingsong resigned as a member of the Strategic Planning and Sustainable Development Committee, the chairman and a member of the County Area Banking Business and Inclusive Finance Development Committee and a member of the Nomination and Remuneration Committee.
 4. On 22 December 2022, the Board of Directors of the Bank considered and approved the proposal on Changes in the Chairman and Members of the Special Committees of the Board to adjust the positions of Mr. LIU Shouying, Mr. WANG Changyun, Mr. LIU Li and Mr. ZHANG Qi in the special committees. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.
 5. On 22 December 2022, Mr. WANG Xinxin ceased to serve as a member of the Strategic Planning and Sustainable Development Committee, the chairman and a member of the Nomination and Remuneration Committee, a member of the Risk Management and Consumers' Interests Protection Committee and Risk Management Committee of Institutions in the United States Regions and a member of the Related Party Transactions Management Committee.
 6. Mr. FU Wanjun has served as a member and the chairman of the County Area Banking Business and Inclusive Finance Development Committee, a member of the Strategic Planning and Sustainable Development Committee and a member of the Nomination and Remuneration Committee of the Board of Directors since 20 January 2023.

Duty Performance of the Special Committees of the Board of Directors

Special Committees	Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Strategic Planning and Sustainable Development Committee	Consider our overall strategic development plan and specific strategic development plans, major investment and financing plans, establishment of legal entities and other material matters critical to our development and make suggestions to the Board of Directors. Formulate the sustainable development strategies and goals of the Bank and regularly evaluate the risks associated with sustainable development and the implementation of the sustainable development strategies.	8 (26 January, 30 March, 29 April, 31 May, 29 August, 29 September, 2 December, and 28 December 2022)	Considered 18 proposals relating to the Operation Plan for 2022, the final financial accounts plan for 2021, the 2021 Corporate Social Responsibility Report, and Green Finance Development Report for 2021; listened to three reports such as the establishment of ESG management system for 2021, and the implementation of the "14th Five-Year Plan" and evaluation report on strategic risk for 2021, etc.; and provided relevant suggestions on the issuance of capital bonds and Green Finance.
County Area Banking Business and Inclusive Finance Development Committee	Consider the strategic development plan, policies and basic management rules, risk management strategic plan and other major matters in relation to the development of the County Area Banking Business and Inclusive Finance, as well as supervise the implementation of the strategic development plan, policies and basic management systems of the County Area Banking Business and Inclusive Finance, and make suggestions to the Board of Directors.	2 (24 January, and 22 August 2022)	Considered two proposals relating to the specific evaluation plan of inclusive finance business for 2022, and the work plan for serving rural revitalization during the "14th Five-Year Plan" period; and listened to a report on the forecast of the County Area Banking Division's financial target in 2022.
Nomination and Remuneration Committee ¹	Formulate the standards and procedures for election of the Directors, chairman and members of special committees of the Board of Directors and senior management members, and make recommendations regarding the proposed candidates for the Directors and senior management members and their qualifications to the Board of Directors, as well as formulate the remuneration measures for the Directors and senior management members, and submit the remuneration allocation plans to the Board of Directors for consideration.	10 (24 January, 29 March, 27 April, 10 May, 25 August, 28 September, 24 October, 2 December, 22 December, and 28 December 2022)	Considered 15 proposals including the nomination of Director candidates, the appointment of President, and the adjustment of the chairmen and members of the special committees of the Board of Directors.

Corporate Governance Report

Special Committees	Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Audit and Compliance Committee	Consider our internal control and management systems, the material financial and accounting policies, the audit basic management system and regulations, the medium- and long-term audit plan and annual work plan, and make suggestions to the Board of Directors; as well as review and approve our general policy on prevention of cases of violations, and effectively review and supervise our prevention of cases of violations.	6 (20 January, 16 March, 29 March, 28 April, 24 August, and 26 October 2022)	<p>Considered 12 proposals including 2022 audit project plan, 2021 annual report and its abstract, and 2021 internal control assessment report; listened to 13 reports including the 2021 Financial Statements Audit Plan and Progress Report, the 2020–2021 money laundering risk assessment report, and the 2021 audit work report.</p> <p>Enhanced communication with our external auditors and the supervision on their work and listened to the reports of external auditors on the audit results, the annual audit plan and the management letter, etc. During the preparation of the 2021 Annual Report, the members of the Audit and Compliance Committee conducted separate communication and discussion about the issues identified during audit with the external auditors.</p> <p>The Bank has separately disclosed the <i>Annual Performance of the Audit and Compliance Committee</i>, details of which was published on the website of the Shanghai Stock Exchange.</p>
Risk Management and Consumers' Interests Protection Committee	Consider our strategic plan of risk management, the risk appetite, the material risk management policies, the risk management report and allocation plan of risk-weighted capital, consider our strategies, policies and objectives of consumers' interests protection, continuously supervise the risk management system, supervise and evaluate our risk management and consumers' interests protection, and make suggestions to the Board of Directors.	7 (24 January, 29 March, 27 April, 31 May, 25 August, 25 October, and 27 December 2022)	<p>Considered nine proposals relating to the comprehensive risk management report, limits and strategies of country risk in 2022, the interest rate risk report of banking book in 2021, and the implementation and management measures of credit loss method; and listened to 15 reports relating to the risk analysis reports, the work for protecting customers' interests, the operation of IRB system and the validation of the advanced approach on capital measurement; and made relevant advice and suggestions on the control of risks, which include credit risk, market risk and operational risk, etc.</p>
Related Party Transactions Management Committee	Identify our related parties, consider our basic management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.	2 (29 March, and 28 December 2022)	<p>Considered two proposals relating to the list of related parties and the <i>Measures for Related Party Transactions Management (Revised)</i>; listened to report on the related party transactions management in 2021, considered and approved the information of our related parties, and made relevant advice and suggestions on the enhancement of the management of our related parties and related party transactions.</p>

Special Committees	Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Risk Management Committee of Institutions in the United States Regions	Consider and approve the risk management policies in relation to the businesses in the United States regions and supervise its implementation, as well as consider the issues identified in the internal and external inspection of institution in the United States regions and the report on relevant rectification, and other matters authorized by the Board of Directors. Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management and Consumers' Interests Protection Committee.	4 (24 January, 27 April, 27 July, and 25 October 2022)	Considered three proposals relating to the basic risk management policies of the New York Branch; and listened to five reports including the report on the rectification and compliance management of the New York Branch. Conducted anti-money laundering and sanctions risk management training, regularly reviewed the risks in relation to the businesses in the United States regions and made relevant advice and suggestions.

Note: 1. *The Articles of Association specifies the procedures and methods of the nomination of Directors and have specific requirements for the appointment of Independent Non-executive Directors. Please refer to the Articles of Association including articles 138 and 148 therein for details. The Articles of Association are published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank elected its Directors in strict compliance with the Articles of Association. When nominating candidates of Directors, the Nomination and Remuneration Committee of the Board of Directors mainly takes their qualifications, compliance with laws, administrative regulations, rules and the Articles of Association, capability of diligent performance, understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors and the requirement of the diversity of the composition of the Board of Directors into account. Please refer to "Diversity of the Board of Directors" for the details of our policy on diversity of the composition of the Board of Directors. The quorum of the attendees of meeting of the Nomination and Remuneration Committee shall be more than two-thirds of all its members and any resolution at such meeting shall be passed by favorable votes from more than half of its members.*

The Board of Supervisors

As our supervisory organ, the Board of Supervisors is accountable to and shall report to the shareholders' general meeting. The Board of Supervisors is responsible for supervising the performance of duties of the Board of Directors and the Senior Management, supervising the due diligence of the Directors and senior management members and questioning accordingly, urging the Directors and senior management members to rectify their acts which impair the Bank's benefits; proposing the dismissal of or initiating litigation against the Directors and senior management members who breach the laws, administrative rules, the Articles of Association or the resolution of the shareholders' general meeting; conducting audit on resigning the Directors and senior management members as necessary; formulating the compensation and allowance distribution plan for Supervisors and submitting the plan to the shareholders' general meeting for consideration; supervising the financial activities, business decisions, risk management and internal control of the Bank and guiding the work of internal audit department of the Bank; reviewing the financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meeting and engaging certified accountants and auditors to review such reports in the name of the Bank, if any problems are identified; supervising the implementation of the strategic plans, policies and basic management systems for the development of County Area Banking Business; submitting proposals to the shareholders' general meeting; nominating Supervisors Representing Shareholders, External Supervisors and Independent Directors; formulating amendments to the rules of procedures of the Board of Supervisors; supervising the compliance of the appointment, dismissal and reappointment of external auditing institutions and the fairness of the terms of engagement and remuneration, as well as the independence and effectiveness of external audit work; performing other duties as required by applicable laws, administrative regulations, departmental rules and the Articles of Association of the Bank or authorized by the shareholders' general meeting.

Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisors Representing Shareholders, namely Mr. WANG Jingdong and Ms. DENG Lijuan, three Supervisors Representing Employees, namely Mr. WU Gang, Mr. HUANG Tao and Mr. WANG Xuejun, three External Supervisors, namely Ms. LIU Hongxia, Mr. XU Xianglin and Mr. WANG Xixin.

Meetings of the Board of Supervisors

Item	Details
Regular meetings of the Board of Supervisors	4
Extraordinary meetings of the Board of Supervisors	3
Total number of meetings	7
Dates of meetings	24 February, 30 March, 29 April, 30 June, 29 August, 28 October and 22 December 2022
Considering and Approving Proposals or Listening to Reports	Considered 21 proposals including <i>the 2021 annual report of the Agricultural Bank of China Limited</i> and its abstract, and listened to 34 reports including the comprehensive risk management report for 2021.

Note: The Office of Board of Supervisors is the office to carry out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents and minutes for those meetings, as well as conducting daily supervision and monitoring work according to the requirements of the Board of Supervisors.

Attendance of Supervisors at Meetings

Number of attendance in person¹/number of meetings requiring attendance

Supervisors	Board of Supervisors	Special Committees under the Board of Supervisors	
		Due Diligence Supervision Committee	Finance and Internal Control Supervision Committee
Supervisor Representing Shareholders			
DENG Lijuan	4/4	2/2	2/2
Supervisor Representing Employees			
WU Gang	7/7	5/5	
HUANG Tao	7/7	5/5	
WANG Xuejun	4/4		2/2
External Supervisor			
LIU Hongxia	6/7		4/4
XU Xianglin	7/7	5/5	4/4
WANG Xixin	7/7	5/5	
Former Supervisor			
WANG Jingdong	7/7	5/5	4/4
FAN Jianqiang	3/3	1/2	2/2
SHAO Lihong	2/3		1/2

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Supervisors who did not attend the meetings of the Board of Supervisors or special committees in person thereof had designated other Supervisors as proxies to attend and to vote on their behalf at the meetings.

The main responsibilities of the Due Diligence Supervision Committee are as follows: to formulate and carry out the implementation plans for supervising due diligence of the Board of Directors, senior management and their members upon approval of the Board of Supervisors; to submit a review report on due diligence of the Board of Directors, senior management and their members and to provide advice in respect thereof to the Board of Supervisors; to formulate the audit report of any resigning director and senior management member, if so required, and make suggestions to the Board of Supervisors; to provide recommendations on the candidates of supervisors representing shareholders, external supervisors, independent non-executive directors and members of each special committee to the Board of Supervisors; to formulate the assessment plan, organize the performance evaluation of supervisors, and provide recommendations in respect thereof to the Board of Supervisors; to make proposals on the compensation and allowance distribution plan for supervisors and submit the plan to the Board of Supervisors for approval; to research and handle the relevant matters, documents and information reported or provided by the Board of Directors, senior management or any of their members; and to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Due Diligence Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Ms. DENG Lijuan, Mr. WU Gang, Mr. HUANG Tao, Mr. XU Xianglin and Mr. WANG Xixin. The Due Diligence Supervision Committee was chaired by Mr. XU Xianglin.

Corporate Governance Report

Meetings of the Due Diligence Supervision Committee

Number of Meetings	Dates of meetings	Considering Proposals or Listening to Reports
5	8 March, 30 March, 30 June, 29 August, and 22 December 2022	Considered eight proposals including the assessment report on due diligence of the Board of Directors, the Board of Supervisors, the Senior Management and their respective members for 2021.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows: to formulate and carry out the work and implementation plans of the Finance and Internal Control Supervision upon approval of the Board of Supervisors; to supervise the implementation of the strategic plan for development of, the policies and basic management system of the County Area Banking Business of the Bank and evaluate the implementation effectiveness and provide recommendation in respect thereof to the Board of Supervisors; to supervise and inspect the financial and accounting reports, operation reports and profit distribution proposals formulated by the Board of Directors and provide recommendations in respect thereof to the Board of Supervisors; to formulate and implement the plans of the Board of Supervisors to supervise and inspect the financial activities, business decisions, risk management and internal control of the Bank upon the approval of the Board of Supervisors; to recommend to the Board of Supervisors for engagement of external auditing institutions to perform audits on the Bank's financial statements when necessary; to guide the work of the internal audit department; to research and handle the relevant matters or documents or information reported or provided by the Board of Directors, senior management or any of their members; and to supervise the compliance of the appointment, dismissal and reappointment of external auditing institutions and the fairness of the terms of engagement and remunerations, as well as independence and effectiveness of external audits, and make suggestions to the Board of Supervisors; and to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised five Supervisors, namely Mr. WANG Jingdong, Ms. DENG Lijuan, Mr. WANG Xuejun, Ms. LIU Hongxia and Mr. XU Xianglin. The Finance and Internal Control Supervision Committee was chaired by Ms. LIU Hongxia.

Meetings of the Finance and Internal Control Supervision Committee

Number of Meetings	Dates of meetings	Considering Proposals or Listening to Reports
4	23 March, 29 April, 24 August, and 28 October 2022	Considered nine proposals, including the final financial accounts for 2021, and listened to 12 reports, including the monitoring and analysis report on the financial and operation conditions of the Bank for 2021.

Work of External Supervisors

During the reporting period, the External Supervisors strictly performed their supervisory duties diligently in accordance with the Articles of Association. They considered the relevant proposals, listened to the work reports, and carried out the supervision and investigations. They attended meetings of the Board of Supervisors and its special committees thereof, and provided professional, rigorous and independent opinions. The External Supervisors played active roles in improving our corporate governance and enhancing our operation management level.

Work of Board of Supervisors

Please refer to the "Report of the Board of Supervisors" for details.

Senior Management

As our execution organ, the Senior Management is accountable to the Board of Directors and shall submit themselves to the supervision of the Board of Supervisors. The senior management is responsible for, among other things, taking charge of our operation and management, and making arrangements to implement resolutions of the Board; formulating our basic management systems and policies, and establishing our specific rules and regulations (other than internal audit rules and regulations); formulating our business plans and investment proposals, and making arrangements for their implementation after they are approved by the Board of Directors; formulating our annual financial budget and final accounts, risk capital allocation plans, profit distribution plans, loss appropriation plans, plans for increase or reduction of registered capital, plans for issuance of corporate bonds or other negotiable securities and listing plans, and shares repurchase plans, and making proposals to the Board of Directors, etc.

Composition of the Senior Management

At the end of the reporting period, the Bank's Senior Management comprised seven members, namely, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. XU Han, Mr. ZHANG Yi, Mr. LIU Jiawang, Mr. LI Zhicheng and Mr. HAN Guoqiang.

Work of the Senior Management

Authorized by the Board of Directors, the Senior Management effectively promoted the bank-wide operation and management in compliance with the Articles of Association and other governance documents of the Bank. During the reporting period, the senior management members held more than 520 president's office meetings and thematic conferences to study on how to implement the decisions and plans of the Board of Directors and formulate the operation plans, operation strategies and management measures which were subject to well-timed adjustments in response to the market changes. The senior management members proactively invited the Directors and Supervisors to attend key meetings and events, solicited their opinions and advice, and maintained close communication with the Board of Directors and the Board of Supervisors, thereby constantly improving the quality and efficiency of our operation and management.

Related Party Transactions and Intra-group Transactions

Management System of Related Party Transactions and Intra-group Transactions

The Bank has formulated the *Measures for Related Party Transactions Management of Agricultural Bank of China Limited* and *Implementation Measures for Related Party Transactions Management of Agricultural Bank of China*, as well as the *Measures for Intra-group Transactions Management of Agricultural Bank of China* and *Operating Procedures for Intra-group Transactions Limit Management of Agricultural Bank of China (Provisional)*, which standardized the related party transactions and intra-group transactions management.

During the reporting period, the Bank revised the *Measures for Related Party Transactions Management of Agricultural Bank of China Limited* and *Implementation Measures for Related Party Transactions Management of Agricultural Bank of China* according to the latest regulatory requirements to further improve the related party transactions management mechanism.

Procedures and entities in charge to review related party transactions and intra-group transactions

The Board of Directors of the Bank assumes the ultimate responsibility for related party transactions management. The Related Party Transactions Management Committee under the Board of Directors is responsible for affairs such as management, review and risk control of related party transactions within the scope of its duties and authorities. The Bank has set up a cross-department related party transactions management office under the Senior Management, which is responsible for daily affairs such as related parties identification and maintenance, related party transactions management, and related party transactions data governance.

The related party transactions of the Bank shall be approved in accordance with its business authorization, while the material related party transactions, unified transaction agreements, and the related party transactions with a transaction volume amounting to more than 30 million (inclusive) and representing more than 1% (inclusive) of the Bank's latest audited net assets are subject to the approval of the Board of Directors, and the related party transactions reviewed by the Board of Directors must be approved by more than two-thirds of the non-related directors. If the number of the non-related directors present at the meeting of the Board is less than 3, it shall be submitted to the Shareholders' General Meeting for consideration.

The related party transactions between the Bank and related parties with a transaction volume amounting to more than 30 million (inclusive) and representing more than 5% (inclusive) of the Bank's latest audited net asset, and the guarantees transactions within the scope of non-banking business provided to the related parties shall be submitted to the Shareholders' General Meeting for consideration after being reviewed and approved by the Board of Directors.

The Bank implements annual cap management over its intra-group transactions and approves the intra-group transactions in accordance with its business authorization. The general intra-group transactions exceeding the limit and the material intra-group transactions are subject to the approval of the President and the Board of Directors, respectively.

Details of the Related Party Transactions

In 2022, we implemented standardized management of the related party transactions strictly in compliance with the regulatory requirements of the CBIRC and the securities regulations of the PRC and the listing rules of Shanghai and Hong Kong. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with the laws and regulations. Our pricing for interest rates followed fair business principles, and no impairment of the interests of the Bank or the minority shareholders was identified.

In 2022, we conducted various related party transactions with connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions satisfied the applicable exemption conditions set out in Rule 14A.73 under the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements of shareholders' approval, annual review and all requirements in relation to disclosures.

For the related party transactions defined in accordance with the domestic laws and regulations as well as the accounting standards, please refer to "Note IV. 40 Related party transactions to the Consolidated Financial Statements".

Incentive & Constraint Mechanism

We have established a system of deferred payment, recall and deduction of performance salary. Where the senior management members and personnel in key positions violate laws, regulations and disciplines or are responsible for significant risk losses, we will deduct, recall and cease the payment of their performance salary and deferred remuneration for the corresponding period based on the severity. The establishment of incentive and constraint mechanism of remuneration allocation enables us to balance the remuneration between current and long term as well as between revenue and risk, ensuring the remuneration incentive matches the risk-adjusted performance.

Risk Governance

Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors of the Bank in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

We generally adopt a prudent risk appetite, actively serve major national strategies, and support economic and social development. We operate strictly in compliance with laws and regulations, and insist on maintaining a balance among capital, risks and returns, as well as consistency in security, profitability and liquidity. We are neither aggressive nor conservative in the level of risk bearing. Through undertaking an appropriate level of risk and adopting proactive and effective management, we seek to achieve moderate returns, maintain sufficient risk provisions and capital adequacy to cover risk losses, and steadfastly followed the path of high-quality development. The Bank continues to improve the comprehensive risk management system, proactively implement advanced approaches of capital management, and maintains good regulatory ratings and external ratings, to provide assurance for realizing our strategic objectives and business plans.

Risk Management Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and Consumers' Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors of the Bank perform the relevant risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management, we have various risk management committees with different functions, including the Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the Senior Management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders' general meeting.

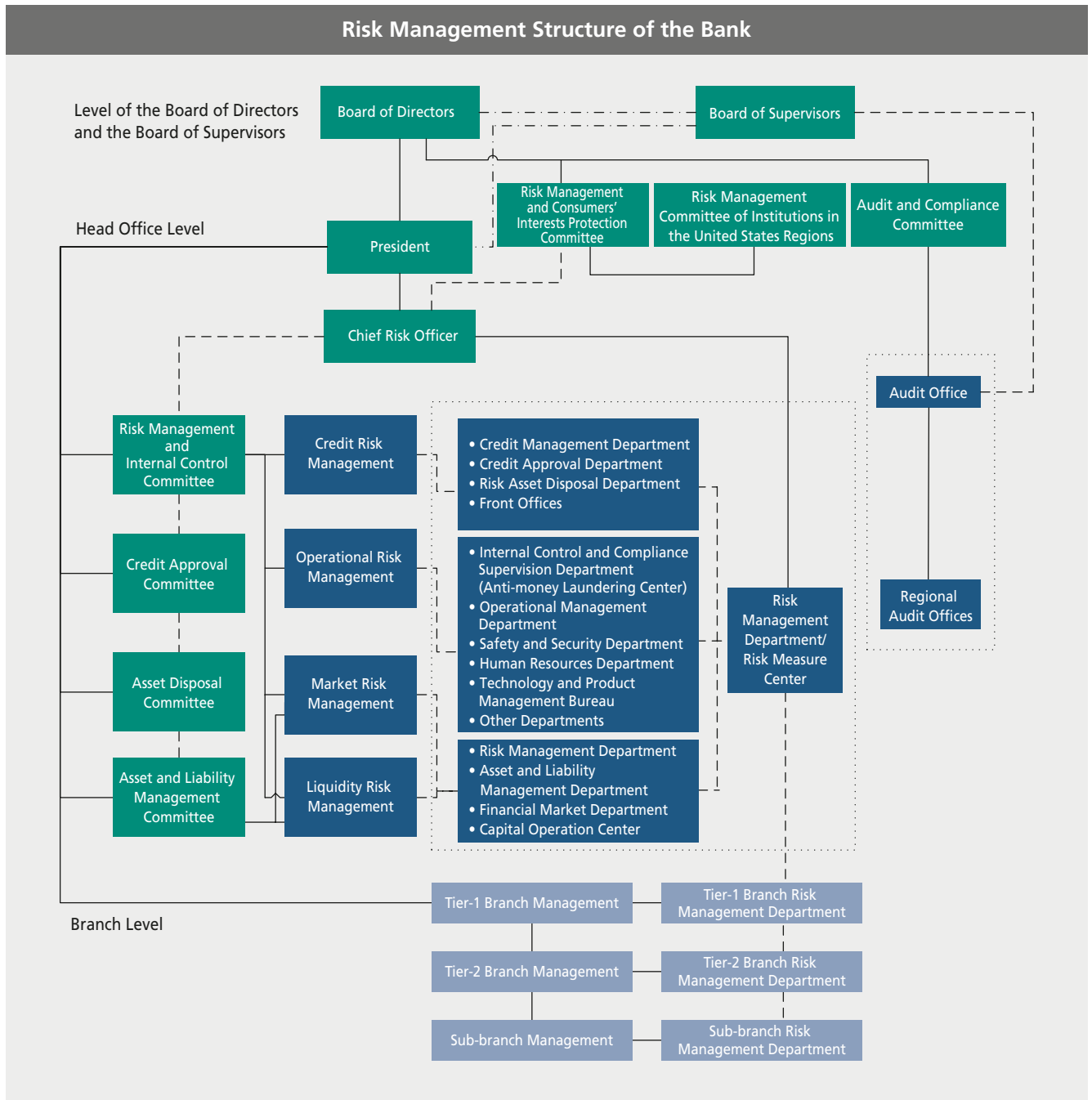
Based on the principle of "overall coverage", we established the "matrix" risk management organizational system and the "Three Lines of Defense" for risk management comprising the risk bearing departments, risk management departments and internal audit departments. In 2022, we further promoted the integrated risk management of the parent company and the subsidiaries as well as of the domestic and overseas institutions, and optimized the management framework of major risk including credit risk, market risk and operational risk.

Role and Responsibilities of the Chief Risk Officer

The Chief Risk Officer of the Bank is to lead the construction of a comprehensive risk management system and the implementation of the Basel Capital Accord, coordinate the establishment of the Bank's organizational structure for risk management, review the implementation of the risk management strategies and risk appetite, review major risk management policies and rules, promote the establishment and improvement of risk management information system and data quality control mechanism, and lead the reporting of the Bank's overall risk management to the Board of Directors and its special committees.

Management and Status of Various Risks

Please refer to "Discussion and Analysis — Risk Management".



Internal Control

Internal Control Environment

Responsible Body and Department

The Board of Directors of the Bank is responsible for establishing a sound internal control system, effectively implementing the internal control, evaluating its effectiveness, and disclosing the internal control assessment report. The Audit and Compliance Committee, the Risk Management and Consumers' Interests Protection Committee, the Risk Management Committee of Institutions in the United States Regions, and the Related Party Transactions Management Committee established under the Board of Directors are responsible for performing the corresponding duties related to internal control management. The Senior Management is responsible for leading the daily operation of internal control. The Board of Supervisors supervises the establishment and implementation of internal control by the Board of Directors and the Senior Management.

There are internal control and compliance supervision departments at the Bank's Head Office and all branch levels, which are responsible for organizing, promoting and coordinating internal control of the Bank. Business department is responsible for the construction and implementation of internal controls for its own department and the business line, and is accountable for the effectiveness of internal controls for its own department and the business line. The Bank established the internal audit office and regional internal audit offices with vertical management line to perform the responsibilities of audit supervision over internal control and are responsible for and report to the Board of Directors and its Audit and Compliance Committee.

Objectives of Internal Control Management

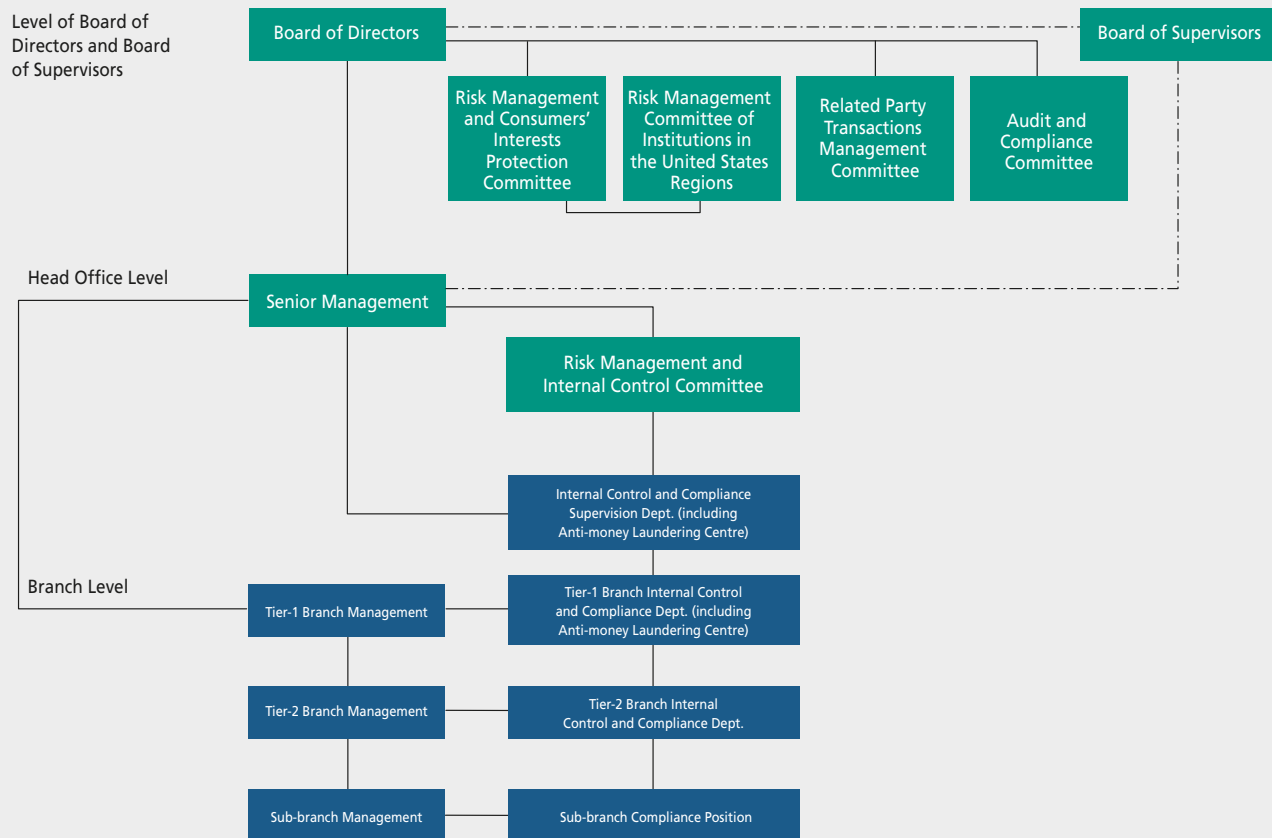
The objectives of our internal control are to reasonably ensure our legal and compliant operation and management, make the financial reports and related information truthful and complete, ensure effective risk management and asset security, improve the efficiency and effectiveness of our operation, and facilitate the fulfilment of our business goals and development strategies.

Internal Control Evaluation

The Board of Directors has considered and approved the *2022 Internal Control Assessment Report of ABC*, details of which are published on the website of the Shanghai Stock Exchange.

KPMG Huazhen LLP issued an unqualified *Internal Control Audit Report* based on its audit of the effectiveness of the Group's internal control over financial reporting as of 31 December 2022 in accordance with the relevant regulations, details of which are published on the website of the Shanghai Stock Exchange.

Internal Control Management Structure of the Bank



Internal Control Activities

Implementation of Internal Control

Our internal control environment was optimized. We innovatively put forward the concept of policy compliance and incorporated the implementation of the major policies and strategic arrangements of our central government into the scope of compliance. We organized the activity of “Year of Education of Compliance”, insisted on being problem-oriented and target-oriented, further improved our compliance management system, continuously enhanced our compliance operation capability, and coordinately implemented business development and compliance construction.

Our capabilities to identify and evaluate risks were enhanced. We extended the scope of compliance review from new policies and new products to new models and new systems to ensure the compliance of systems, models, statistics and data application compliance and data security. We assessed various types of risks faced by the Bank on a regular basis, insisted on assessing various types of risks involved in new businesses, new products, new systems and new institutions, and constantly optimized risk prevention and control measures.

The control actions were taken efficiently. We continuously improved a system of regulations and rules that is easy to learn and apply, and easy to control effectively. We adhered to risk-oriented and classified management, and enhanced differentiated authorization. We combed through responsibilities of incompatible positions, strengthened duty avoidance, important position personnel rotation and compulsory vacation administration, and enhanced the counterbalance of different positions. We highlighted preventive control, promoted process improvement and optimization, and strengthened machine control. We optimized the “three lines and one grid” management model to strengthen the management responsibilities of the leader of grid. We promoted the construction of an intelligent anti-fraud platform to strengthen the management of fraud risk in business transactions from the source. We deepened the establishment of a new generation of the anti-money laundering platform to strengthen our management of money laundering risk and sanctions risk. We improved the mechanism for consumers’ interests protection and strengthened the implementation of the Personal Information Protection Law.

Smooth information and communication sharing was maintained. We initiated the construction of a digital compliance platform, strengthened the docking among systems, and promoted data sharing. We steadily carried out data governance, strengthened sensitive data management and personal information protection.

Our internal supervision and assessment were improved. The scoring framework for internal control evaluation was optimized, taking into account both general processes and key businesses, and the forward-looking guiding role of internal control evaluation was significantly improved. We strengthened the coordination of inspection and supervision, and regularly carried out the investigation and governance in key areas. We did our best to rectify the feedback from the disciplinary inspection and regulatory circulars, and implemented thorough and fundamental rectification requirements. A preliminary accountability mechanism covering various types of risks was established, and new progress was made in terms of precise accountability by focusing on the actual operation of power.

Internal Control on Financial Statements

We follow the principles of all-sidedness, importance, balancing, adaptability and cost-effectiveness to establish and implement internal control over financial statements in accordance with the requirements of the *Basic Internal Control Norms for Enterprises* issued by the MOF.

The financial statements of the Bank are prepared by the management, signed by the legal representative, the president in charge of accounting and the head of the accounting department, and approved by the Board of Directors for external submission or disclosure.

The Audit and Compliance Committee of the Board of Directors of the Bank is responsible for reviewing the Bank’s major financial and accounting policies and their implementation, and supervising the financial operations; supervising and assessing the Bank’s internal audit and the Bank’s internal audit system and its implementation; supervising and assessing the accounting firm’s annual audit plan, its scope of work and important audit rules; making judgmental reports on the truthfulness, completeness and accuracy of the information in the audited financial statements of the Bank and submitting them to the Board of Directors for consideration.

The Finance and Internal Control Supervision Committee of the Bank’s Board of Supervisors is responsible for drawing up work plans and implementation plans for the finance and internal control supervision of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors; supervising and inspecting the Bank’s financial statements and making recommendations to the Board of Supervisors; drawing up the plans for supervision and inspection of the Bank’s financial activities and internal control of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors.

Internal Supervision

Role of Audit and Compliance Committee of the Board of Directors

For details, please refer to “Corporate Governance Report — Operation of Corporate Governance — Board of Directors”.

Role of the Board of Supervisors

For details, please refer to “Report of the Board of Supervisors”.

Internal Audit

Structure of Internal Audit

We have established an audit department that is accountable to and shall report to the Board of Directors and its Audit and Compliance Committee. The audit department is under the guidance of and shall report the audit results to the Board of Supervisors and the Senior Management. It conducts the audits and evaluations of management, business practices, and business performance across the Bank based on the risk-oriented principles. It consists of the Audit Office at the Head Office and ten regional offices. The Audit Office at the Head Office is responsible for the organization, management and reporting of audit works across the Bank. The regional offices under the Audit Office are responsible for internal audit of their respective branches, and shall be accountable to and report to the Audit Office. Besides, independent internal audit functions are instituted in the overseas operation institutions and the subsidiaries of integrated operations.

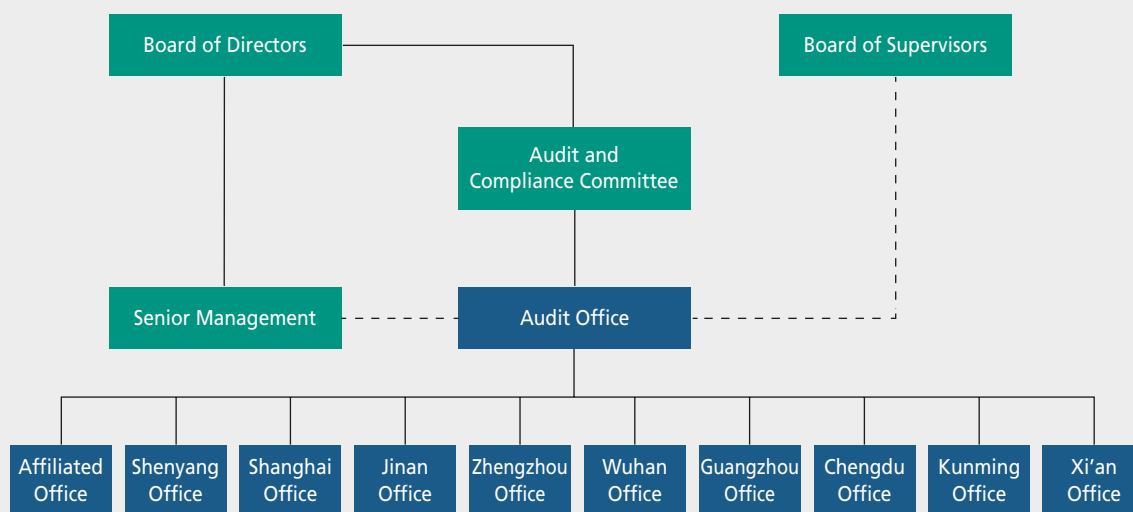
Operation of Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, based on the risk-oriented principles, we carried out the risk management audit with a focus on areas such as serving Sannong, inclusive finance, credit business, and internal control and prevention of cases of violations. We conducted specific audits on various aspects, including anti-money laundering, consumers’ interests protection, information technology management, real estate loans, financial market business, consolidated management, infrastructure projects, and cyber security. The audit for overseas institutions was steadily promoted. We standardized the implementation of audit on economic responsibilities of Senior Management. We carried out practical supervision of the rectification of problems identified during our internal and external audit. We continuously promoted the digital transformation of audit, intensified off-site monitoring efforts and strengthened audit team building to effectively facilitate the implementation of strategic decisions, the improvement of our basics of management and the steady growth of business across the Bank.

Audit Recommendations

During the reporting period, our audit department put forward the audit recommendations in the areas such as internal control and prevention of cases of violations, finance and accounting, credit, information technology management, and cyber security. Attaching great importance to the various audit findings and audit recommendations, we formulated the rectification measures in a timely manner, implemented the rectification requirements and audit recommendations, to ensure the problems identified in the audit were effectively rectified.

The chart of organizational structure of internal audit of the Bank



External Audit

Information on External Auditors

The consolidated financial statements of the Group for 2022 prepared in accordance with CASs and IFRSs have been audited by KPMG Huazhen LLP¹ and KPMG² (collectively, the “KPMG”), respectively, in accordance with the China Standards on Auditing and International Standards on Auditing, on both of which the unqualified audit opinions were issued. The KPMG Huazhen LLP also implemented audit procedures and issued audit opinions on the effectiveness of the Group’s internal control of consolidated financial statements.

The external auditors regularly attended the meetings of the Audit and Compliance Committee of the Board of Directors to communicate the audit plans and major audit findings. The external auditors put forward the findings related to our internal control and the management recommendations on optimization of our business management and issued the management recommendations letters. The external auditors reported to Audit and Compliance Committee of the Board of Directors as well as the Finance and Internal Control Supervision Committee of the Board of Supervisors. The external auditors independently verified and evaluated the implementations of the findings related to internal control and the management recommendations.

¹ KPMG Huazhen LLP is Recognized Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

² KPMG is Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

Independence of External Auditors

The external auditors reported to the Audit and Compliance Committee of the Board of Directors on compliance with the code of professional ethics related to independence in accordance with the requirements of Communication with Those Charged with Governance in the International Standards on Auditing and Chinese Certified Public Accountants Auditing Standards. In providing audit and non-audit services, the external auditors of the Bank followed the International Code of Ethics for Professional Accountants (including international independence standards), the Chinese Code of Professional Ethics for Certified Public Accountants, relevant regulatory requirements and KPMG's own strict independence policy to ensure their independence in both form and substance.

External Auditors' Engagement and Remuneration

As approved by the 2021 Annual General Meeting of the Bank, we engaged KPMG as our 2022 accounting firm. KPMG Huazhen LLP is responsible for providing audit service for the consolidated financial statements of the Bank prepared in accordance with CASs and for internal control, while KPMG is responsible for providing audit service for the consolidated financial statements of the Bank prepared in accordance with IFRSs. After the Bank changed accounting firm to KPMG in 2021, KPMG provides audit services to the Bank for two consecutive years.

In 2022, a total fee of RMB91.0646 million was paid to KPMG by us for the Group's financial statements audit service, including RMB7.2852 million for the internal control audit service. In 2022, a total fee of RMB16.9672 million was paid to KPMG and its network member firms by us for providing the financial statement audit service to our subsidiaries and overseas branches. In 2022, a total fee of RMB1.5010 million was paid to KPMG and its network member firms by us for providing the non-audit professional services including bond issuance and tax compliance service.

Communication with Stakeholders

Communication with Shareholders

Information Disclosure

The Chairman of the Board of Directors of the Bank shall assume primary responsibility for the management of information disclosure affairs. The Secretary to the Board of Directors is responsible for the organizing and coordinating information disclosure affairs. We have established an information disclosure policy system covering the basic system, administrative measures and operating procedures, complying with the regulatory requirements for listed companies. We continuously enhanced the ESG information disclosure, and laid stress on information disclosure of the strategy development and implementation as well as the operational highlights, and responded to the capital market and investors' concerns actively so as to continuously improve our effectiveness and pertinence of information disclosure. In 2022, the Bank disclosed 329 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in aggregate, and the assessment of our information disclosure by the Shanghai Stock Exchange was "A".

During the reporting period, we had no rectification for any material accounting errors, no omission of material information and no amendment required for any preliminary results announcement.

We continued to strengthen the management of inside information and enhance the compliance awareness of the insiders. We also carried out self-examination on inside trading and registration and filling for the insiders.

Investor Relations

Results announcement press conferences. We convened two results announcement press conferences for 2021 annual results and 2022 interim results.

Investor and analyst meetings. We organized nearly one hundred investor and analyst meetings in various forms including on-site meeting and teleconference, covering leading investment and research institutions in the market, at which hot topics in the market were communicated deeply.

Online Q&A. We replied to investors' enquiries on the Shanghai Securities E-platform regularly.

Capital market summits. We participated in nearly 20 capital market summits.

Other communication with investors. We continued to answer calls on the investors' hotline and reply the IR email to answer investors' enquiries.

Contact details. If investors have any enquiries, or if shareholders have any suggestions, enquiries or proposals, please contact:

The Team of Investor Relationship Management under the Office of the Board of Directors of Agricultural Bank of China Limited

Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China
Tel: 86-10-85109619
Fax: 86-10-85126571
E-mail: ir@abchina.com

The Bank has reviewed the Shareholders' communication policy above and its implementation during the year, and believes that such policy was adequate and effective in investors' protection.

Communication with Customers

For details, please see “Discussion and Analysis — Business Review”.

Communication with Employees, Communities, Suppliers and Other Stakeholders

For details, please see the *2022 Corporate Social Responsibility Report (ESG Report)* of the Bank published separately.

Communication with Lawyers

We applied the lawyer witness system for the shareholders’ general meetings, for which lawyers have issued their legal opinions. The lawyers put forward compliance opinions on our information disclosure documents and important issues in relation to corporate governance.

Communication with External Auditors

For details, please see “Corporate Governance Report — External Audit”.

Other Information on Corporate Governance

Corporate Governance Code

Save as disclosed in this annual report, we fully complied with all the principles and code provisions, and almost all the recommended best practices of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

The Board of Directors actively performed its corporate governance duties, continuously refined the relevant systems for corporate governance, and continuously assessed and improved our corporate governance. The special committees under the Board of Directors performed their duties strictly in accordance with the applicable requirements of corporate governance.

Significant Changes to the Articles of Association

During the reporting period, the Bank made amendments to the Articles of Association in accordance with the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China* and other laws and regulations as well as the latest regulatory requirements, taking into account the corporate governance practices of the Bank, and the amended Articles of Association has been considered and approved by the Board of Directors and the shareholders’ general meeting of the Bank, subject to the approval by the regulatory authorities of the banking industry. For details of the amendments to the Articles of Association, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less strictly than those set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct throughout the year ended 31 December 2022.

Report of the Board of Directors

Principal Business and Business Review

Our principal business is to provide banking and related financial services. Details of our business operations and business review as required by Schedule 5 to the *Companies Ordinance* of Hong Kong are set out in relevant sections including “Discussion and Analysis”, “Information on Environmental, Social and Corporate Governance”, “Corporate Governance Report”, “Significant Events”, “Notes to the Consolidated Financial Statements” and this “Report of the Board of Directors”.

In particular, please refer to “Business Review” and “Risk Management” under “Discussion and Analysis” and “Risk Governance” under “Corporate Governance Report” for our business review, discussion and analysis of the performance for the reporting year, principal risks and uncertainties faced by us and future business development. Please refer to “Discussion and Analysis — Financial Statement Analysis” for the analysis of the financial key performance indicators. Please refer to “Information on Environmental, Social and Corporate Governance” for the environmental and social performance and policies of the Bank. Please refer to “Discussion and Analysis — Risk Management” and “Corporate Governance Report — Internal Control” for the compliance with the relevant laws and regulations that would have a significant impact on the Bank. Please refer to “Business Review — Human Resources Management and Institution Management” under “Discussion and Analysis”, “Information on Environmental, Social and Corporate Governance” and “Communication with Stakeholders” under “Corporate Governance Report” for the Bank’s relationships with its employees, clients and shareholders.

Major Customers

For the year ended 31 December 2022, the interest income and other operating income from the five largest customers of the Bank accounted for no more than 30% of the interest income and other operating income of the Bank.

Share Capital and Public Float

At 31 December 2022, our total share capital of ordinary shares amounted to 349,983,033,873 shares, including 319,244,210,777 A Shares and 30,738,823,096 H Shares. At the date of this annual report, we maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon our listing.

Purchase, Sale or Redemption of the Bank’s Shares

For the year ended 31 December 2022, neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association. According to the Articles of Association, we are entitled to increase the registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders (except holders of our preference shares), transferring the capital reserve funds to increase share capital and through other methods as permitted by laws, administrative regulations and relevant authorities.

Equity-linked Agreement

We issued preference shares “農行優1” (stock code: 360001) and “農行優2” (stock code: 360009) on 31 October 2014 and 6 March 2015, respectively.

We set the events triggering mandatory conversion of the preference shares “農行優1” and “農行優2” into ordinary A Shares, respectively, in accordance with relevant regulations, including:

- (i) If our Common Equity Tier 1 (“CET1”) capital adequacy ratio decreases to 5.125% (or below), the preference shares will be fully or partially converted into ordinary A Shares, in order to restore our CET1 capital adequacy ratio to above 5.125%.
- (ii) All preference shares issued will be converted into ordinary A Shares upon the earlier occurrence of the following two situations:
 - (a) the CBIRC is of the view that we can no longer subsist if the preference shares are not converted;
 - (b) relevant authorities consider that we could not subsist without capital injection from public sector or any support to the same effect.

If any of the triggering events above happens and all of preference shares “農行優1” and “農行優2” are mandatorily converted into ordinary A Shares at the conversion price, the number of ordinary A Shares upon conversion will not exceed 32,520,325,204 shares. No events have happened so far which would trigger the mandatory conversion of the preference shares “農行優1” or “農行優2” into ordinary A Shares.

During the reporting period, except for the above disclosure, we did not enter into, nor did there subsist, any other equity-linked agreement.

Profits and Dividends Distribution

The Board of Directors proposed distribution of cash dividends of RMB2.222 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2022 with a total amount of approximately RMB77,766 million (tax inclusive). The distribution plan will be submitted for approval at the 2022 Annual General Meeting. Please refer to “Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares” for details.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

Please refer to “Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares” for details.

Reserves

Details of the changes of reserves for the year ended 31 December 2022 are set out in “Consolidated Statement of Changes in Equity” in the Consolidated Financial Statements.

Financial Summary

Summary of operating results, assets and liabilities for the five years ended 31 December 2022 is set out in “Basic Corporate Information and Major Financial Indicators”.

Report of the Board of Directors

Donations

During the year ended 31 December 2022, our external donations (domestic) amounted to RMB107.17 million.

Property and Equipment

Details of the changes of property and equipment for the year ended 31 December 2022 are set out in “Note IV. 21 Property and Equipment to the Consolidated Financial Statements”.

Employee Benefit Plans

For details of employee benefit plans, please refer to “Note IV. 31 Other Liabilities (1) Staff costs payable to the Consolidated Financial Statements”. Same as previous years, there was no forfeited contribution available to reduce the contribution payable by the Bank under the defined contribution schemes for 2022.

Management Contracts

Except for the service contracts with our management personnel, we have not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Directors’ and Supervisors’ Interests in Material Transactions, Arrangements or Contracts

For the year ended 31 December 2022, none of our Directors or Supervisors or parties related to such Directors and Supervisors had any material interests, either directly or indirectly, in any material transaction, arrangement or contract regarding our business to which the Bank or any of its subsidiaries, the controlling shareholders of the Bank or any of their subsidiaries was a party. None of our Directors or Supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors’ Interests in Competing Businesses

None of our Directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Rights of Directors and Supervisors to Acquire Shares or Debentures

For the year ended 31 December 2022, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

None of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance of Hong Kong*) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance of Hong Kong* (including interests and short positions deemed to be owned by them under such provisions of the *Securities and Futures Ordinance of Hong Kong*), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance of Hong Kong*, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares".

Remuneration of Directors, Supervisors and Senior Management

We have made specific rules on remuneration of the Directors, Supervisors and Senior management, and continuously improve performance assessment system and incentive & constraint mechanism of the Directors, Supervisors and Senior management. In the performance appraisal of the Senior Management by the Board of Directors, requirements such as supporting the real economy, developing green finance, preventing and controlling financial risks, deepening financial system reform, and performing social responsibility are included in the review assessment. The appraisal results will be the important basis for determining the annual performance salary of the Senior Management. The remuneration of Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other persons in charge shall be implemented in line with the relevant policy of the state on the remuneration reform of persons in charge of central enterprises. The remuneration consists of the annual basic salary, the annual performance salary and the tenure incentive income linked to the tenure assessment. The remuneration of the Senior Management shall be reviewed and approved by the Board of Directors and the remuneration of Directors and Supervisors shall be considered and approved by the Shareholders' General Meeting. For details of the remuneration standards, please refer to "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management". We did not formulate any share incentive plan for the Directors, Supervisors and senior management members.

Permitted Indemnity Provisions

According to the Articles of Association, we will undertake the civil liability arising from the discharge of the duties of our Directors, Supervisors and senior management members to the largest extent permitted by, or unless prohibited by, the applicable laws and administrative regulations, except that such Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith. We have maintained liability insurance for potential liabilities that may arise from the indemnification claims against the misconducts of the Directors, Supervisors and senior management members.

During the reporting period, we have renewed the liability insurance for our Directors, Supervisors and senior management members.

Financial, Business and Family Relationship among Directors

The Directors had no relationship (including financial, business, familial or other material relationships) with each other.

Report of the Board of Directors

Use of Proceeds

All the proceeds raised were used to strengthen our capital base to support the future development of our business as disclosed in the prospectus, offering documents and other documents.

Significant Projects Invested by Non-raised Capital

For the year ended 31 December 2022, we had no significant projects invested by non-raised capital.

Issued Debentures

For details of issued debentures during the reporting period, please refer to “Note IV. 30 Debt Securities Issued to the Consolidated Financial Statements”.

Subsidiaries

Particulars of our principal subsidiaries at 31 December 2022 are set out in “Discussion and Analysis — Business Review”.

Related Party Transactions

Please refer to “Corporate Governance Report — Related Party Transactions and Intra-group Transactions”.

Auditors

Please refer to “Corporate Governance Report — External Audit”.

Members of the Board of Directors

As at the date of this Report of the Board of Directors, the Board of Directors of the Bank includes:

Executive Directors, namely Mr. GU Shu, Mr. FU Wanjun, Mr. ZHANG Xuguang and Mr. LIN Li;

Non-executive Directors, namely Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng, Mr. XIAO Xiang and Mr. ZHANG Qi;

Independent Non-executive Directors, namely Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. WU Liansheng and Mr. WANG Changyun.

By Order of the Board of Directors



GU Shu

Chairman of the Board of Directors
30 March 2023

Work of the Board of Supervisors

In 2022, the Board of Supervisors actively implemented the financial regulatory requirements and corporate governance regulations, independently carried out supervision in accordance with the law, fulfilled its various supervisory duties, improved its supervisory mechanism and methods, so as to contribute to the reform and development of the Bank.

The Board of Supervisors carried out the supervision of key issues closely focusing on the progress and effectiveness of the implementation of the decisions and plans of the CPC Central Committee and the State Council. The Board of Supervisors monitored the Bank's financial services to the rural revitalization strategy, organized special investigations, made recommendations of the Board of Supervisors, carried out supervision and assessment of the Bank's financial services to the Sannong, so as to promote the improvement of the mechanism of financial services to the Sannong and enhancement of the service capabilities and standards. The Board of Supervisors monitored serving the high-quality development of the real economy, paid attention to the effectiveness of the Bank's financial services to the real economy, the progress of serving the regional development strategies of the state and the development of inclusive finance business, so as to promote the strengthening of the Bank's financial services. The Board of Supervisors monitored the risk management of key areas of the Bank, strengthened risk monitoring and analysis, and put forward targeted supervision suggestions to facilitate the prevention and mitigation of financial risks. The Board of Supervisors monitored the rectification of the central inspection feedback and problems found in internal and external inspections, and formed specific supervisory work advice to promote the improvement of the quality of rectification.

The Board of Supervisors carried out in-depth supervision and investigation around the key issues of operation and management. It carried out special research on personal information protection and data security, listened to reports on consumers' interests protection work, and put forward suggestions including further strengthening consumer complaint management from the source and strengthening customer information security protection in combination with the implementation of the Personal Information Protection Law. The Board of Supervisors carried out special supervision and investigations, conducted phased supervision and evaluation on the formulation and implementation of the Bank's "14th Five-Year Plan", conducted special investigations on the implementation of the reforms on credit management mechanisms and systems of the Bank, so as to promote the reform and development in key areas.

The Board of Supervisors solidly carried out regular supervision responsibility and proactively played its role in corporate governance. It improved the supervision on duty performance and the evaluation mechanism, carried out the due diligence evaluation for the performance of the Board of Directors, the Board of Supervisors and the Senior Management and their members normatively, strengthened daily supervision, compiled quarterly Dynamics with Respect to Performance Supervision, and carried out multi-dimensional due diligence supervision and evaluation. It carried out regular financial supervision, for the purpose of which it monitored the important financial decision-making and implementation, financial and operational supervision, compliance with regulatory standards in key areas, liquidity management, the independence and effectiveness of external audit work, to promote the steady development of business operations. The Board of Supervisors carried out supervision on internal control and prevention of cases of violations, and evaluation of the improvement of the Bank's internal control system and mechanism as well as the fulfilment of internal control responsibilities, supervised anti-money laundering and anti-terrorist financing, compliance management of overseas institutions, foreign exchange business, and new products and new businesses, paid attention to control and prevention on case risk and reputational risk to continuously facilitate the construction of internal control system.

The Board of Supervisors continued to strengthen its own construction and continuously improved the working mechanism. It improved the system and mechanism for supervisors to participate in meetings, and strengthened process supervision. The Board of Supervisors established a communication mechanism between the Board of Supervisors and the on-site Discipline Inspection and Supervision Team. The Board of Supervisors improved the mechanism of transmitting and implementing suggestions of the Board of Supervisors, and carried out post-evaluation on the implementation of the suggestions of the Board of Supervisors. The Board of Supervisors strengthened coordination and improved the system of simultaneous reporting of important matters to the Board of Supervisors. The Board of Supervisors strengthened the application of internal and external supervision results, and continuously improved the synergy of supervision work.

Report of the Board of Supervisors

Annual Due Diligence Evaluation of Directors, Supervisors and Senior Management Members by the Board of Supervisors

In accordance with regulatory requirements and the *Measures on Performance Evaluation for Directors, Supervisors and Senior Management (Trial)* of the Bank, the Board of Supervisors of the Bank focused on the information collection of daily performance, improved the performance record management, compiled regular dynamics with respect to performance supervision, consolidated the basis for supervision and evaluation, on which the Board of Supervisors carried out the assessment of annual performance in a standardized and orderly manner. The Board of Supervisors formulated a plan for annual due diligence evaluation, organized self-evaluation of the Directors, Supervisors and senior management, as well as mutual evaluation for Directors and Supervisors, respectively, continuously organized Supervisors to evaluate the performance of Directors and senior management, and gave full play to Supervisors' role as the evaluation body. Carrying out the Party leadership throughout the annual performance evaluation, the Board of Supervisors closely focused on and evaluated the performance of the Board of Directors, the Board of Supervisors and the Senior Management and their members in areas such as implementing the decisions and plans of the Party Central Committee, serving the real economy, preventing and controlling financial risks, and deepening financial reform. At the same time, it kept close to the job requirements and performance of the Directors, Supervisors and senior management, formulated due diligence evaluation of the Board of Directors, the Board of Supervisors and the Senior Management and their members in 2022, assessed their due diligence levels and made recommendations on how to fulfil responsibilities.

Independent Opinions of the Board of Supervisors

Operation Compliance

During the reporting period, the Bank strictly adhered to operation compliance in accordance with applicable laws and regulations, and continued to optimize the internal control system. The Directors and the senior management members performed their duties diligently. The Board of Supervisors did not find any act by the Directors and the senior management members in performing their duties that might breach the laws, regulations and the Articles of Association or impair the interests of the Bank.

Annual Report

The preparation and review procedures of this annual report are in compliance with laws, administrative regulations and regulatory requirements. The annual report gives a true, accurate and complete view of the consolidated financial position and operating results of the Group.

Information Disclosure

During the reporting period, the Bank conscientiously implemented the relevant policies and measures on information disclosure, performed the duties of the information disclosure and disclosed the information in a true, accurate and complete manner, without any false report, misleading statement or material omission.

County Area Banking Business

During the reporting period, the Bank's County Area Banking Division operated in compliance with the external regulatory requirements.

Asset Acquisition and Disposal

During the reporting period, the Board of Supervisors did not find any insider trading or any act which might result in the impairment of the interests of the shareholders or loss of our assets in the process of asset acquisition or disposal by the Bank.

Related Party Transactions

During the reporting period, the Board of Supervisors did not find any act in the related party transactions that might result in the impairment of the interests of the Bank.

Internal Control

The Board of Supervisors had no objection to the conclusion of *the 2022 Internal Control Assessment Report of Agricultural Bank of China Limited*.

Due Diligence Evaluation of Directors, Supervisors and Senior Management Members

The annual due diligence evaluation results of the Directors, Supervisors and senior management members are competent.

Saved as disclosed above, the Board of Supervisors had no objection to other matters subject to its supervision during the reporting period.

**The Board of Supervisors
of the Agricultural Bank of China**
30 March 2023

Significant Events

Commitments

Subject of Commitment	Commitments	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	<p>(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities.</p> <p>(2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities.</p> <p>(3) Notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies and in any form (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies), operate or participate in any competing commercial banking activities in China or abroad.</p> <p>(4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks in which it invests, and will avoid such circumstances' arising. It will exercise its shareholder's rights in our maximum or best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, and such judgment shall not be affected by its investments in other commercial banks.</p>	15 July 2010	Valid for long time	Continuous commitment and duly performed

Note: In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account. At 31 December 2022, the SSF strictly fulfilled the above commitment, and there was no violation of the commitment.

Material Litigations and Arbitrations

During the reporting period, there was no litigation or arbitration with material impact on our operations.

At 31 December 2022, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB3.818 billion. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Material Equity Investments and Material Non-equity Investments in Progress

In July 2020, we entered into the *Promoters' Agreement on the National Green Development Fund Co., Ltd.*, pursuant to which, we shall invest in the National Green Development Fund Co., Ltd. We shall invest RMB8 billion in the National Green Development Fund, which will be paid in five instalments. In May 2021, we paid for the first instalment in the amount of RMB0.8 billion. In November 2022, we paid for the second instalment in the amount of RMB1 billion.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

During the reporting period, saved as disclosed above, we did not have any other material equity and non-equity investment.

Miscellaneous

Major Asset Acquisition, Disposal and Merger

During the reporting period, we did not carry out any major asset acquisition, disposal or merger.

Implementation of Share Incentive Plan

During the reporting period, we did not implement any share incentive schemes such as share appreciation rights scheme for the management or employee share ownership scheme.

Material Related Party Transactions

During the reporting period, we did not enter into any material related party transaction.

Significant Events

Material Contracts and Their Performance

Material custody, contract and lease

During the reporting period, we did not enter into any material custody, contracting or leasing arrangements on the assets of other companies, which were subject to disclosure or no other companies entered into any custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material Guarantees

Provision of guarantees is one of our off-balance-sheet businesses in our usual course of business. During the reporting period, we did not have any material guarantees required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

External guarantee

During the reporting period, the Bank did not enter into any guarantee contracts in violation of laws, administrative regulations or the external guarantee resolution procedures stipulated by the CSRC.

Major Centralized Procurement

During the reporting period, there were no centralized procurement which had material impact on our cost and expenses.

Misappropriation of the Bank's Funds by Controlling Shareholders and Other Related Parties for Non-operating Purposes

None of our controlling shareholders or other related parties misappropriated any of the Bank's funds for non-operating purposes. KPMG Huazhen LLP issued the *Special Statement on the Fund Occupation without Operating Purpose and other Fund Transfer between Related Parties of Agricultural Bank of China Limited for the Year of 2022*.

Penalties Imposed on the Bank and its Directors, Supervisors, Senior Management Members and Controlling Shareholders

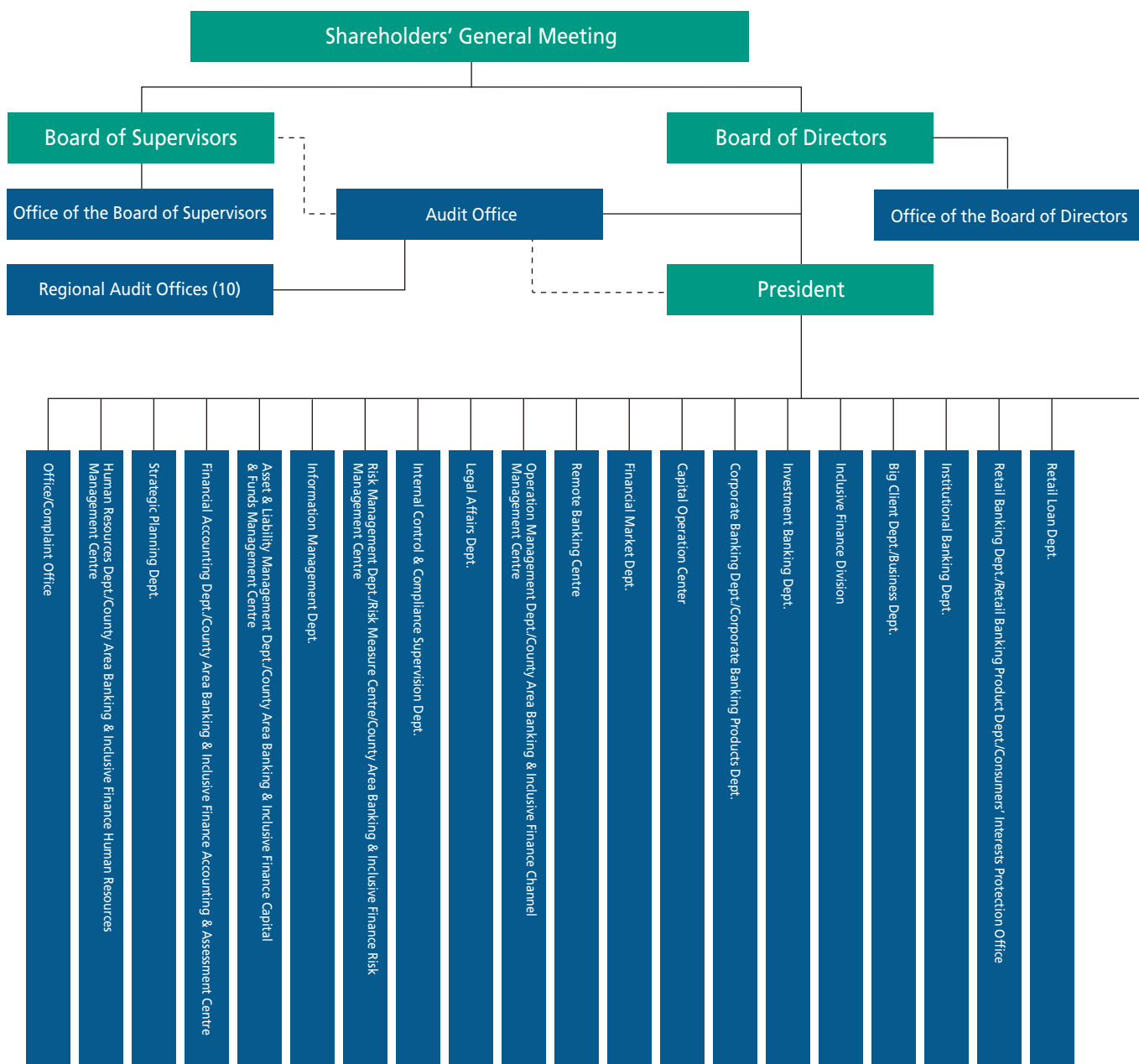
During the reporting period, we were not under investigation in accordance with the law for suspected crimes, and the controlling shareholders, Directors, Supervisors and senior management members of the Bank were not subject to compulsory measures in accordance with the law for suspected crimes; the Bank or its controlling shareholders, Directors, Supervisors and senior management members have not been subject to any criminal punishment, nor have they been subject to any investigation by the CSRC or administrative punishment by the CSRC for suspected violation of laws or regulations, and have not been subject to any material administrative punishment by other competent authorities; none of the controlling shareholders, Directors, Supervisors and senior management members of the Bank has been subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of discipline or law, or duty-related crimes, which may affect their performance of duties; the Directors, Supervisors and senior management members of the Bank have not been subject to compulsory measures by other authorities due to suspected violation of laws and regulations, which may affect their performance of duties.

Integrity of the Bank and Controlling Shareholders

There was no circumstance where we or our controlling shareholders have failed to fulfill an effective court judgment or repay any outstanding debt of a significant amount that matured.

Organizations	Honors and Awards
The Banker & Brand Finance	Third place in the ranking of the Top 500 Banking Brands 2022 First place for Brand Value Enhancement First place in the ranking of the Global Retail Banking Brands
The Banker	Ranking third globally and third domestically in the Top 1000 World Banks in 2022 Bank of the Year 2022 in China
The Asset	Digital Bank of the Year 2022 ESG Platinum Award of the Year 2022
China Economic Information Service	Typical Case of Financial Support for Comprehensive Promotion of Rural Revitalization
China.com.cn	2022 Outstanding Cases of Banking Services for Rural Revitalization
Caijing	2022 Evergreen Award Sustainable Development Green Award
21st Century Business Herald	Rural Revitalization Bank of the Year 2022 Excellent Retail Bank of the Year 2022 Digital Transformation Product of the Year 2022 Investment Banking Intelligent Advisory Service System
The Economic Observer	2021–2022 Rating of Trustworthy Financial Institution of the Year Trustworthy Private Bank 2021–2022 Outstanding Financial Enterprise Outstanding Inclusive Finance Bank of the Year
National Business Daily	2022 China Golden Tripod Awards Inclusive Finance Award of the Year 2022 China Golden Tripod Awards Private Banking Award of the Year
Southern Weekly	Model Responsible Enterprise of the Year 2022 Responsible Governance of the Year 2022
Jiemian News	Financial Excellence Award 2022 Outstanding Institution Award Commercial Bank of the Year
China Times	The 16th Golden Cicada Award Socially Responsible Bank Award of the Year
China Association for Public Companies	2022 ESG Best Practice Cases List for A-share Listed Companies

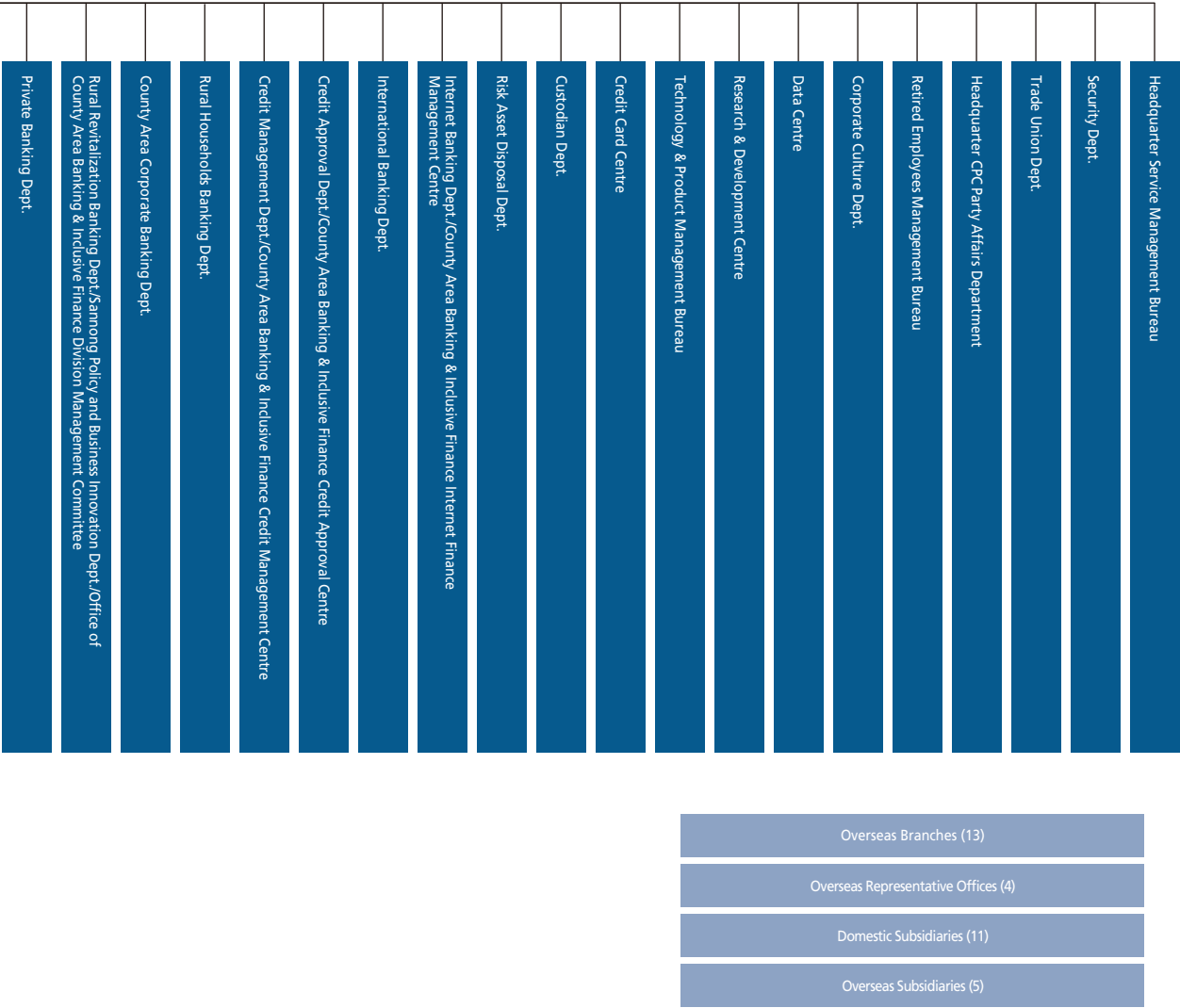
Organizational Chart



Business Dept. & Specialized Institutions managed by the Head Office (5)
Tier-1 Branches (37)
Tier-2 Branches (407)
Tier-1 Sub-branches (3,329)
Foundation-level Branch Outlets (18,959)
Other Establishments (46)



Organizational Chart



List of Branches and Institutions

Domestic Branches and Institutions

- **BEIJING BRANCH**

ADD: 13 Chaoyangmen North Avenue
Dongcheng District
Beijing 100010
PRC
TEL: 010-68358266
FAX: 010-68353687

- **TIANJIN BRANCH**

ADD: Zeng 6 No. 3 Zijinshan Road
Hexi District
Tianjin 300074
PRC
TEL: 022-23338734
FAX: 022-23338733

- **HEBEI BRANCH**

ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC
TEL: 0311-83026132
FAX: 0311-87019961

- **SHANXI BRANCH**

ADD: 33 Southern Inner Ring Road West
Taiyuan
Shanxi Province 030024
PRC
TEL: 0351-6240307
FAX: 0351-4956830

- **INNER MONGOLIA BRANCH**

ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC
TEL: 0471-6904750
FAX: 0471-6904750

- **LIAONING BRANCH**

ADD: 27 Qingnian North Avenue
Shenyang
Liaoning Province 110013
PRC
TEL: 024-22550004
FAX: 024-22550007

- **JILIN BRANCH**

ADD: 926 Renmin Avenue
Changchun
Jilin Province 130051
PRC
TEL: 0431-80777235
FAX: 0431-82737377

- **HEILONGJIANG BRANCH**

ADD: 131 Xidazhi Street
Nangang District
Harbin
Heilongjiang Province 150006
PRC
TEL: 0451-86209357
FAX: 0451-86216843

- **SHANGHAI BRANCH**

ADD: 9 Yincheng Road
Pudong New District
Shanghai 200120
PRC
TEL: 021-20688888
FAX: 021-68300301

- **JIANGSU BRANCH**

ADD: 357 Hongwu Road
Nanjing
Jiangsu Province 210002
PRC
TEL: 025-84577005
FAX: 025-84573199

- **ZHEJIANG BRANCH**

ADD: 100 Jiangjin Road
Shangcheng District
Hangzhou
Zhejiang Province 310003
PRC
TEL: 0571-87226000
FAX: 0571-87226177

- **ANHUI BRANCH**

ADD: 1888 Chengdu Road
Hefei
Anhui Province 230091
PRC
TEL: 0551-62843475
FAX: 0551-62843573

- **FUJIAN BRANCH**

ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC
TEL: 0591-88718876
FAX: 0591-87909886

- **JIANGXI BRANCH**

ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC
TEL: 0791-86693775
FAX: 0791-86693010

List of Branches and Institutions

- **SHANDONG BRANCH**

ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC
TEL: 0531-85858888
FAX: 0531-82056558

- **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong New District
Zhengzhou
Henan Province 450016
PRC
TEL: 0371-81836850
FAX: 0371-69196724

- **HUBEI BRANCH**

ADD: Block A
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC
TEL: 027-87326666
FAX: 027-87326693

- **HUNAN BRANCH**

ADD: 540 Furongzhong Road
Section 1
Changsha
Hunan Province 410005
PRC
TEL: 0731-84300265
FAX: 0731-84300261

- **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong Province 510623
PRC
TEL: 020-38008888
FAX: 020-38008019

- **GUANGXI BRANCH**

ADD: 56 Jinhu Road
Nanning
Guangxi Autonomous Region 530028
PRC
TEL: 0771-2106111
FAX: 0771-2106035

- **HAINAN BRANCH**

ADD: 11 Guoxing Avenue
Haikou
Hainan Province 570203
PRC
TEL: 0898-66772999
FAX: 0898-66791452

- **SICHUAN BRANCH**

ADD: 666 Tianfu Third Street
Chengdu
Sichuan Province 610000
PRC
TEL: 028-63935039
FAX: 028-85121647

- **CHONGQING BRANCH**

ADD: 1 Jiangbeichengnan Avenue
Jiangbei District,
Chongqing 400020
PRC
TEL: 023-63551188
FAX: 023-63844275

- **GUIZHOU BRANCH**

ADD: West Fourth Tower
Convention and Exhibition Business District
Changling North Road
Guiyang
Guizhou Province 550081
PRC
TEL: 0851-87119657
FAX: 0851-85221009

- **YUNNAN BRANCH**

ADD: 36 Chuanjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-68382856
FAX: 0871-63203408

- **TIBET BRANCH**

ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

- **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990821
FAX: 029-88990819

- **GANSU BRANCH**

ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

List of Branches and Institutions

- **QINGHAI BRANCH**

ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145160
FAX: 0971-6141245

- **NINGXIA BRANCH**

ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous Region 750001
PRC
TEL: 0951-2969773
FAX: 0951-6027430

- **XINJIANG BRANCH**

ADD: 66 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2814785
FAX: 0991-2814785

- **XINJIANG PRODUCTION AND CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2217109
FAX: 0991-2217300

- **DALIAN BRANCH**

ADD: 10 Zhongshan Road
Zhongshan District
Dalian
Liaoning Province 116001
PRC
TEL: 0411-85980060
FAX: 0411-82510654

- **QINGDAO BRANCH**

ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC
TEL: 0532-85802215
FAX: 0532-85814102

- **NINGBO BRANCH**

ADD: 518 East Zhongshan Road
Yinzhou District
Ningbo
Zhejiang Province 315040
PRC
TEL: 0574-83077971
FAX: 0574-87363537

- **XIAMEN BRANCH**

ADD: 98-100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC
TEL: 0592-5578784
FAX: 0592-5578899

- **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province 518001
PRC
TEL: 0775-36681133
FAX: 0755-25560161

- **BEIJING ADVANCED-LEVEL TRAINING INSTITUTE**

ADD: 5 Hongluo East Road
Huairou District
Beijing 101400
PRC
TEL: 010-60682727
FAX: 010-60682727

- **TIANJIN FINANCIAL TRAINING INSTITUTE**

ADD: 88 South Weijin Road
Nankai District
Tianjin 300381
PRC
TEL: 022-23929135
FAX: 022-23389307

- **CHANGCHUN FINANCIAL TRAINING INSTITUTE**

ADD: 1408 Qianjin Avenue
Chaoyang District
Changchun
Jilin Province 130012
PRC
TEL: 0431-86820201
FAX: 0431-85112800

- **WUHAN FINANCIAL TRAINING INSTITUTE**

ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC
TEL: 027-86783669
FAX: 027-86795502

- **SUZHOU BRANCH**

ADD: 118 Wangdun Road
Suzhou Industrial Park
Suzhou
Jiangsu Province 215028
PRC
TEL: 0512-68355014
FAX: 0512-68240501

List of Branches and Institutions

- **XIONGAN BRANCH**
ADD: No. 48, Yonggui South Street
Rongcheng County
Baoding City
Hebei Province 071700
PRC
TEL: 0312-6587088
FAX: 0312-6587088
- **ABC-CA FUND MANAGEMENT CO., LTD.**
ADD: 50/F, No. 9 Yincheng Road,
China (Shanghai) Pilot
Free-Trade Zone
Shanghai 200120
PRC
TEL: 021-61095588
FAX: 021-61095556
- **ABC FINANCIAL LEASING CO., LTD.**
ADD: 5-6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC
TEL: 021-20686888
FAX: 021-58958611
- **ABC LIFE INSURANCE CO., LTD.**
ADD: 7, 9, 11, 12, 22/F, Building 2,
No. 18B Jianguomen Nei Avenue,
Dongcheng District
Beijing 100005
PRC
TEL: 010-82828899
FAX: 010-82827966
- **ABC FINANCIAL ASSET INVESTMENT CO., LTD.**
ADD: No. 23, Fuxing Road Jia
Haidian District
Beijing 100036
PRC
TEL: 010-85101290
FAX: 010-65287757
- **AGRICULTURAL BANK OF CHINA WEALTH MANAGEMENT CO., LTD.**
ADD: 11/F, Block B
Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC
TEL: 010-85101611
FAX: 010-65212368
- **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Dianchangjianshece Road
Xinhe Town
Hanchuan
Hubei Province 431600
PRC
TEL: 0712-8412338
- **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Jiefang Road Middle Section
Jingpeng Township
Hexigten 025350
PRC
TEL: 0476-5263191
FAX: 0476-5263191
- **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Shop A-02, Jinmingmeidi Community
Yingbin Road
Ansaï District
Yan'an
Shaanxi Province 717400
PRC
TEL: 0911-6229906
FAX: 0911-6229906
- **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**
ADD: 40 Yangzhi North Road
Jixi County
Xuancheng
Anhui Province 245300
PRC
TEL: 0563-8158913
FAX: 0563-8158916
- **ABC XIAMEN TONG'AN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: No. 185-199 Zhaoyuan Community
Committee Complex Building
Zhaoyuan Road
Tong'an District
Xiamen
Fujian Province 361100
PRC
TEL: 0592-7319223
- **ABC ZHEJIANG YONGKANG RURAL BANK LIMITED LIABILITY COMPANY**
ADD: 1/F, Jinsong Building
Headquarters Center Yongkang
Zhejiang Province 321300
PRC
TEL: 0579-87017378
FAX: 0579-87017378

List of Branches and Institutions

Overseas Branches and Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank of China Tower,
50 Connaught Road Central, Hong Kong,
China
TEL: 00852-28618000
FAX: 00852-28660133

- **SINGAPORE BRANCH**

ADD: 7 Temasek Boulevard #30-01/02/03,
Suntec Tower 1, 038987, Singapore
TEL: 0065-65355255
FAX: 0065-65387960

- **SEOUL BRANCH**

ADD: 14F Seoul Finance Center, 136,
Sejong-daero, Jung-gu,
Seoul, 04520, Korea
TEL: 0082-2-37883900
FAX: 0082-2-37883901

- **NEW YORK BRANCH**

ADD: 277 Park Ave, 30th Floor, New York,
NY, 10172, USA
TEL: 001-212-8888998
FAX: 001-646-7385291

- **DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC) BRANCH**

ADD: Office 2901, Level 29,
Al Fattan Currency House Tower 2,
DIFC, Dubai, 124803, UAE
TEL: 00971-45676900
FAX: 00971-45676910

- **DUBAI BRANCH**

ADD: Office No. 201, Emaar Business Park
Building No. 1, Dubai, 336760, UAE
TEL: 00971-45676901
FAX: 00971-45676909

- **TOKYO BRANCH**

ADD: Yusen Building, 2-3-2 Marunouchi,
Tokyo, 100-0005, Japan
TEL: 0081-3-62506911
FAX: 0081-3-62506924

- **FRANKFURT BRANCH**

ADD: Ulmenstrasse 37-39,
Frankfurt am Main, 60325,
Germany
TEL: 0049-69-401255-0
FAX: 0049-69-401255-139

- **SYDNEY BRANCH**

ADD: Level 18, Chifley Tower,
2 Chifley Square, Sydney NSW,
2000, Australia
TEL: 0061-2-82278888
FAX: 0061-2-82278800

- **LUXEMBOURG BRANCH**

ADD: 65, Boulevard Grande-Duchesse Charlotte,
1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **LONDON BRANCH**

ADD: 7/F, 1 Bartholomew Lane, London,
EC2N 2AX, UK
TEL: 0044-20-71548300
FAX: 0044-20-73746425

- **MACAO BRANCH**

ADD: Avenida Doutor Mário Soares,
No. 300-322, Edifício Finance and
IT Center of Macau,
21 andar, em Macau, China
TEL: 00853-8599-5599
FAX: 00853-8599-5509

- **HANOI BRANCH**

ADD: Unit 901-907, 9th Floor, TNR Building,
54A Nguyen Chi Thanh,
Lang Thuong Ward, Dong Da District,
Hanoi, Vietnam
TEL: 0084-24-39460599
FAX: 0044-24-39460587

- **ABC INTERNATIONAL HOLDINGS LIMITED**

ADD: 16/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong, China
TEL: 00852-36660000
FAX: 00852-36660009

- **CHINA AGRICULTURAL FINANCE CO., LTD.**

ADD: 26/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong, China
TEL: 00852-28631916
FAX: 00852-28661936

- **AGRICULTURAL BANK OF CHINA (UK) LIMITED**

ADD: 7/F, 1 Bartholomew Lane, London,
EC2N 2AX, UK
TEL: 0044-20-73748900
FAX: 0044-20-73746425

- **AGRICULTURAL BANK OF CHINA
(LUXEMBOURG) LIMITED**

ADD: 65, Boulevard Grande-Duchesse Charlotte,
1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **AGRICULTURAL BANK OF CHINA
(MOSCOW) LIMITED**

ADD: Floor 4, Lesnaya Street 5B, Moscow, 125047,
Russia
TEL: 007-499-9295599
FAX: 007-499-9290180

- **VANCOUVER REPRESENTATIVE OFFICE**

ADD: Suite 2220, 510 W. Georgia Street,
Vancouver, BC, V6B 0M3, Canada
TEL: 001-604-6828468
FAX: 001-888-3899279

- **TAIPEI REPRESENTATIVE OFFICE**

ADD: 3203, No. 333, Keelung Road, Sec.1,
Xinyi District, Taipei City, 11012 Taiwan,
China
TEL: 00886-2-27293636
FAX: 00886-2-23452020

- **DUSHANBE REPRESENTATIVE OFFICE**

ADD: Huvaydulloev str. 1/2,
District Sino, Dushanbe, 734049,
Tajikistan

- **SAO PAULO REPRESENTATIVE OFFICE**

ADD: 4/F, No. 86 Sao Tome Road
(Corporate Plaza), Vila Olimpia,
Sao Paulo, 04551-080, Brazil
TEL: 0055-11-31818526

Appendix I Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks*, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as the frequency at which they issue the financial report, and starting from 2017, to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data of every quarter and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk management of Commercial Banks* and applicable statistical requirements. The average of daily liquidity coverage ratio of the Bank was 132.1% in the fourth quarter of 2022, representing an increase of 0.1 percentage points over the previous quarter, and 92 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets mainly include cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks*.

Appendix I Liquidity Coverage Ratio Information

The averages of the daily liquidity coverage ratio and individual line items over the fourth quarter in 2022 are as follows:

In millions of RMB, except for percentages

No.		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		6,660,040
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	15,390,035	1,452,458
3	<i>Stable deposits</i>	1,730,832	86,538
4	<i>Less stable deposits</i>	13,659,203	1,365,920
5	Unsecured wholesale funding, of which:	10,753,089	4,171,340
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	3,708,579	912,151
7	<i>Non-operational deposits (all counterparties)</i>	7,004,568	3,219,247
8	<i>Unsecured debt</i>	39,942	39,942
9	Secured wholesale funding		4,325
10	Additional requirements, of which:	2,809,406	970,895
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	812,151	812,151
12	<i>Outflows related to loss of funding on debt products</i>	132	132
13	<i>Credit and liquidity facilities</i>	1,997,123	158,612
14	Other contractual funding obligations	157,235	157,235
15	Other contingent funding obligations	2,503,021	20,568
16	TOTAL CASH OUTFLOWS		6,776,821
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	979,755	979,281
18	Inflows from fully performing exposures	1,431,877	804,730
19	Other cash inflows	874,037	874,037
20	TOTAL CASH INFLOWS	3,285,669	2,658,048
			Total Adjusted Value
21	Total high-quality liquid assets (HQLA)		5,441,769
22	TOTAL NET CASH OUTFLOWS		4,118,773
23	LIQUIDITY COVERAGE RATIO (%)		132.1%

Appendix II Leverage Ratio Information

As of 31 December 2022, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by the CBIRC, was 7.52%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Tier 1 capital, net	2,655,273	2,606,474	2,507,243	2,509,511
Adjusted on-and off-balance sheet assets	35,326,637	35,412,535	33,877,627	32,701,400
Leverage ratio	7.52%	7.36%	7.40%	7.67%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	33,927,533
2	Adjustment for consolidation	(126,817)
3	Adjustment for clients' assets	—
4	Adjustment for derivatives	36,674
5	Adjustment for securities financing transactions	3,303
6	Adjustment for off-balance sheet items	1,498,921
7	Other adjustments	(12,977)
8	Adjusted on-and off-balance sheet assets	35,326,637

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	32,598,628
2	Less: Deductions from Tier 1 capital	(12,977)
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	32,585,651
4	Replacement cost of all derivatives (net of eligible margin)	33,703
5	Potential risk exposure of all derivatives	33,685
6	Gross-up of collaterals deducted from the balance sheet	—
7	Less: receivables assets resulting from providing eligible margin	—
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	—
9	Notional principal amount of written credit derivatives	—
10	Less: Deductible amounts of written credit derivative assets	—
11	Derivative assets	67,388
12	Securities financing transaction assets for accounting purpose	1,171,374
13	Less: Deductible amounts of securities financing transaction assets	—
14	Counterparty credit risk exposure for securities financing transaction	3,303
15	Securities financing transaction assets resulting from agent transaction	—
16	Securities financing transaction assets	1,174,677
17	Off-balance sheet items	2,697,149
18	Less: Adjustments for conversion to credit equivalent amounts	(1,198,228)
19	Adjusted off-balance sheet items	1,498,921
20	Tier 1 capital, net	2,655,273
21	Adjusted on-and off-balance sheet assets	35,326,637
22	Leverage ratio	7.52%

Appendix III Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the *Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks*, commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semi-annual basis at least.

Net Stable Funding Ratio

The Bank calculated the net stable funding ratio in accordance with the *Rules on Liquidity Risk management of Commercial Banks* and applicable statistical requirements. The net stable funding ratio of the Bank in the third quarter of 2022 increased by 2.6 percentage points to 131.6% as compared to the previous quarter, with a weighted value of RMB23,577.9 billion for available stable funds and a weighted value of RMB17,922.2 billion for required stable funds. In the fourth quarter of 2022, the net stable funding ratio decreased by 2 percentage points to 129.6% as compared to the previous quarter, with a weighted value of RMB23,577.1 billion for available stable funds and a weighted value of RMB18,195 billion for required stable funds.

The net stable funding ratios of the third quarter of 2022 and the fourth quarter of 2022 and all related individual items were set out in the following tables:

Net Stable Funding Ratio of the Third Quarter of 2022

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,588,375	—	—	399,925	2,988,301
2	Regulatory capital	2,588,375	—	—	369,925	2,958,301
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,251,207	8,414,810	186	93	14,192,426
5	Stable deposits	1,855,017	—	—	—	1,762,266
6	Less stable deposits	5,396,190	8,414,810	186	93	12,430,160
7	Wholesale funding	6,534,169	5,534,794	1,132,697	440,788	6,127,486
8	Operational deposits	3,740,174	—	—	—	1,870,087
9	Other wholesale funding	2,793,995	5,534,794	1,132,697	440,788	4,257,399
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	34	1,576,021	184,338	213,283	269,701
12	NSFR derivative liabilities		35,751			—
13	All other liabilities and equity not included in the above categories	34	1,576,021	184,338	177,532	269,701
14	Total ASF					23,577,914

Appendix III Net Stable Funding Ratio Information

No.	Required stable funding (RSF) item	Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
15	Total NSFR high-quality liquid assets (HQLA)					1,042,806
16	Deposits held at other financial institutions for operational purpose	2,286	222,047	242,170	—	233,251
17	Performing loans and securities	4,945	4,896,907	3,321,464	12,526,135	14,078,882
18	Performing loans to financial institutions secured by Level 1 HQLA	112	13,021	789	90,684	93,046
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	3,531	1,924,047	218,050	54,000	452,162
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	10	2,775,528	2,922,461	6,979,780	8,757,323
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	64,168	43,159	174,367	162,458
22	Performing residential mortgages, of which:	—	112,101	112,451	5,108,575	4,454,553
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	3	3	70	50
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,292	72,210	67,713	293,096	321,798
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	168,023	718,151	727,426	987,971	2,447,593
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,889	1,606
29	NSFR derivative assets				52,435	16,683
30	NSFR derivative liabilities before deduction of variation margin posted				8,368	8,368
31	All other assets not included in the above categories	168,023	718,151	727,426	933,647	2,420,936
32	Off-balance sheet items				4,411,586	119,644
33	Total RSF					17,922,177
34	Net stable funding ratio (%)					131.6%

Appendix III Net Stable Funding Ratio Information

Net Stable Funding Ratio of the Fourth Quarter of 2022

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,644,467	—	—	359,929	3,004,396
2	Regulatory capital	2,644,467	—	—	329,929	2,974,396
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,506,344	8,516,795	178	71	14,518,347
5	Stable deposits	1,945,807	—	—	—	1,848,517
6	Less stable deposits	5,560,537	8,516,795	178	71	12,669,830
7	Wholesale funding	6,119,189	6,240,749	725,744	422,522	5,770,736
8	Operational deposits	3,440,730	—	—	—	1,720,365
9	Other wholesale funding	2,678,459	6,240,749	725,744	422,522	4,050,371
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	237	1,537,738	148,895	234,550	283,625
12	NSFR derivative liabilities		25,372			—
13	All other liabilities and equity not included in the above categories	237	1,537,738	148,895	209,178	283,625
14	Total ASF					23,577,103
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,171,313
16	Deposits held at other financial institutions for operational purpose	1,561	307,925	309,457	—	309,472
17	Performing loans and securities	6,369	4,872,642	3,290,220	12,897,124	14,482,369
18	Performing loans to financial institutions secured by Level 1 HQLA	—	2,350	201	126,201	126,654
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	4,353	1,609,949	251,349	88,140	455,960
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	13	3,060,706	2,848,849	7,252,284	9,085,690
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	13	90,964	62,974	216,756	210,266
22	Performing residential mortgages, of which:	—	113,971	113,743	5,110,795	4,458,009
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	5	5	126	88
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,003	85,666	76,078	319,704	356,056

Appendix III Net Stable Funding Ratio Information

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6-12 months	Over 1 year	
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	209,720	557,078	628,738	781,938	2,110,185
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,534	1,304
29	NSFR derivative assets				30,997	5,625
30	NSFR derivative liabilities before deduction of variation margin posted				6,343	6,343
31	All other assets not included in the above categories	209,720	557,078	628,738	749,407	2,096,913
32	Off-balance sheet items				4,988,063	121,709
33	Total RSF					18,195,048
34	Net stable funding ratio (%)					129.6%

Appendix IV The Indicators for Assessing Systematic Importance of Commercial Banks

I. The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the *Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks* promulgated by the CBIRC and the *Instructions for G-SIB Assessment Exercise* issued by the Basel Committee on Banking Supervision.

In millions of RMB

Category	Indicators	Balance/ Amount in 2022
Size	1. Total adjusted on- and off-balance sheet assets	35,453,476
Interconnectedness	2. Intra-financial system assets	2,058,609
	3. Intra-financial system liabilities	2,906,406
	4. Securities outstanding	3,301,241
Substitutability	5. Payments activity	556,515,686
	6. Assets under custody	13,919,028
	7. Underwritten transactions	2,879,425
	8. Trading volume of fixed income securities	7,855,696
Complexity	9. Trading volume of listed equities and other securities	229,438
	10. Notional amount of OTC derivatives	2,141,057
	11. Trading and available-for-sale securities	407,750
	12. Level 3 assets	117,315
Cross-Jurisdictional Activity	13. Cross-jurisdictional claims	749,186
	14. Cross-jurisdictional liabilities	672,844

Appendix IV The Indicators for Assessing Systematic Importance of Commercial Banks

II. The Indicators for Assessing Domestic Systematic Importance of Banks

In September 2022, the PBOC and the CBIRC published the list of domestic systemically important banks. The following disclosure was made in accordance with the relevant requirements of the *Methodology and Notification for Assessing Systemically Important Banks* issued by the PBOC and the CBIRC.

In millions of RMB, unless otherwise stated

Category	Indicators ¹	Balance/ Amount in 2021
Size	1. Total adjusted on- and off-balance sheet assets	30,678,596
Interconnectedness	2. Intra-financial system assets	2,286,165
	3. Intra-financial system liabilities	3,012,044
Substitutability	4. Securities outstanding	1,821,897
	5. Payments activity	407,917,637
	6. Assets under custody	12,454,663
	7. Agency and distribution business	8,766,251
Complexity	8. Number of corporate customers (10 thousand)	860
	9. Number of personal customers (10 thousand)	87,783
	10. Number of domestic branch outlets	22,753
	11. Derivatives	2,613,456
	12. Securities measured at fair value	383,825
	13. Assets of non-bank subsidiaries	379,910
	14. Balance of non-principal guaranteed wealth management products issued by the Bank	249,322
	15. Balance of wealth management products issued by wealth management subsidiary	1,823,211
	16. Cross-jurisdictional claims and liabilities	1,215,765

¹ The above indicators are calculated differently from the G-SIBs indicators.



Auditor's Report and Consolidated Financial Statements

Independent Auditor's Report



To the Shareholders of Agricultural Bank of China Limited

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

Opinion

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 190 to 350, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, 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 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Measurement of expected credit losses for loans and advances to customers

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The Key Audit Matter

The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers in accordance with International Financial Reporting Standard 9, Financial instruments.

The determination of loss allowance for loans and advances to customers using the expected credit loss model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for corporate loans and advances are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

How the matter was addressed in our audit

Our audit procedures to assess ECL for loans and advances to customers included the following:

- with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, the credit risk staging process and the measurement of ECL for loans and advances to customers.
 - with the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgement.
 - for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement.
 - comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development.
 - assessing the completeness and accuracy of data used in the ECL model. For key internal data, we compared the total balance of the loans and advances' list used by management to assess the ECL with the general ledger to check the completeness of the data. We also selected samples to compare individual loan and advance information with the underlying agreements and other related documentation, to check the accuracy of the data and samples, to check the accuracy of external data by comparing them with public resources.
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Independent Auditor's Report

Measurement of expected credit losses for loans and advances to customers (Continued)

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Management refers to valuation reports of collateral issued by qualified third party valuers and considers the influence of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.

We identified the measurement of ECL of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis.
- evaluating the reasonableness of management's assessment on whether the credit risk of the loan and advance has, or has not, increased significantly since initial recognition and whether the loan and advance is credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. For selected samples, we checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of the loans' credit risk stage.
- evaluating the reasonableness of loss given default for selected samples of corporate loans and advances to customers that are credit-impaired, by checking the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Evaluating management's assessment of the value of any collateral, by comparison with evaluation result based on the category, status, use of the collateral and market prices. For valuation reports of collateral issued by qualified third party, we evaluated the competence, professional quality and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans; based on the above work, we selected samples and assessed the accuracy of calculation for loans and advances' credit losses by using the ECL model.

Measurement of expected credit losses for loans and advances to customers (Continued)

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> performing retrospective review of expected credit loss model components and significant assumptions, to back-test past estimates element against actual outcomes, and assess whether the results indicate possible management bias on loss estimation. assessing the reasonableness of the disclosures in the financial statements in relation to expected credit losses for loans and advances against prevailing accounting standards.

Independent Auditor's Report

Measurement of interests in and consolidation of structured entities

Refer to the accounting policy in "Note II 2 Consolidation, Note III 5 Consolidation of structured entities", and "Note IV 41 Structured entities" to the consolidated financial statements.

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

The Group may acquire an ownership interest in a structured entity, through initiating, investing or retaining shares in a Wealth Management Products ("WMPs"), securitization products, funds, trust investment plans, debt investment plans and asset management plans. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.

In determining whether the Group retains any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.

How the matter was addressed in our audit

Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following:

- assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities.
- selecting significant structured entities of each key product type and performing the following procedures:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
 - inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;
 - inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to affect its own returns from the structured entity;
 - assessing management's judgement over whether the structured entity should be consolidated or not.
- assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

Measurement of financial instruments' fair value

Refer to the accounting policy in "Note II 8.3 Determination of fair value, Note III 3 Fair value of financial instruments", and "Note IV 46 Fair value of financial instruments" to the consolidated financial statements.

The Key Audit Matter

Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs, such as credit risk, liquidity and discount rate, are involved in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve extensive management judgements.

We identified measurement of financial instruments' fair value as a key audit matter because of the assets and liabilities measured at fair value are material to the Group and the degree of complexity involved in the valuation techniques and the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess measurement of financial instruments' fair value included the following:

- assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the model building, model validation, independent valuation and front office and back office reconciliations for financial instruments.
- assessing the level 1 fair value of financial instruments, on a sample basis, by comparing the fair value applied by the Group with publicly available market data.
- for level 2 and level 3 financial instruments, on a sample basis, involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Our procedures included: developing parallel models, obtaining inputs independently and verifying the inputs; assessing the appropriate application of fair value adjustment that form an integral part of fair value, by inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and comparing our valuation results with that of the Group.
- assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments against prevailing accounting standards.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.



Certified Public Accountants

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

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Interest income	1	1,108,547	1,008,014
Interest expense	1	(518,581)	(430,027)
Net interest income	1	589,966	577,987
Fee and commission income	2	95,518	98,721
Fee and commission expense	2	(14,236)	(18,392)
Net fee and commission income	2	81,282	80,329
Net trading gain	3	5,519	14,241
Net gain on financial investments	4	5,909	15,035
Net gain on derecognition of financial assets measured at amortized cost		160	11
Other operating income	5	42,663	34,143
Operating income		725,499	721,746
Operating expenses	6	(274,023)	(260,275)
Credit impairment losses	8	(145,267)	(165,886)
Impairment losses on other assets		(59)	(114)
Operating profit		306,150	295,471
Share of results of associates and joint ventures		66	409
Profit before tax		306,216	295,880
Income tax expense	9	(47,528)	(53,944)
Profit for the year		258,688	241,936
Attributable to:			
Equity holders of the Bank		259,140	241,183
Non-controlling interests		(452)	753
		258,688	241,936
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	0.69	0.65

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Profit for the year	258,688	241,936
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income	(16,089)	8,504
Loss allowance on debt instruments at fair value through other comprehensive income	16,717	3,572
Income tax impact for fair value changes and loss allowance on debt instruments at fair value through other comprehensive income	(516)	(2,865)
Foreign currency translation differences	3,853	(1,724)
Subtotal	3,965	7,487
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	128	(282)
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	(33)	115
Subtotal	95	(167)
Other comprehensive income, net of tax	4,060	7,320
Total comprehensive income for the year	262,748	249,256
Total comprehensive income attributable to:		
Equity holders of the Bank	263,424	248,399
Non-controlling interests	(676)	857
	262,748	249,256

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

Consolidated Statement of Financial Position

As at 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December	
	IV	2022	2021
Assets			
Cash and balances with central banks	12	2,549,130	2,321,406
Deposits with banks and other financial institutions	13	630,885	218,500
Precious metals		83,389	96,504
Placements with and loans to banks and other financial institutions	14	500,330	446,944
Derivative financial assets	15	30,715	21,978
Financial assets held under resale agreements	16	1,172,187	837,637
Loans and advances to customers	17	18,982,886	16,454,503
Financial investments	18		
Financial assets at fair value through profit or loss		522,057	460,241
Debt instrument investments at amortized cost		7,306,000	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income		1,702,106	1,397,280
Investment in associates and joint ventures	20	8,092	8,297
Property and equipment	21	152,572	153,299
Goodwill		1,381	1,381
Deferred tax assets	22	149,698	143,027
Other assets	23	136,105	135,636
Total assets		33,927,533	29,069,155
Liabilities			
Borrowings from central banks	24	901,116	747,213
Deposits from banks and other financial institutions	25	2,459,178	1,622,366
Placements from banks and other financial institutions	26	333,755	291,105
Financial liabilities at fair value through profit or loss	27	12,287	15,860
Derivative financial liabilities	15	31,004	19,337
Financial assets sold under repurchase agreements	28	43,779	36,033
Due to customers	29	25,121,040	21,907,127
Dividends payable	10	1,936	—
Debt securities issued	30	1,869,398	1,507,657
Deferred tax liabilities	22	9	655
Other liabilities	31	479,580	500,443
Total liabilities		31,253,082	26,647,796

Consolidated Statement of Financial Position (Continued)

As at 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December	
	IV	2022	2021
Equity			
Ordinary shares	32	349,983	349,983
Other equity instruments	33	440,000	360,000
Preference shares		80,000	80,000
Perpetual bonds		360,000	280,000
Capital reserve	34	173,426	173,428
Investment revaluation reserve	35	35,354	34,927
Surplus reserve	36	246,764	220,792
General reserve	37	388,600	351,616
Retained earnings		1,032,524	925,955
Foreign currency translation reserve		1,761	(2,096)
Equity attributable to equity holders of the Bank		2,668,412	2,414,605
Non-controlling interests		6,039	6,754
Total equity		2,674,451	2,421,359
Total equity and liabilities		33,927,533	29,069,155

Approved and authorized for issue by the Board of Directors on 30 March 2023.



刘念

Chairman

付万军

Vice Chairman

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Total equity attributable to equity holders of the Bank									Non- controlling interests	Total
		Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal		
As at 31 December 2021		349,983	360,000	173,428	34,927	220,792	351,616	925,955	(2,096)	2,414,605	6,754	2,421,359
Profit for the year		-	-	-	-	-	-	259,140	-	259,140	(452)	258,688
Other comprehensive income		-	-	-	427	-	-	-	3,857	4,284	(224)	4,060
Total comprehensive income for the year		-	-	-	427	-	-	259,140	3,857	263,424	(676)	262,748
Capital contribution from equity holders	33	-	80,000	(3)	-	-	-	-	-	79,997	-	79,997
Appropriation to surplus reserve	36	-	-	-	-	25,972	-	(25,972)	-	-	-	-
Appropriation to general reserve	37	-	-	-	-	-	36,984	(36,984)	-	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	(72,376)	-	(72,376)	-	(72,376)
Dividends paid to other equity instruments holders	10	-	-	-	-	-	-	(17,239)	-	(17,239)	-	(17,239)
Dividends paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	(2)	(2)
Others		-	-	1	-	-	-	-	-	1	(37)	(36)
As at 31 December 2022		349,983	440,000	173,426	35,354	246,764	388,600	1,032,524	1,761	2,668,412	6,039	2,674,451
As at 31 December 2020		349,983	320,000	173,431	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746
Profit for the year		-	-	-	-	-	-	241,183	-	241,183	753	241,936
Other comprehensive income		-	-	-	8,940	-	-	-	(1,724)	7,216	104	7,320
Total comprehensive income for the year		-	-	-	8,940	-	-	241,183	(1,724)	248,399	857	249,256
Capital contribution from equity holders	33	-	40,000	(3)	-	-	-	-	-	39,997	37	40,034
Appropriation to surplus reserve	36	-	-	-	-	24,721	-	(24,721)	-	-	-	-
Appropriation to general reserve	37	-	-	-	-	-	40,167	(40,167)	-	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	(64,782)	-	(64,782)	-	(64,782)
Dividends paid to other equity instruments holders	10	-	-	-	-	-	-	(13,798)	-	(13,798)	-	(13,798)
Dividends paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	(97)	(97)
As at 31 December 2021		349,983	360,000	173,428	34,927	220,792	351,616	925,955	(2,096)	2,414,605	6,754	2,421,359

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2022	2021
Cash flows from operating activities			
Profit before tax		306,216	295,880
Adjustments for:			
Amortization of intangible assets and other assets		3,494	2,322
Depreciation of property, equipment and right-of-use assets		17,883	17,475
Credit impairment losses		145,267	165,886
Impairment losses on other assets		59	114
Interest income arising from investment securities		(277,557)	(252,804)
Interest expense on debt securities issued		45,140	39,188
Revaluation (gain)/loss on financial instruments at fair value through profit or loss		(5,647)	4,019
Net gain on investment securities		(847)	(1,285)
Share of results of associates and joint ventures		(66)	(409)
Net gain on disposal and stocktake of property, equipment and other assets		(797)	(921)
Net foreign exchange (gain)/loss		(2,547)	16,877
		230,598	286,342
Net changes in operating assets and operating liabilities:			
Net (increase)/decrease in balances with central banks, deposits with banks and other financial institutions		(444,340)	313,337
Net decrease/(increase) in placements with and loans to banks and other financial institutions		17,681	(4,992)
Net (increase)/decrease in financial assets held under resale agreements		(16,796)	48,919
Net increase in loans and advances to customers		(2,598,793)	(2,026,482)
Net increase in borrowings from central banks		150,974	10,483
Net increase/(decrease) in placements from banks and other financial institutions		41,292	(99,232)
Net increase in due to customers and deposits from banks and other financial institutions		3,972,068	1,712,770
(Increase)/decrease in other operating assets		(54,148)	173,587
Increase/(decrease) in other operating liabilities		92,784	(116,370)
Cash from operations		1,391,320	298,362
Income tax paid		(69,317)	(58,747)
Net cash from operating activities		1,322,003	239,615

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2022	2021
Cash flows from investing activities			
Cash received from disposal/redemption of investment securities		2,006,183	1,619,583
Cash received from investment income		266,576	247,470
Cash received from disposal of investment in associates and joint ventures		1,685	2,793
Cash received from disposal of property, equipment and other assets		5,857	5,790
Cash paid for purchase of investment securities		(3,308,162)	(2,178,694)
Acquisition of non-controlling interests		(37)	—
Increase in investment in associates and joint ventures		(2,000)	(2,146)
Cash paid for purchase of property, equipment and other assets		(22,092)	(26,033)
Net cash used in investing activities		(1,051,990)	(331,237)
Cash flows from financing activities			
Contribution from issues of other equity instruments		80,000	40,000
Cash payments for transaction cost of other equity instruments issued		(3)	(3)
Cash received from debt securities issued		2,035,552	1,635,127
Cash payments for transaction cost of debt securities issued		(18)	(39)
Repayments of debt securities issued		(1,656,608)	(1,497,003)
Cash payments for interest on debt securities issued		(68,079)	(40,429)
Cash payments for principal portion and interest portion of lease liability		(4,946)	(5,010)
Capital contribution from non-controlling interests		—	37
Dividends paid		(87,681)	(78,677)
Net cash from financing activities		298,217	54,003
Net increase/(decrease) in cash and cash equivalents		568,230	(37,619)
Cash and cash equivalents as at 1 January		1,124,762	1,175,153
Effect of exchange rate changes on cash and cash equivalents		12,641	(12,772)
Cash and cash equivalents as at 31 December	38	1,705,633	1,124,762
Net cash flows from operating activities include:			
Interest received		775,043	717,022
Interest paid		(389,721)	(342,465)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

I GENERAL INFORMATION

Agricultural Bank of China Limited (the “Bank”) is the successor entity to the Agricultural Bank of China (the “Predecessor Entity”) which was a wholly state-owned commercial bank approved for setup by the People’s Bank of China (the “PBOC”) and founded on 23 February 1979 in the People’s Republic of China (the “PRC”). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank’s establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking and Insurance Regulatory Commission (the “CBIRC”), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) include Renminbi (“RMB”) and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in Chinese mainland are referred to as the “Domestic Operations”. Branches and subsidiaries registered and operating outside Chinese mainland are referred to as the “Overseas Operations”.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance for this financial year and the comparative period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 Other amendments to the standards effective in 2022 relevant to and adopted by the Group

The Group has adopted the following amendments to the IFRSs issued by the IASB that are first effective for the financial year ended 31 December 2022.

		Notes
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework (i)
(2)	Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract (ii)
(3)	Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use (iii)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020 (iv)

(i) Amendments to IFRS 3: Reference to the Conceptual Framework

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

(ii) Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify the meaning of 'costs to fulfil a contract' for the purposes of assessing whether a contract is onerous. In particular, the amendments explain that such costs comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than merely on assets dedicated to that contract. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendments also clarify that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset, and that the financial performance of the asset is not relevant to this assessment. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Other amendments to the standards effective in 2022 relevant to and adopted by the Group (Continued)

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

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

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2022

The Group has not adopted the following new standards and amendments that have been issued by the IASB but are not yet effective.

		Effective for annual periods beginning on or after	Notes
(1)	IFRS 17	Insurance Contracts	1 January 2023 (i)
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023 (ii)
(3)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023 (iii)
(4)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023 (iv)
(5)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024 (v)
(6)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024 (vi)
(7)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024 (vi)
(8)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred indefinitely (vii)

(i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, and the amendments should be applied at the same time. The Group will adopt IFRS 17 from 1 January 2023. The Group will change its accounting policies from the beginning of 2023 and disclose its financial statements in accordance with IFRS 17 and its amendments since the first quarterly report of 2023. Based on a preliminary assessment, the Group anticipates that the adoption of IFRS 17 and its amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2022 (Continued)

(ii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments clarify that an entity will be required to disclose its “material” accounting policy information as opposed to “significant” accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the “four-step materiality process” to accounting policy information. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendments now define “accounting estimates” as “monetary amounts in financial statements that are subject to measurement uncertainty” and remove the definition of “a change in accounting estimate”. The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(iv) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(v) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains, including cases with variable lease payments in the leaseback. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2022 (Continued)

(vi) *Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognized separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(vii) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

When merging, all intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the net assets of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment subsequently increases.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate and joint venture (Continued)

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expense of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as "interest income" and "interest expense" respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodian fee, etc.

5 Foreign currency translation

The functional currency of the Group's Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated statement of profit or loss in the period in which they arise, except for the following:

- (i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 Foreign currency translation (Continued)

- (ii) changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated statement of profit or loss on disposal of all or part of the Overseas Operations.

6 Taxation

Income tax comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added Taxes ("VAT")

The Group mainly provides financial services such as loan services, direct-charge financial services, insurance services and transfer of financial commodities, which are subject to the VAT rate of 6%. For other services, VAT is calculated and paid in accordance with the tax rates stipulated in the tax law.

Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation on Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate VAT at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the County Area Banking Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

In accordance with the Ministry of Finance (the "MOF") and the State Administration of Taxation's "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses. In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss or capitalization as cost of related assets.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated statement of profit or loss for the period or capitalization as cost of related assets in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated statement of profit or loss or capitalized as cost of related assets when incurred. Except for the fixed contribution into the Annuity Scheme, the Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated statement of profit or loss. Differences arising from changes in assumptions and adjustments of the standards of benefits are recognized in the consolidated statement of profit or loss when incurred.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments

8.1 Initial recognition, classification and measurement of financial instruments

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. For other classes of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognized value.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the assets and the cash flow characteristics of the assets:

- (i) Amortized cost ("AC");
- (ii) Fair value through other comprehensive income ("FVOCI"); or
- (iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the group of asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

The classification requirements for debt instruments and equity instruments in the Group are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the debt instruments of the Group are classified into three categories below:

- (i) AC: Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at amortized cost.
- (ii) FVOCI: Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at FVOCI.
- (iii) FVPL: All financial assets not classified as measured at AC or FVOCI as described above are measured at FVPL.

The Group may also irrevocably designate financial assets as at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective referring to Note II 8.9, and examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVPL, except for the equity investment not held for trading where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment as at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(2) Financial liabilities (Continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Once the designation is made, it shall not be revoked.

Financial liabilities arising from the transfer of financial assets which do not qualify for derecognition, if the enterprise retains substantially all the risks and rewards of the ownership of the transferred financial asset and does not qualified for derecognition, the Group shall continue to recognize the transferred financial asset in its entirety and recognize a financial liability for the consideration received. In applying the continued involvement approach of accounting, please refer to the Note II 8.7 Derecognition of financial assets for the measurement of the transferred liability.

8.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

8.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. Active market is a place in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In an active market, the quoted prices of relevant assets or liabilities should be readily and regularly available from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory institutions by the enterprise. The current market may not be active when there is a significant decline in the volume of transaction or level of activity, price quotations vary substantially either over time or among market-makers and current prices are not available. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) Financial assets and liabilities measured at amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income and interest expenses from these financial assets and liabilities are included in "interest income" and "interest expense" using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "interest income", except for:

- (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and
- (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue calculated by using the effective interest method and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest method.

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Financial assets at fair value through profit or loss

The financial asset is measured at fair value and net gains or losses are recognized in profit or loss of the current period.

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- (i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- (ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Impairment of financial instruments (Continued)

The Group measures ECL of a financial instrument reflecting:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage I: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in Stage I.
- Stage II: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage II. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 44.1.
- Stage III: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage III. The definition of credit-impaired financial assets is disclosed in Note IV 44.1.

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 44.1.

For accounts receivable, lease receivables and contract assets, the Group always recognize lifetime expected credit losses. The Group uses provision matrix based on its historical credit loss experience for above-mentioned financial assets to estimate ECLs. The historical credit experience is appropriately adjusted to reflect the specific factors of borrowers, current events and forecast future conditions as at reporting date.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the financial instrument is no longer regarded as experiencing a significant increase in credit risk since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.6 Modification of contracts

The Group sometimes renegotiates or otherwise modifies contracts, resulting in a change to the contractual cash flows. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liability is recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the sum of the consideration received for the part derecognized any cumulative amount of fair value recognized in other comprehensive income (if the transfer involves any other debt instrument investments measured at fair value through other comprehensive income) and the carrying amount allocated to the part derecognized on the date of derecognition shall be included in profit and loss for the current period.

8.8 Derecognition of financial liabilities

A financial liability is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recognized in equity based on the actual amount received.

8.10 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The changes in fair value are recognized in profit or loss.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized 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 or other comprehensive income.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss or other comprehensive income, together with the changes in fair value of the hedged item attributable to the hedged risk.

Any adjustment of the carrying amount arising from the recognition of hedging gains or losses of the hedged item shall be amortized to profit or loss if the hedged item is a financial instrument measured at amortized cost.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognized, the unamortized adjustment of the carrying amount is recognized in profit or loss.

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For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.10 Derivative financial instruments and hedge accounting (Continued)

(b) 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 recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of the net gains and losses of hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognized immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the periods when the hedged item affects profit or loss. When the hedged future cash flows are no longer expected to occur (for example, the recognized hedged asset is disposed of), the cumulative gain or loss previously recognized in other comprehensive income is immediately reclassified to profit or loss.

8.11 Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (i) Their economic characteristics and risks are not closely related to those of the host contract;
- (ii) A separate instrument with the same terms would meet the definition of a derivative; and
- (iii) The hybrid contract is not measured at fair value through profit or loss.

Where an embedded derivative is separated from a hybrid contract, the Group accounts for the host contract of the hybrid contract in accordance with the applicable accounting standards. Where the fair value of the embedded derivative is unable to be reliably measured on the basis of the terms and conditions, the fair value of the embedded derivative is determined as the difference between the fair value of the hybrid contract and the fair value of the host contract. If, after using the above method, the fair value of the embedded derivative at the acquisition date or at the end of a subsequent financial reporting period is still unable to separately measured, the Group designates the entire hybrid contract as a fair value through profit or loss.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.12 Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position. Otherwise, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.13 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note IV 42 Contingent liabilities and commitments — Collateral).

The difference between the purchase and sale price is recognized as gain or loss in profit or loss of the current period using the effective interest method.

9 Insurance contracts

Insurance contract classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk. The Group issues primarily life insurance contracts, which insure events associated with mortality over a long duration. The Group also issues non-life insurance contracts, which cover casualty and health insurance risk. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to the reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Some insurance contracts contain both an insurance component and a deposit component. The Group unbundles those components, if the insurance component and the deposit component are separately measured. The unbundled insurance component is accounted for according to IFRS 4 — Insurance Contracts and the unbundled deposit component is accounted for as a financial liability.

Insurance income recognition

Insurance premium income is recognized when the following conditions are met: the insurance contract is issued and related insurance risk is undertaken by the Group, the related economic benefits are likely to flow to the Group, and the related income can be reliably measured.

Notes to the Consolidated Financial Statements

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period. The Group has considered the impact of time value in the liability calculation for long-term life insurance.

The Group performs liability adequacy tests based on information currently available, as at the end of the reporting period. Additional insurance contract liabilities will be recorded if any deficiency exists.

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value and subsequent changes in fair value are recognized in profit or loss.

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are presented in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

Depreciation is recognized as a component of operating expenses in the consolidated statement of profit or loss so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	5–50 years	3%	1.94%–19.40%
Machinery and equipment	3–11 years	3%	8.82%–32.33%
Motor vehicles	5–8 years	3%	12.13%–19.40%

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 Property and equipment (Continued)

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated statement of profit or loss. The accounting policies of impairment of property and equipment are included in Note II 17 Impairment of non-financial assets other than goodwill.

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

The Group initially recognizes at fair value the foreclosed financial assets. Non-financial foreclosed assets are initially recognized at the fair value of the rights given up by creditors and other costs such as taxes directly attributable to the asset.

When the debtor pays off the debts with multiple assets or in form of restructuring arrangement, the Group firstly recognizes and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note II 8.1 Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by creditor deducted the initial amount recognized for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognized as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by creditor is recorded in profit and loss.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

The accounting policies of impairment of investment property are included in Note II 17 Impairment of non-financial assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in profit or loss.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related taxes, in profit or loss.

Notes to the Consolidated Financial Statements

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15 Leasing

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercise a purchase option or an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability are recognized as an expense in profit or loss when incurred.

The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognized as expense in profit or loss on a straight-line basis over each period of the lease term. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as other operating income in the consolidated statement of profit or loss on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

16 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17 Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

18 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

19 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the annual general meeting of the Bank.

As authorized by the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

20 Contingent liabilities and provisions

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to the Consolidated Financial Statements

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II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the loan object, purpose, amount, interest rate and repayment plan determined by the principal. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered and does not assume the economic risks and rewards of the entrusted loans. The entrusted loans and funding for entrusted funds are not recognized in the Group's consolidated statement of financial position.

22 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 incurred because a specified debtor fails to make payment when due, in accordance with the original or revised terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is recognized in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

23 Related parties

The Group determines the Group's related parties in accordance with IFRSs and other relevant provisions.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The judgements, estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgements and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Classification of financial assets

The critical judgements the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgements: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 44.1 Credit risk.

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statements

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III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3 Fair value of financial instruments (Continued)

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4 Deferred taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax, deferred income tax and VAT during the period in which such a determination is made.

5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

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III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6 Derecognition of financial assets transferred (Continued)

The Group analyzes the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the “pass through” of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement is applied in the Group’s estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group’s assessment on the extent that risks and rewards are transferred.
- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2022	2021
Interest income		
Loans and advances to customers	761,827	694,009
Including: Corporate loans and advances	417,978	380,351
Personal loans and advances	343,849	313,658
Financial investments		
Debt instrument investments at amortized cost	231,114	208,225
Other debt instrument investments at fair value		
through other comprehensive income	46,443	44,579
Balances with central banks	34,494	34,726
Placements with and loans to banks and other financial institutions	9,853	5,868
Financial assets held under resale agreements	16,672	11,989
Deposits with banks and other financial institutions	8,144	8,618
Subtotal	1,108,547	1,008,014
Interest expense		
Due to customers	(388,546)	(329,593)
Deposits from banks and other financial institutions	(52,582)	(36,930)
Debt securities issued	(45,140)	(39,188)
Borrowings from central banks	(24,944)	(20,519)
Placements from banks and other financial institutions	(6,776)	(3,479)
Financial assets sold under repurchase agreements	(593)	(318)
Subtotal	(518,581)	(430,027)
Net interest income	589,966	577,987

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2022	2021
Fee and commission income		
Electronic banking services	26,772	30,476
Agency services	23,965	23,677
Bank cards	15,760	15,435
Consultancy and advisory services	11,979	11,644
Settlement and clearing services	10,296	11,094
Custodian and other fiduciary services	4,308	3,832
Credit commitment	1,979	1,980
Others	459	583
Subtotal	95,518	98,721
Fee and commission expense		
Bank cards	(8,573)	(11,942)
Electronic banking services	(3,386)	(3,509)
Settlement and clearing services	(1,391)	(1,598)
Others	(886)	(1,343)
Subtotal	(14,236)	(18,392)
Net fee and commission income	81,282	80,329

3 NET TRADING GAIN

	Note	Year ended 31 December	
		2022	2021
Net gain on debt instruments held for trading		13,244	3,847
Net gain on precious metals	(i)	3,623	3,650
Net (loss)/gain on foreign exchange rate derivatives		(11,050)	6,672
Net gain on interest rate derivatives		516	440
Others		(814)	(368)
Total		5,519	14,241

(i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 NET GAIN ON FINANCIAL INVESTMENTS

	Note	Year ended 31 December	
		2022	2021
Net gain/(loss) on debt instruments designated as at FVPL		5	(237)
Net gain on other debt instruments and equity investments measured at FVPL		6,040	20,907
Net loss on financial liabilities designated as at FVPL	(i)	(643)	(7,445)
Net gain on other debt instrument and other equity investments measured at FVOCI		859	1,235
Net gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL		—	1,068
Others		(352)	(493)
Total		5,909	15,035

(i) Net loss on financial liabilities designated as at FVPL consists of the payable amount upon the maturity of structured deposits designated at FVPL.

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2022	2021
Insurance premium	32,942	29,188
Net gain on foreign exchange	5,611	224
Rental income	1,241	1,065
Gain on disposal of property and equipment	900	1,032
Government grant	797	948
Others	1,172	1,686
Total	42,663	34,143

6 OPERATING EXPENSES

	Notes	Year ended 31 December	
		2022	2021
Staff costs	(1)	146,547	137,953
General operating and administrative expenses	(2)	61,861	61,558
Insurance benefits and claims		34,770	30,988
Depreciation and amortization		20,865	19,797
Tax and surcharges	(3)	6,525	6,606
Others		3,455	3,373
Total		274,023	260,275

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

(1) Staff costs

	Year ended 31 December	
	2022	2021
Short-term employee benefits		
Salaries, bonuses, allowances and subsidies	95,935	89,580
Housing funds	9,738	9,347
Social insurance	6,031	5,859
Including: Medical insurance	5,685	5,480
Maternity insurance	181	222
Employment injury insurance	165	157
Labor union fees and staff education expenses	4,308	4,001
Others	11,362	10,963
Subtotal	127,374	119,750
Defined contribution benefits	19,135	18,188
Early retirement benefits	38	15
Total	146,547	137,953

- (2) Included in general operating and administrative expenses is auditor's remuneration of RMB110 million for the year, consisting of RMB108 million for financial statements audit service and RMB2 million for non-audit professional service (2021: RMB106 million for the year, consisting of RMB105 million for financial statements audit service and RMB1 million for non-audit professional service).

- (3) City construction and maintenance tax is calculated at 1%, 5% or 7% of VAT and sales taxes for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and sales taxes for the Group's Domestic Operations.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB):

Item	Notes	Year ended 31 December 2022				Total
		Fees	Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xv)	
Executive Directors						
Gu Shu		–	656	127	86	869
Fu Wanjun	(i)	–	55	11	7	73
Zhang Xuguang		–	591	120	85	796
Lin Li		–	591	120	85	796
Independent Non-Executive Directors						
Huang Zhenzhong		380	–	–	–	380
LEUNG KO May Yee, Margaret		380	–	–	–	380
Liu Shouying		361	–	–	–	361
Wu Liansheng		380	–	–	–	380
Wang Changyun	(ii)	10	–	–	–	10
Non-Executive Directors						
Liao Luming		–	–	–	–	–
Li Wei		–	–	–	–	–
Zhou Ji		–	–	–	–	–
Liu Xiaopeng		–	–	–	–	–
Xiao Xiang		–	–	–	–	–
Zhang Qi	(iii)	–	–	–	–	–
Supervisors						
Deng Lijuan	(iv)	–	–	–	–	–
Wu Gang		50	–	–	–	50
Huang Tao		50	–	–	–	50
Wang Xuejun	(v)	29	–	–	–	29
Liu Hongxia		300	–	–	–	300
Xu Xianglin		330	–	–	–	330
Wang Xixin		280	–	–	–	280
Senior Management						
Xu Han		–	591	125	90	806
Liu Jiawang	(vi)	–	148	51	22	221
Han Guoqiang		–	1,005	206	85	1,296
Executive Director resigned						
Zhang Qingsong	(vii)	–	438	83	55	576
Non-Executive Directors resigned						
Wang Xinxin	(viii)	399	–	–	–	399
Supervisors resigned						
Wang Jingdong	(ix)	–	656	127	86	869
Fan Jianqiang	(x)	–	–	–	–	–
Shao Lihong	(xi)	21	–	–	–	21
Senior Management resigned						
Cui Yong	(xii)	–	345	70	47	462
Zhang Yi	(xiii)	–	591	120	85	796
Li Zhicheng	(xiv)	–	1,005	219	86	1,310
Total		2,970	6,672	1,379	819	11,840

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)

- (i) Fu Wanjun was elected Vice Chairman of the Board of Directors and Executive Director and Executive President effective 20 January 2023.
- (ii) Wang Changyun was elected Independent Non-Executive Director effective 22 December 2022.
- (iii) Zhang Qi was elected Non-Executive Director effective 22 December 2022.
- (iv) Deng Lijuan was elected Supervisor of the Shareholders Representative effective 29 June 2022.
- (v) Wang Xuejun was elected Supervisor Representing Employees effective 10 May 2022.
- (vi) Liu Jiawang was elected Executive Vice President effective 28 November 2022.
- (vii) Zhang Qingsong ceased to be Vice Chairman of the Board of Directors and Executive Director and Executive President effective 6 September 2022.
- (viii) Wang Xinxin ceased to be Independent Non-Executive Director effective 22 December 2022.
- (ix) Wang Jingdong ceased to be Chairman of the Board of Supervisors and Supervisor of the Shareholders Representative effective 7 February 2023.
- (x) Fan Jianqiang ceased to be Supervisor of the Shareholders Representative effective 13 June 2022.
- (xi) Shao Lihong ceased to be Supervisor Representing Employees effective 10 May 2022.
- (xii) Cui Yong ceased to be Executive Vice President effective 9 August 2022.
- (xiii) Zhang Yi ceased to be Executive Vice President effective 21 March 2023.
- (xiv) Li Zhicheng ceased to be Chief Risk Officer effective 28 February 2023.
- (xv) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Directors, Supervisors and Senior Management for the year ended 31 December 2022 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final compensation will be disclosed in a separate announcement when determined.

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)

Item	Notes	Fees	Year ended 31 December 2021 (Restated)			Total
			Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xx)	
Executive Directors						
Gu Shu	(i)	–	879	148	81	1,108
Zhang Qingsong		–	879	145	81	1,105
Zhang Xuguang		–	791	136	81	1,008
Lin Li	(ii)	–	660	118	66	844
Independent Non-Executive Directors						
Wang Xinxin		381	–	–	–	381
Huang Zhenzhong		380	–	–	–	380
LEUNG KO May Yee, Margaret		380	–	–	–	380
Liu Shouying		360	–	–	–	360
Wu Liansheng	(iii)	34	–	–	–	34
Non-Executive Directors						
Liao Luming		–	–	–	–	–
Li Wei		–	–	–	–	–
Zhou Ji	(iv)	–	–	–	–	–
Liu Xiaopeng	(v)	–	–	–	–	–
Xiao Xiang	(vi)	–	–	–	–	–
Supervisors						
Wang Jingdong		–	879	145	81	1,105
Fan Jianqiang		–	–	–	–	–
Shao Lihong		50	–	–	–	50
Wu Gang		50	–	–	–	50
Huang Tao	(vii)	21	–	–	–	21
Liu Hongxia		300	–	–	–	300
Xu Xianglin	(viii)	46	–	–	–	46
Wang Xixin	(ix)	39	–	–	–	39
Senior Management						
Cui Yong		–	791	127	81	999
Xu Han		–	791	125	83	999
Zhang Yi	(x)	–	264	38	26	328
Li Zhicheng		–	1,989	211	80	2,280
Han Guoqiang		–	1,988	183	81	2,252

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)

Item	Notes	Fees	Year ended 31 December 2021 (Restated)			Total
			Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xx)	
Executive Director resigned Zhou Mubing	(xi)	–	48	–	–	48
Non-Executive Directors resigned						
Wu Jiangtao	(xii)	–	–	–	–	–
Xiao Xing	(xiii)	370	–	–	–	370
Zhu Hailin	(xiv)	–	–	–	–	–
Li Qiyun	(xv)	–	–	–	–	–
Supervisors resigned						
Xia Taili	(xvi)	33	–	–	–	33
Li Wang	(xvii)	242	–	–	–	242
Zhang Jie	(xviii)	268	–	–	–	268
Senior Management resigned Zhan Dongsheng	(xix)	–	330	49	34	413
Total		2,954	10,289	1,425	775	15,443

- (i) Gu Shu was elected Executive Director effective 28 January 2021 and elected Chairman of the Board of Directors effective 9 February 2021.
- (ii) Lin Li was elected Executive Vice President effective 31 March 2021 and Executive Director effective 15 June 2021.
- (iii) Wu Liansheng was elected Independent Non-Executive Director effective 19 November 2021.
- (iv) Zhou Ji was elected Non-Executive Director effective 5 March 2021.
- (v) Liu Xiaopeng was elected Non-Executive Director effective 20 January 2022.
- (vi) Xiao Xiang was elected Non-Executive Director effective 20 January 2022.
- (vii) Huang Tao was elected Supervisor Representing Employees effective 26 July 2021.
- (viii) Xu Xianglin was elected External Supervisor effective 11 November 2021.
- (ix) Wang Xixin was elected External Supervisor effective 11 November 2021.
- (x) Zhang Yi was elected Executive Vice President effective 4 November 2021.
- (xi) Zhou Mubing ceased to be Chairman of the Board of Directors and Executive Director effective 7 January 2021.
- (xii) Wu Jiangtao ceased to be Non-Executive Director effective 27 July 2021.
- (xiii) Xiao Xing ceased to be Independent Non-Executive Director effective 19 November 2021.
- (xiv) Zhu Hailin ceased to be Non-Executive Director effective 28 September 2021.
- (xv) Li Qiyun ceased to be Non-Executive Director effective 31 December 2021.
- (xvi) Xia Taili ceased to be Supervisor Representing Employees effective 20 August 2021.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)

(xvii) Li Wang ceased to be External Supervisor effective 11 November 2021.

(xviii) Zhang Jie ceased to be External Supervisor effective 11 November 2021.

(xix) Zhan Dongsheng ceased to be Executive Vice President effective 11 June 2021.

(xx) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

(2) Five individuals with the highest emoluments in the Group

(i) Of the five individuals with the highest emoluments in the Group, none of them are Directors, Supervisors or Senior Management whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 31 December 2021 were as follows:

	Year ended 31 December	
	2022	2021
Basic salaries and allowances	21	13
Discretionary bonuses	16	18
Contribution to retirement benefit schemes and others	1	1
Total	38	32

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2022	2021
RMB4,500,001 to RMB5,000,000 yuan	–	2
RMB5,000,001 to RMB5,500,000 yuan	2	–
RMB5,500,001 to RMB6,000,000 yuan	–	–
RMB6,000,001 to RMB6,500,000 yuan	–	–
RMB6,500,001 to RMB7,000,000 yuan	1	1
RMB7,000,001 to RMB7,500,000 yuan	–	–
RMB7,500,001 to RMB8,000,000 yuan	–	1
RMB8,000,001 to RMB8,500,000 yuan	–	1
RMB8,500,001 to RMB9,000,000 yuan	1	–
RMB9,000,001 to RMB9,500,000 yuan	–	–
RMB9,500,001 to RMB10,000,000 yuan	–	–
RMB10,000,001 to RMB10,500,000 yuan	–	–
RMB10,500,001 to RMB11,000,000 yuan	–	–
RMB11,000,001 to RMB11,500,000 yuan	–	–
RMB11,500,001 to RMB12,000,000 yuan	–	–
RMB12,000,001 to RMB12,500,000 yuan	1	–

For the years ended 31 December 2022 and 31 December 2021, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. For the years ended 31 December 2022 and 31 December 2021, none of the five highest paid individuals waived any emolument.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(3) *Other benefits and interests of Directors and Supervisors pursuant to the Hong Kong Companies Ordinance (Cap.622).*

For the years ended 31 December 2022 and 31 December 2021, no emolument was paid by the Group to any of the Directors and Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available Directors' or Supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended 31 December 2022 and 31 December 2021.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the years ended 31 December 2022 and 31 December 2021 and as at 31 December 2022 and 31 December 2021, the respective balances of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant. The Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

8 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Loans and advances to customers	140,968	168,999
Financial investments		
Debt instrument investments at amortized cost	1,919	2,947
Other debt instrument investments at fair value through other comprehensive income	(4,094)	1,588
Provision for guarantees and commitments	7,669	(15,393)
Placements with and loans to banks and other financial institutions	(268)	(15)
Deposits with banks and other financial institutions	(152)	(442)
Financial assets held under resale agreements	(462)	367
Others	(313)	7,835
Total	145,267	165,886

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
Current income tax		
— PRC Enterprise Income Tax	54,326	64,852
— Hong Kong SAR Income Tax	707	954
— Other jurisdictions Income Tax	361	239
Subtotal	55,394	66,045
Deferred tax (Note IV 22)	(7,866)	(12,101)
Total	47,528	53,944

Domestic and Overseas Branches Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Branches as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the years ended 31 December 2022 and 31 December 2021 can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Note	Year ended 31 December	
		2022	2021
Profit before tax		306,216	295,880
Tax calculated at applicable PRC statutory tax rate of 25%		76,554	73,970
Tax effect of income not taxable for tax purpose	(1)	(46,528)	(42,983)
Tax effect of costs, expenses and losses not deductible for tax purpose		20,331	23,311
Tax effect of perpetual bonds interest expense		(2,810)	(2,434)
Effect of different tax rates in other jurisdictions		(19)	(48)
Effect of others		—	2,128
Income tax expense		47,528	53,944

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

10 DIVIDENDS

	Notes	Year ended 31 December	
		2022	2021
Dividends on ordinary shares declared and paid			
Cash dividend related to 2021	(1)	72,376	—
Cash dividend related to 2020	(2)	—	64,782
		72,376	64,782
Dividends on preference shares declared and paid	(3)	4,064	4,064
Dividends on preference shares declared and unpaid	(3)	1,936	—
Interest on perpetual bonds declared and paid	(4)	11,239	9,734

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS (Continued)

(1) Distribution of dividend on ordinary shares for 2021

A cash dividend of RMB0.2068 (tax included) per ordinary share related to 2021, amounting to RMB72,376 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2021 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 29 June 2022.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2022.

(2) Distribution of dividend on ordinary shares for 2020

A cash dividend of RMB0.1851 (tax included) per ordinary share related to 2020, amounting to RMB64,782 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2020 as determined in accordance with the "PRC GAAP", at the annual general meeting held on 27 May 2021.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2021.

(3) Distribution of dividend on preference shares

Distribution of dividend on preference shares for 2022

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2021 to 2022 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 26 January 2022 and distributed on 11 March 2022.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2021 to 2022 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2022 and distributed on 7 November 2022.

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2022 to 2023 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 28 December 2022 and distributed on 13 March 2023. As at December 31, 2022, the dividends on preference shares declared and unpaid was recognized in the consolidated statement of financial position.

Distribution of dividend on preference shares for 2021

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2020 to 2021 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 27 January 2021 and distributed on 11 March 2021.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2020 to 2021 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 30 August 2021 and distributed on 5 November 2021.

(4) Distribution of interest on perpetual bonds

Distribution of interest on perpetual bonds for 2022

Perpetual bonds listed in the statement of financial position refer to undated tier 1 capital bonds. An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2022 and distributed on 12 May 2022.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS (Continued)

(4) Distribution of interest on perpetual bonds (Continued)

Distribution of interest on perpetual bonds for 2022 (Continued)

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 18 August 2022 and distributed on 20 August 2022.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 22 August 2022 and distributed on 24 August 2022.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 1 September 2022 and distributed on 5 September 2022.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2022 and distributed on 16 November 2022.

Distribution of interest on perpetual bonds for 2021

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2021 and distributed on 12 May 2021.

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2021 and distributed on 20 August 2021.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 19 August 2021 and distributed on 24 August 2021.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 2 September 2021 and distributed on 6 September 2021.

- (5) A final dividend of RMB0.2222 (tax included) per ordinary share in respect of the year ended 31 December 2022 totalling RMB77,766 million (tax included) has been proposed by the Board of Directors and is subject to approval by the ordinary equity holders in the annual general meeting.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2022	2021
Earnings:		
Profit for the year attributable to equity holders of the Bank	259,140	241,183
Less: profit for the year attributable to other equity instruments holders of the Bank	(17,239)	(13,798)
Profit for the year attributable to ordinary equity holders of the Bank	241,901	227,385
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	349,983	349,983
Basic and diluted earnings per share (RMB yuan)	0.69	0.65

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

For the years ended 31 December 2022, 31 December 2021, 31 December 2020 and 31 December 2019, the Bank issued seven non-cumulative undated tier 1 capital bonds, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

For the purpose of calculating basic earnings per share, cash dividends of RMB6,000 million (tax included) of non-cumulative preference shares declared in respect of the year of 2022 and interests of RMB11,239 million of non-cumulative undated tier 1 capital bonds in respect of 2022 were deducted from the profit for the year attributable to ordinary equity holders of the Bank (2021: cash dividends of RMB4,064 million (tax included) of non-cumulative preference shares declared in respect of the year of 2021 and interests of RMB9,734 million of non-cumulative undated tier 1 capital bonds).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2022 and 31 December 2021, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

12 CASH AND BALANCES WITH CENTRAL BANKS

		As at 31 December	
	Notes	2022	2021
Cash		67,180	74,610
Mandatory reserve deposits with central banks	(1)	2,153,612	1,973,077
Surplus reserve deposits with central banks	(2)	169,295	101,010
Other deposits with central banks	(3)	157,997	171,765
Subtotal		2,548,084	2,320,462
Accrued interest		1,046	944
Total		2,549,130	2,321,406

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

- (1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.

As at 31 December 2022, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

- (2) Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.
- (3) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits with:		
Domestic banks	580,465	184,968
Other domestic financial institutions	9,507	10,345
Overseas banks	38,694	22,507
Subtotal	628,666	217,820
Accrued interest	3,538	2,140
Allowance for impairment losses	(1,319)	(1,460)
Carrying amount	630,885	218,500

14 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements with and loans to:		
Domestic banks	236,552	250,953
Other domestic financial institutions	172,631	93,315
Overseas banks and other financial institutions	90,929	104,295
Subtotal	500,112	448,563
Accrued interest	2,780	1,080
Allowance for impairment losses	(2,562)	(2,699)
Carrying amount	500,330	446,944

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group primarily enters into foreign exchange rate, interest rate and precious metal derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master net 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 31 December 2022 and 31 December 2021, the Group did not hold any other financial assets or liabilities, other than derivatives, that are subject to master netting arrangements or similar agreements.

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,766,754	25,476	(25,684)
Currency options	87,071	1,374	(569)
Subtotal		26,850	(26,253)
Interest rate derivatives			
Interest rate swaps	242,817	2,512	(871)
Precious metal derivatives and others	148,701	1,353	(3,880)
Total		30,715	(31,004)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	31 December 2021		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,145,080	18,983	(14,402)
Currency options	51,631	1,133	(332)
Subtotal		20,116	(14,734)
Interest rate derivatives			
Interest rate swaps	271,371	1,141	(2,366)
Precious metal derivatives and others	145,374	721	(2,237)
Total		21,978	(19,337)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC which was effective from 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the CBIRC which was effective from 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 31 December 2022 and 31 December 2021, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings-Based approach.

	As at 31 December	
	2022	2021
Counterparty credit default risk-weighted assets	31,566	49,277
Credit value adjustment risk-weighted assets	8,825	6,943
Total	40,391	56,220

(1) Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	37,721	1,455	(45)

	31 December 2021		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	48,716	33	(1,104)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges (Continued)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers and other debt instrument investments at fair value through other comprehensive income.

The Group's net gains/(losses) on fair value hedges are as follow:

	Year ended 31 December	
	2022	2021
Net gains/(losses) on		
— hedging instruments	2,653	1,599
— hedged items	(2,778)	(1,566)

The gain and loss arising from the ineffective portion recognized in net trading gains were immaterial in 2022 and 2021.

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					Total
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	
31 December 2022	1,985	445	10,137	23,556	1,598	37,721
31 December 2021	861	3,958	9,203	30,412	4,282	48,716

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	31 December 2022				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		
	Assets	Liabilities	Assets	Liabilities	
					Other debt instrument investments at fair value through other comprehensive income
Bonds	39,250	—	—	—	Loans and advances to customers
Loans	2,787	—	(179)	—	
Total	42,037	—	(179)	—	

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges (Continued)

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies: (Continued)

	Carrying amount of hedged items		31 December 2021 Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	51,356	–	–	–	Other debt instrument investments at fair value through other comprehensive income Loans and advances to customers
Loans	2,551	–	52	–	
Total	53,907	–	52	–	

(2) Cash flow hedges

As at 31 December 2022, no cash flow hedge had occurred (31 December 2021: Nil).

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2022	2021
Analyzed by collateral type:		
Debt securities	1,113,854	780,571
Bills	59,835	59,378
Subtotal	1,173,689	839,949
Accrued interest	945	597
Allowance for impairment losses	(2,447)	(2,909)
Carrying amount	1,172,187	837,637

The collateral received in connection with financial assets held under resale agreements is disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Analyzed by measurement basis

	Notes	As at 31 December	
		2022	2021
Measured at amortized cost	(1)	17,638,704	15,951,755
Measured at fair value through other comprehensive income	(2)	1,344,182	502,748
Total		18,982,886	16,454,503

(1) Measured at amortized cost:

	As at 31 December	
	2022	2021
Corporate loans and advances		
Loans and advances	10,814,664	9,496,436
Personal loans and advances	7,563,875	7,136,568
Subtotal	18,378,539	16,633,004
Accrued interest	43,024	39,321
Allowance for impairment losses	(782,859)	(720,570)
Carrying amount of loans and advances to customers measured at amortized cost	17,638,704	15,951,755

(2) Measured at fair value through other comprehensive income:

	As at 31 December	
	2022	2021
Corporate loans and advances		
Loans and advances	336,634	78,419
Discounted bills	1,007,548	424,329
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	1,344,182	502,748

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by ECL assessment method

	31 December 2022			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Gross loans and advances to customers measured at amortized cost	17,815,149	335,352	271,062	18,421,563
Allowance for impairment losses	(537,797)	(80,842)	(164,220)	(782,859)
Loans and advances to customers measured at amortized cost, net	17,277,352	254,510	106,842	17,638,704
Loans and advances to customers measured at fair value through other comprehensive income	1,344,176	6	0	1,344,182
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(37,372)	(2)	0	(37,374)

	31 December 2021			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Gross loans and advances to customers measured at amortized cost	16,157,097	269,446	245,782	16,672,325
Allowance for impairment losses	(500,117)	(57,494)	(162,959)	(720,570)
Loans and advances to customers measured at amortized cost, net	15,656,980	211,952	82,823	15,951,755
Loans and advances to customers measured at fair value through other comprehensive income	502,701	47	–	502,748
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(16,108)	(9)	–	(16,117)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by ECL assessment method (Continued)

The ECL for corporate loans and advances in Stage I and Stage II, as well as personal loans and advances, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note IV 44.1 Credit risk.

17.3 Analyzed by movements in loss allowance

The movements of loss allowance are mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- Allowance for new loans and advances to customers recognized;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, transfer out and write-offs of loans and advances to customers.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:

Corporate loans and advances	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12m ECL (i)	Lifetime ECL (ii)		
1 January 2022	352,237	50,260	140,884	543,381
Transfer:				
Stage I to Stage II	(5,288)	5,288	–	–
Stage II to Stage III	–	(13,043)	13,043	–
Stage II to Stage I	5,603	(5,603)	–	–
Stage III to Stage II	–	6,154	(6,154)	–
Originated or purchased financial assets	152,359	–	–	152,359
Remeasurement	(16,541)	22,052	44,450	49,961
Repayment or transfer out	(73,299)	(9,374)	(19,331)	(102,004)
Write-offs	–	–	(41,665)	(41,665)
31 December 2022	415,071	55,734	131,227	602,032

Personal loans and advances	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12m ECL (iii)	Lifetime ECL (iv)		
1 January 2022	163,988	7,243	22,075	193,306
Transfer:				
Stage I to Stage II	(3,701)	3,701	–	–
Stage II to Stage III	–	(6,111)	6,111	–
Stage II to Stage I	1,375	(1,375)	–	–
Stage III to Stage II	–	997	(997)	–
Originated or purchased financial assets	62,092	–	–	62,092
Remeasurement	(7,100)	24,712	28,038	45,650
Repayment or transfer out	(56,556)	(4,057)	(6,315)	(66,928)
Write-offs	–	–	(15,919)	(15,919)
31 December 2022	160,098	25,110	32,993	218,201

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:
(Continued):

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	12m ECL (v)	Lifetime ECL (vi)		
Corporate loans and advances				
1 January 2021	282,549	53,699	135,634	471,882
Transfer:				
Stage I to Stage II	(6,338)	6,338	–	–
Stage II to Stage III	–	(21,124)	21,124	–
Stage II to Stage I	2,448	(2,448)	–	–
Stage III to Stage II	–	1,151	(1,151)	–
Originated or purchased financial assets	115,643	–	–	115,643
Remeasurement	19,839	29,179	50,760	99,778
Repayment or transfer out	(61,904)	(16,535)	(19,730)	(98,169)
Write-offs	–	–	(45,753)	(45,753)
31 December 2021	352,237	50,260	140,884	543,381
	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	12m ECL (vii)	Lifetime ECL (viii)		
Personal loans and advances				
1 January 2021	128,414	7,003	23,907	159,324
Transfer:				
Stage I to Stage II	(1,899)	1,899	–	–
Stage II to Stage III	–	(4,141)	4,141	–
Stage II to Stage I	2,320	(2,320)	–	–
Stage III to Stage II	–	1,269	(1,269)	–
Originated or purchased financial assets	69,982	–	–	69,982
Remeasurement	13,434	6,830	11,106	31,370
Repayment or transfer out	(48,263)	(3,297)	(2,311)	(53,871)
Write-offs	–	–	(13,499)	(13,499)
31 December 2021	163,988	7,243	22,075	193,306

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(i) In 2022, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 22% in the book balance of the corporate loans and advances compared with 1 January 2022.

(ii) In 2022, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net increase of about 6% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2022, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage I to Stage II.

In 2022, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 4% in the corresponding gross amount compared with 1 January 2022, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(iii) In 2022, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by the decrease of provision ratio.

(iv) In 2022, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between stages which led to a net increase of nearly 106% in the corresponding gross amount and the increase of provision ratio.

In 2022, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 44% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

(v) In 2021, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 13% in the book balance of the corporate loans and advances compared with 1 January 2021, and the increase of the provision ratio.

(vi) In 2021, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net decrease of about 21% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2021. Its impact on the provision for losses was partially offset by an increase in the proportion of impairments related to loans and advances in 2021.

In 2021, the changes of the Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 5% in the corresponding gross amount compared with 1 January 2021, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(vii) In 2021, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by both a net increase of nearly 15% in the corresponding gross amount, and the increase of provision ratio.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(viii) In 2021, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between stages which led to a net increase of nearly 8% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage I to Stage II. This impact was partially offset by the repayment of relevant loans and advances.

In 2021, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net decrease of nearly 5% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

18 FINANCIAL INVESTMENTS

	Notes	As at 31 December	
		2022	2021
Financial assets at fair value through profit or loss	18.1	522,057	460,241
Debt instrument investments at amortized cost	18.2	7,306,000	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	1,702,106	1,397,280
Total		9,530,163	8,230,043

18.1 Financial assets at fair value through profit or loss

	Notes	As at 31 December	
		2022	2021
Financial assets held for trading	(1)	155,869	159,382
Financial assets designated at fair value through profit or loss	(2)	1,250	2,313
Other financial assets at fair value through profit or loss	(3)	364,938	298,546
Total		522,057	460,241
Analyzed as:			
Listed in Hong Kong		5,480	5,409
Listed outside Hong Kong	(i)	351,425	306,454
Unlisted		165,152	148,378
Total		522,057	460,241

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.1 Financial assets at fair value through profit or loss (Continued)

(1) Financial assets held for trading

	As at 31 December	
	2022	2021
Debt securities issued by:		
Governments	16,999	8,925
Public sector and quasi-governments	63,951	25,144
Financial institutions	18,445	68,800
Corporates	27,203	25,268
Subtotal	126,598	128,137
Precious metal contracts	17,988	21,389
Equity	5,790	5,279
Fund and others	5,493	4,577
Total	155,869	159,382

(2) Financial assets designated at fair value through profit or loss

	As at 31 December	
	2022	2021
Debt securities issued by:		
Financial institutions	626	1,009
Corporates	624	1,304
Total	1,250	2,313

(3) Other financial assets at fair value through profit or loss (ii)

	As at 31 December	
	2022	2021
Debt securities issued by:		
Public sector and quasi-governments	27,678	22,636
Financial institutions	176,537	131,578
Corporates	882	645
Subtotal	205,097	154,859
Equity	111,902	104,676
Fund and others	47,939	39,011
Total	364,938	298,546

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost

	Notes	As at 31 December	
		2022	2021
Debt securities issued by:			
Governments		4,751,633	4,117,564
Public sector and quasi-governments		1,783,050	1,506,965
Financial institutions		169,394	145,826
Corporates		90,812	100,576
Subtotal of debt securities		6,794,889	5,870,931
Receivable from the MOF	(i)	290,891	290,891
Special government bond	(ii)	93,332	93,340
Others	(iii)	11,580	13,463
Subtotal		7,190,692	6,268,625
Accrued interest		135,743	122,924
Allowance for impairment losses		(20,435)	(19,027)
Debt instrument investments at amortized cost, net		7,306,000	6,372,522
Analyzed as:			
Listed in Hong Kong		35,017	19,994
Listed outside Hong Kong	(iv)	6,832,620	5,882,053
Unlisted		438,363	470,475
Total		7,306,000	6,372,522

- (i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.
- (ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.
- (iii) Other debt instrument investments at amortized cost are primarily related to investment in unconsolidated structured entities held by the Group (Note IV 41(2)).
- (iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by ECL assessment method

	31 December 2022			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Gross debt instrument investments at amortized cost	7,324,788	347	1,300	7,326,435
Allowance for impairment losses	(19,150)	–	(1,285)	(20,435)
Debt instrument investments at amortized cost, net	7,305,638	347	15	7,306,000

	31 December 2021			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Gross debt instrument investments at amortized cost	6,389,720	548	1,281	6,391,549
Allowance for impairment losses	(17,764)	–	(1,263)	(19,027)
Debt instrument investments at amortized cost, net	6,371,956	548	18	6,372,522

Debt instrument investments at amortized cost in Stage II and Stage III mainly included corporates bonds and other debt instrument investments.

(2) Analyzed by movements in loss allowance (i)

	Year ended 31 December 2022			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
1 January 2022	17,764	–	1,263	19,027
Originated or purchased financial assets	4,903	–	–	4,903
Remeasurement	126	–	22	148
Maturities or transfer out	(3,643)	–	–	(3,643)
31 December 2022	19,150	–	1,285	20,435

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (i) (Continued)

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		
1 January 2021	14,850	190	1,064	16,104
Transfer:				
Stage I transfer to Stage II	(1)	1	—	—
Stage I transfer to Stage III	(1)	—	1	—
Stage II transfer to Stage III	—	(7)	7	—
Stage II transfer to Stage I	30	(30)	—	—
Originated or purchased financial assets	3,996	—	—	3,996
Remeasurement	586	(1)	191	776
Maturities or transfer out	(1,696)	(153)	—	(1,849)
31 December 2021	17,764	—	1,263	19,027

(i) As at 31 December 2022, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the remeasurement of remained debt instrument investments in the year.

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		Year ended 31 December 2022			
Notes		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
(1)	Other debt instrument investments	1,694,785	1,697,405	2,620	(6,343)
(2)	Other equity investments	3,519	4,701	1,182	N/A
Total		1,698,304	1,702,106	3,802	(6,343)

		Year ended 31 December 2021			
Notes		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
(1)	Other debt instrument investments	1,373,040	1,392,691	19,651	(10,761)
(2)	Other equity investments	3,480	4,589	1,109	N/A
Total		1,376,520	1,397,280	20,760	(10,761)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments

(a) Analyzed by types of issuers

	Note	As at 31 December	
		2022	2021
Debt securities:			
Governments		870,339	649,753
Public sector and quasi-governments		235,712	241,828
Financial institutions		429,063	364,339
Corporates		135,994	105,803
Subtotal		1,671,108	1,361,723
Others	(i)	10,558	16,861
Subtotal of debt instruments		1,681,666	1,378,584
Accrued interest		15,739	14,107
Total		1,697,405	1,392,691
Analyzed as:			
Listed in Hong Kong		124,853	131,184
Listed outside Hong Kong		1,486,760	1,186,801
Unlisted		85,792	74,706
Total		1,697,405	1,392,691

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note IV 41(2)), such as trust investment plans and debt investment plans.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(b) Analyzed by ECL assessment method

	31 December 2022			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,696,481	400	524	1,697,405
Allowance for impairment losses	(6,078)	(9)	(256)	(6,343)

	31 December 2021			Total
	Stage I 12m ECL	Stage II Lifetime ECL	Stage III	
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,390,789	1,870	32	1,392,691
Allowance for impairment losses	(10,457)	(189)	(115)	(10,761)

Other debt instrument investments at fair value through other comprehensive income in Stage II and Stage III mainly included corporates bonds and financial institutions bonds.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(c) Analyzed by movements in loss allowance (ii)

	Year ended 31 December 2022			Total
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		
1 January 2022	10,457	189	115	10,761
Transfer:				
Stage I transfer to Stage III	(111)	–	111	–
Stage II transfer to Stage I	51	(51)	–	–
Originated or purchased financial assets	1,942	–	–	1,942
Remeasurement	(1,257)	(4)	30	(1,231)
Maturities or transfer out	(5,004)	(125)	–	(5,129)
31 December 2022	6,078	9	256	6,343

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		
1 January 2021	9,536	432	106	10,074
Transfer:				
Stage I transfer to Stage II	(188)	188	–	–
Stage II transfer to Stage I	307	(307)	–	–
Originated or purchased financial assets	4,809	–	–	4,809
Remeasurement	(50)	2	9	(39)
Maturities or transfer out	(3,957)	(126)	–	(4,083)
31 December 2021	10,457	189	115	10,761

(ii) As at 31 December 2022, the decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to maturities or transfer out of debt instrument investments and the remeasurement of remained debt instrument investments.

(2) Other equity instruments

	As at 31 December	
	2022	2021
Financial institutions	4,564	4,448
Other enterprises	137	141
Total	4,701	4,589

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Bank as at 31 December 2022:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,450	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.	(iii)	1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth management

During the years ended 31 December 2022 and 31 December 2021, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

- (i) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

- (ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). As at 31 December 2012, the Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.

The Bank tests the impairment of goodwill annually. When performing the impairment test, the Bank compares the carrying amount of the assets (including goodwill and the value of the mergers and acquisitions after deduction of amortization) with the recoverable amount. The excess of carrying amount over recoverable amount is recognized in profit or loss of the current period.

The recoverable amount of the assets is based on adjusted net assets, value of in-force business, value of one year of new business, new business multiplier, and other data approved by the management of ABC Life Insurance. The actuarial valuation method is applied and the risk discount rate, return on investment, valuation discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

As at 31 December 2022 and 31 December 2021, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

- (iii) The Bank increased the share capital of ABC Financial Asset Investment Co., Ltd. by RMB10 billion as at 25 January 2021, and the proportion of equity interest and voting rights the Bank held in this subsidiary remained at 100%.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note IV 41 Structured entities.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

(1) Investment in associates

Name of entity	Notes	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No. 6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB313,000,000	31.95	33.33	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	11.11	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.26	20.00	Non-securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co., Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co., Ltd.	(iv)	2022	Beijing, PRC	RMB11,150,000,000	8.97	8.97	Insurance

- (i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.
- (ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.
- (iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.
- (iv) The Bank's wholly-owned subsidiary, Agricultural Bank of China Wealth Management Co., Ltd. and other investors invested in the above mentioned enterprise. The Group has the right to participate in the financial and operational decisions of the enterprise, but does not constitute control or joint control over those decisions.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

(2) Investment in joint ventures

Name of entity	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Zhejiang New Power Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Shanghai Guohua Oil&Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB1,800,000,000	66.67	50.00	Equity investment, project investment, investment advisory and asset management
Nongyizihuan (Jiaxing) Equity Investment Partnership (Limited Partnership)	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Equity investment
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment

The wholly-owned subsidiary of the Bank, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these limited partnerships with the other investors.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2022	189,309	65,906	16,398	9,516	281,129
Additions	2,673	7,203	730	6,709	17,315
Transfers in/(out)	4,948	1,204	–	(6,152)	–
Other movements	(3,574)	(5,347)	(1,875)	(9)	(10,805)
31 December 2022	193,356	68,966	15,253	10,064	287,639
Accumulated depreciation:					
1 January 2022	(77,605)	(45,724)	(4,110)	–	(127,439)
Charge for the year	(6,951)	(6,289)	(775)	–	(14,015)
Other movements	1,117	4,885	699	–	6,701
31 December 2022	(83,439)	(47,128)	(4,186)	–	(134,753)
Allowance for impairment losses:					
1 January 2022	(270)	(6)	(81)	(34)	(391)
Impairment loss	(2)	–	(11)	–	(13)
Other movements	9	1	80	–	90
31 December 2022	(263)	(5)	(12)	(34)	(314)
Carrying amount:					
1 January 2022	111,434	20,176	12,207	9,482	153,299
31 December 2022	109,654	21,833	11,055	10,030	152,572

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2021	185,794	66,118	14,721	7,349	273,982
Additions	4,820	6,161	1,864	7,443	20,288
Transfers in/(out)	4,482	592	194	(5,268)	–
Other movements	(5,787)	(6,965)	(381)	(8)	(13,141)
31 December 2021	189,309	65,906	16,398	9,516	281,129
Accumulated depreciation:					
1 January 2021	(72,476)	(46,282)	(3,718)	–	(122,476)
Charge for the year	(6,801)	(5,951)	(771)	–	(13,523)
Other movements	1,672	6,509	379	–	8,560
31 December 2021	(77,605)	(45,724)	(4,110)	–	(127,439)
Allowance for impairment losses:					
1 January 2021	(262)	(9)	(47)	(34)	(352)
Impairment loss	(8)	–	(36)	–	(44)
Other movements	–	3	2	–	5
31 December 2021	(270)	(6)	(81)	(34)	(391)
Carrying amount:					
1 January 2021	113,056	19,827	10,956	7,315	151,154
31 December 2021	111,434	20,176	12,207	9,482	153,299

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2022, the registration transfer process of these transferred properties and other certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

22 DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	As at 31 December	
	2022	2021
Deferred tax assets	149,698	143,027
Deferred tax liabilities	(9)	(655)
Net	149,689	142,372

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION (Continued)

- (1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2022	136,059	11,844	272	8,452	(14,437)	182	142,372
Credit/(charge) to the consolidated statement of profit or loss	2,626	2,963	(83)	1,745	236	379	7,866
Charge to other comprehensive income	-	-	-	-	(549)	-	(549)
31 December 2022	138,685	14,807	189	10,197	(14,750)	561	149,689
	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2021	121,944	10,426	388	10,525	(10,718)	456	133,021
Credit/(charge) to the consolidated statement of profit or loss	14,115	1,418	(116)	(2,073)	(969)	(274)	12,101
Charge to other comprehensive income	-	-	-	-	(2,750)	-	(2,750)
31 December 2021	136,059	11,844	272	8,452	(14,437)	182	142,372

- (2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	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				
Allowance for impairment losses	554,800	138,685	544,441	136,059
Fair value changes of financial instruments	50,271	12,570	28,267	7,087
Accrued but unpaid staff cost	59,228	14,807	47,379	11,844
Provision	40,788	10,197	33,809	8,452
Early retirement benefits	758	189	1,088	272
Others	2,220	561	780	182
Subtotal	708,065	177,009	655,764	163,896
Deferred tax liabilities				
Fair value changes of financial instruments	(109,465)	(27,320)	(86,404)	(21,524)
Subtotal	(109,465)	(27,320)	(86,404)	(21,524)
Net	598,600	149,689	569,360	142,372

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 OTHER ASSETS

	Notes	As at 31 December	
		2022	2021
Accounts receivable and temporary payments		72,230	75,176
Land use rights	(1)	19,982	20,384
Right-of-use assets	(2)	10,877	10,191
Intangible assets		7,885	6,188
Interest receivable		3,662	1,836
Long-term deferred expenses		2,996	2,718
Investment properties		2,193	2,018
Foreclosed assets		1,082	899
Premiums receivable, reinsurance receivable and reserves		740	659
Others		14,458	15,567
Total		136,105	135,636

(1) According to relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2022, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(2) The right-of-use assets recognized by the Group mainly include buildings, and are mainly used for daily business. The depreciation expense for the year ended 31 December 2022 amounted to RMB3,868 million (2021: RMB3,952 million). As at 31 December 2022, the accumulated depreciation amounted to RMB10,688 million (31 December 2021: RMB8,903 million).

24 BORROWINGS FROM CENTRAL BANKS

	As at 31 December	
	2022	2021
Borrowings from central banks	891,603	740,629
Accrued interest	9,513	6,584
Total	901,116	747,213

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits from:		
Domestic banks	267,750	167,300
Other domestic financial institutions	2,121,826	1,401,314
Overseas banks	3,408	3,332
Other overseas financial institutions	50,495	41,446
Subtotal	2,443,479	1,613,392
Accrued interest	15,699	8,974
Total	2,459,178	1,622,366

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements from:		
Domestic banks and other financial institutions	191,299	129,317
Overseas banks and other financial institutions	140,429	161,119
Subtotal	331,728	290,436
Accrued interest	2,027	669
Total	333,755	291,105

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
Financial liabilities held for trading		
Precious metal contracts	12,039	15,646
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	248	214
Total	12,287	15,860

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2022	2021
Analyzed by type of collateral:		
Debt securities	40,010	31,298
Bills	3,560	4,720
Subtotal	43,570	36,018
Accrued interest	209	15
Total	43,779	36,033

The collateral pledged under repurchase agreements is disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 DUE TO CUSTOMERS

	Note	As at 31 December	
		2022	2021
Demand deposits			
Corporate customers		5,470,469	5,346,931
Individual customers		6,508,440	5,978,690
Time deposits			
Corporate customers		3,686,042	2,761,506
Individual customers		8,479,927	7,000,805
Pledged deposits	(1)	427,959	339,588
Others		164,597	167,933
Subtotal		24,737,434	21,595,453
Accrued interest		383,606	311,674
Total		25,121,040	21,907,127

(1) Analyzed by activity to which pledged deposits are related to:

	As at 31 December	
	2022	2021
Trade finance	152,626	127,012
Bank acceptance	121,800	66,418
Letters of guarantee and guarantees	52,384	75,099
Letters of credit	50,783	32,948
Others	50,366	38,111
Total	427,959	339,588

(2) As at 31 December 2022, due to customers measured at amortized cost of the Group amounted to RMB25,093,700 million (31 December 2021: RMB21,854,821 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB27,340 million (31 December 2021: RMB52,306 million). As at 31 December 2022 and 31 December 2021, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

30 DEBT SECURITIES ISSUED

	Notes	As at 31 December	
		2022	2021
Bonds issued	(1)	478,063	420,813
Certificates of deposit issued	(2)	306,523	262,272
Other debt securities issued	(3)	1,074,198	816,321
Subtotal		1,858,784	1,499,406
Accrued Interest		10,614	8,251
Total		1,869,398	1,507,657

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

As at 31 December 2022 and 31 December 2021, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

(1) Bonds issued

	Notes	As at 31 December	
		2022	2021
2.40% CNY fixed rate Green Bonds maturing in October 2025	(i)	15,000	—
2.80% CNY fixed rate Green Bonds maturing in October 2027	(ii)	5,000	—
1.25% USD fixed rate Green Bonds maturing in January 2026	(iii)	2,089	1,913
2.00% USD fixed rate Green Bonds maturing in January 2027	(iv)	2,089	—
SOFR+0.55% USD float rate Green Bonds maturing in March 2023	(v)	209	—
4.99% subordinated fixed rate bonds maturing in December 2027	(vi)	—	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(vii)	—	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(viii)	40,000	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(ix)	50,000	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(x)	40,000	40,000
3.10% Tier-two capital fixed rate bonds maturing in April 2030	(xi)	40,000	40,000
3.45% Tier-two capital fixed rate bonds maturing in June 2032	(xii)	40,000	—
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xiii)	10,000	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xiv)	20,000	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xv)	20,000	—
3.03% Tier-two capital fixed rate bonds maturing in September 2032	(xvi)	50,000	—
3.34% Tier-two capital fixed rate bonds maturing in September 2037	(xvii)	20,000	—
Medium term notes issued	(xviii)	57,643	56,305
1.99% fixed rate financial bonds maturing in April 2023	(xix)	20,000	20,000
3.38% fixed rate financial bonds maturing in April 2024	(xx)	20,000	20,000
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xxi)	—	2,770
3.90% fixed rate financial bonds maturing in November 2023	(xxii)	2,000	2,000
3.06% fixed rate financial bonds maturing in August 2024	(xxiii)	2,500	2,500
3.30% fixed rate financial bonds maturing in September 2022	(xxiv)	—	3,870
2.68% fixed rate financial bonds maturing in March 2023	(xxv)	4,000	4,000
3.40% fixed rate financial bonds maturing in September 2024	(xxvi)	2,000	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxvii)	6,000	6,000

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

	Notes	As at 31 December	
		2022	2021
3.80% fixed rate financial bonds maturing in June 2025	(xxviii)	500	500
4.10% fixed rate financial bonds maturing in April 2026	(xxix)	1,099	1,100
3.80% fixed rate financial bonds maturing in June 2026	(xxx)	2,998	3,000
5.55% fixed rate capital replenishment bonds maturing in March 2028	(xxxi)	3,500	3,500
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xxxii)	1,500	1,500
Total nominal value		478,127	420,958
Less: Unamortized issuance cost and discounts		(64)	(145)
Total		478,063	420,813

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

- (i) The CNY green bonds issued in October 2022 have a maturity of 3 years, with a fixed coupon rate 2.40%, payable annually.
- (ii) The CNY green bonds issued in October 2022 have a maturity of 5 years, with a fixed coupon rate 2.80%, payable annually.
- (iii) The USD green bonds issued in January 2021 have a maturity of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.
- (iv) The USD green bonds issued in January 2022 have a maturity of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.
- (v) The USD green bonds issued in March 2022 have a maturity of 1 year, with a float coupon rate SOFR+0.55%, payable monthly. The bonds have expired on 2 March 2023.
- (vi) The subordinated fixed rate bonds issued in December 2012 have a maturity of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has redeemed all of the bonds at face value on 20 December 2022.
- (vii) The Tier-two capital bonds issued in October 2017 have a maturity of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has redeemed all of the bonds at face value on 17 October 2022.
- (viii) The Tier-two capital bonds issued in April 2018 have a maturity of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2023 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (ix) The Tier-two capital bonds issued in March 2019 have a maturity of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

- (x) *The Tier-two capital bonds issued in April 2019 have a maturity of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xi) *The Tier-two capital bonds issued in April 2020 have a maturity of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xii) *The Tier-two capital bonds issued in June 2022 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xiii) *The Tier-two capital bonds issued in March 2019 have a maturity of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xiv) *The Tier-two capital bonds issued in April 2019 have a maturity of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xv) *The Tier-two capital bonds issued in June 2022 have a maturity of 15 years, with a fixed coupon rate of 3.65% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xvi) *The Tier-two capital bonds issued in September 2022 have a maturity of 10 years, with a fixed coupon rate of 3.03% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*
- (xvii) *The Tier-two capital bonds issued in September 2022 have a maturity of 15 years, with a fixed coupon rate of 3.34% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.*

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xviii) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of MTNs issued were as follows:

31 December 2022			Outstanding balance
	Maturity dates ranging from	Coupon rates (%)	
Fixed rate RMB MTNs	May 2023 to April 2024	2.60–2.90	2,801
Fixed rate HKD MTNs	March 2023 to June 2023	0.50–0.66	4,906
Fixed rate USD MTNs	July 2023 to March 2027	0.70–2.25	46,982
Floating rate USD MTNs	November 2023	3 months Libor+66 to 85bps	2,089
Fixed rate MOP MTNs	August 2023	1.15	865
Total			57,643

31 December 2021			Outstanding balance
	Maturity dates ranging from	Coupon rates (%)	
Fixed rate RMB MTNs	May 2023 to April 2024	2.60–2.70	1,502
Fixed rate HKD MTNs	October 2022 to June 2023	0.50–1.00	8,583
Fixed rate USD MTNs	July 2023 to September 2026	0.70–1.65	34,745
Floating rate USD MTNs	July 2022 to November 2023	3 months Libor+66 to 85bps	11,475
Total			56,305

- (xix) The fixed rate financial bonds issued by ABC in April 2020 have a maturity of 3 years, with a fixed coupon rate of 1.99%, payable annually.
- (xx) The fixed rate financial bonds issued by ABC in April 2021 have a maturity of 3 years, with a fixed coupon rate of 3.38%, payable annually.
- (xxi) The CNY green bonds issued by ABC Financial Leasing Co., Ltd. in June 2019 have a maturity of 3 years, with a fixed coupon rate 3.68%, payable annually. The bonds have expired on 5 June 2022.
- (xxii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a maturity of 3 years, with a fixed coupon rate of 3.90%, payable annually.
- (xxiii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a maturity of 3 years, with a fixed coupon rate of 3.06%, payable annually.
- (xxiv) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in September 2019 have a maturity of 3 years, with a fixed coupon rate of 3.30%, payable annually. The bonds have expired on 23 September 2022.
- (xxv) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 3 years, with a fixed coupon rate of 2.68%, payable annually. The bonds have expired on 16 March 2023.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxvi) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in September 2019 have a maturity of 5 years, with a fixed coupon rate of 3.40%, payable annually.

(xxvii) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 5 years, with a fixed coupon rate of 2.75%, payable annually.

(xxviii) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually.

(xxix) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a maturity of 5 years, with a fixed coupon rate of 4.10%, payable annually.

(xxx) The fixed rate financial bonds issued by ABCI Investment Beijing Corporation Limited in June 2021 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually.

(xxxi) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2018 have a maturity of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has redeemed all of the bonds at face value on 5 March 2023.

(xxxii) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2020 have a maturity of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2025. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 30 March 2025 onwards.

(2) As at 31 December 2022, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 5.85% per annum. (As at 31 December 2021, the terms of the certificates of deposit ranged from one month to five years, with interest rates ranging from -0.02% to 3.09% per annum.)

(3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.

(i) As at 31 December 2022, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 3.37% per annum. (As at 31 December 2021, the terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 0.45% per annum.)

(ii) As at 31 December 2022, the interbank certificates of deposit were issued by the Bank's Head Office and the Overseas Operations of the Group. The terms of the interbank certificates of deposit ranged from two months to one year, with interest rates ranging from 0.00% to 5.81% per annum. (As at 31 December 2021, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from -0.51% to 0.59% per annum.)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES

	Notes	As at 31 December	
		2022	2021
Insurance liabilities		125,130	105,262
Clearing and settlement		112,572	153,389
Staff costs payable	(1)	71,469	59,736
Income taxes payable		47,716	61,639
Provision	(2)	40,788	33,809
Lease liabilities		10,918	10,067
VAT and other taxes payable		8,418	10,571
Amount payable to the MOF		1,732	1,286
Others		60,837	64,684
Total		479,580	500,443

(1) Staff costs payable

	Notes	As at 31 December	
		2022	2021
Short-term employee benefits	(i)	68,820	57,262
Defined contribution benefits	(ii)	1,891	1,386
Early retirement benefits	(iii)	758	1,088
Total		71,469	59,736

(i) Short-term employee benefits

	Note	2022			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	42,785	96,704	(87,504)	51,985
Housing funds	(a)	137	9,821	(9,781)	177
Social insurance including:	(a)	446	6,083	(6,191)	338
— Medical insurance		418	5,735	(5,843)	310
— Maternity insurance		14	182	(181)	15
— Employment injury insurance		14	166	(167)	13
Labor union fees and staff education expenses		9,145	4,312	(2,759)	10,698
Others		4,749	11,392	(10,519)	5,622
Total		57,262	128,312	(116,754)	68,820

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits (Continued)

	Note	2021			31 December
		1 January	Increase	Decrease	
Salaries, bonuses, allowances and subsidies	(a)	35,010	90,052	(82,277)	42,785
Housing funds	(a)	108	9,406	(9,377)	137
Social insurance including:	(a)	385	5,895	(5,834)	446
— Medical insurance		367	5,514	(5,463)	418
— Maternity insurance		9	223	(218)	14
— Employment injury insurance		9	158	(153)	14
Labor union fees and staff education expenses		8,039	4,001	(2,895)	9,145
Others		3,838	10,982	(10,071)	4,749
Total		47,380	120,336	(110,454)	57,262

(a) Salaries, bonuses, allowances and subsidies, housing funds and social insurance are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy.

(ii) Defined contribution benefits

	2022			31 December
	1 January	Increase	Decrease	
Basic pensions	694	11,283	(11,349)	628
Unemployment insurance	40	366	(342)	64
Annuity Scheme	652	7,620	(7,073)	1,199
Total	1,386	19,269	(18,764)	1,891

	2021			31 December
	1 January	Increase	Decrease	
Basic pensions	619	10,924	(10,849)	694
Unemployment insurance	40	360	(360)	40
Annuity Scheme	7,221	6,993	(13,562)	652
Total	7,880	18,277	(24,771)	1,386

The defined contribution benefits are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(iii) Early retirement benefits

	2022			31 December
	1 January	Increase	Decrease	
Early retirement benefits	1,088	38	(368)	758

	2021			31 December
	1 January	Increase	Decrease	
Early retirement benefits	1,551	15	(478)	1,088

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2022	2021
Discount rate	2.50%	2.58%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated statement of profit or loss.

(2) Provision

	Note	As at 31 December	
		2022	2021
Loan commitments and financial guarantee contracts	(i)	28,051	20,271
Litigation provision		5,317	5,333
Others		7,420	8,205
Total		40,788	33,809

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(2) Provision (Continued)

- (i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts

	Note	Year ended 31 December 2022			Total
		Stage I	Stage II	Stage III	
		12m ECL	Lifetime ECL		
1 January 2022		18,333	651	1,287	20,271
Transfer:					
Stage I transfer to Stage II		(113)	113	—	—
Stage II transfer to Stage III		—	(133)	133	—
Stage II transfer to Stage I		122	(122)	—	—
Stage III transfer to Stage II		—	97	(97)	—
Increase	(a)	11,600	—	—	11,600
Remeasurement		4,045	1,294	479	5,818
Decrease	(a)	(8,350)	(839)	(449)	(9,638)
31 December 2022		25,637	1,061	1,353	28,051

	Note	Year ended 31 December 2021			Total
		Stage I	Stage II	Stage III	
		12m ECL	Lifetime ECL		
1 January 2021		33,356	1,661	739	35,756
Transfer:					
Stage I transfer to Stage II		(155)	155	—	—
Stage II transfer to Stage III		—	(219)	219	—
Stage II transfer to Stage I		51	(51)	—	—
Stage III transfer to Stage II		—	31	(31)	—
Increase	(a)	9,797	—	—	9,797
Remeasurement		(79)	616	539	1,076
Decrease	(a)	(24,637)	(1,542)	(179)	(26,358)
31 December 2021		18,333	651	1,287	20,271

- (a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2022 and 2021 is disclosed as "Increase". The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2022 and 2021 are disclosed as "Decrease". The changes of loss allowance for loan commitments and financial guarantee contracts in 2022 are mainly driven by the net increase in the exposure of loan commitments and financial guarantee contracts and the increase of provision ratio. The changes of loss allowance for loan commitments and financial guarantee contracts in 2021 are mainly driven by the net decrease in the exposure of loan commitments and financial guarantee contracts.

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 ORDINARY SHARES

	31 December 2022	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

	31 December 2021	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

- (1) A shares refer to the ordinary shares listed in the Chinese mainland. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.
- (2) As at 31 December 2022 and 31 December 2021, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the RMB19,960 million ordinary shares (A shares) issued through the private placement in June 2018.

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS

Financial instruments outstanding		Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares — first tranche ⁽¹⁾		6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Preference shares — second tranche ⁽¹⁾		5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Perpetual bonds	Undated tier 1 capital bonds in 2019 — first tranche ⁽²⁾	4.39% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2019 — second tranche ⁽²⁾	4.20% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — first tranche ⁽²⁾	3.48% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — second tranche ⁽²⁾	4.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2021 — first tranche ⁽²⁾	3.76% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — first tranche ⁽²⁾	3.49% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — second tranche ⁽²⁾	3.17% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	300	30,000	No maturity date	N/A

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

- (1) *The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.*

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 31 December 2022. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 31 December 2022. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

There were no changes in the carrying amounts of the preference shares since issuance.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(1) of the Guidance of the CBIRC on Amendments to 'Commercial Banks' Innovation on Capital Instruments (CBIRC No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25,189 million ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

- (1) *The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities. (Continued)*

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the CBIRC requirements.

The carrying amount of the preference shares issued by the Bank, net of direct issuance expenses, was RMB79,899 million as at 31 December 2022 (31 December 2021: RMB79,899 million).

- (2) *With the approval from the annual general meeting and regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019.*

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2020.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2021.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

- (2) *With the approval from the annual general meeting and regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019. (Continued)*

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 18 February 2022, and the issuance was completed on 22 February 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.49%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB30 billion in the national interbank bond market on 1 September 2022, and the issuance was completed on 5 September 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.17%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the CBIRC and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will 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 distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

The carrying amount of the undated additional tier 1 capital bonds issued by the Bank, net of direct issuance expenses, was RMB359,970 million as at 31 December 2022 (31 December 2021: RMB279,973 million).

34 CAPITAL RESERVE

The capital reserve mainly represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issuance expenses, which consisted primarily of underwriting fees and professional fees.

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 INVESTMENT REVALUATION RESERVE

	2022		
	Gross carrying amount	Tax effect	Net effect
31 December 2021	46,409	(11,482)	34,927
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(15,523)	3,749	(11,774)
— Amount removed from other comprehensive income and recognized in profit or loss	(434)	109	(325)
Loss allowance on debt instruments at fair value through other comprehensive income	16,838	(4,407)	12,431
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	128	(33)	95
31 December 2022	47,418	(12,064)	35,354
	2021		
	Gross carrying amount	Tax effect	Net effect
31 December 2020	34,773	(8,786)	25,987
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	9,442	(2,192)	7,250
— Amount removed from other comprehensive income and recognized in profit or loss	(1,131)	283	(848)
Loss allowance on debt instruments at fair value through other comprehensive income	3,607	(902)	2,705
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(282)	115	(167)
31 December 2021	46,409	(11,482)	34,927

36 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 30 March 2023, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB25,309 million (2021: RMB24,335 million) was approved. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 SURPLUS RESERVE (Continued)

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

37 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC domestic regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

During the year ended 31 December 2022, the Group transferred RMB36,984 million (2021: RMB40,167 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB32,221 million (2021: RMB39,217 million) related to the appropriation proposed for the year ended 31 December 2021 which was approved in the annual general meeting held on 29 June 2022.

On 30 March 2023, the Board of Directors' meeting approved a proposal of appropriation of RMB67,557 million to general reserve. Such appropriation will be recognized in the Group's consolidated financial statements after approval by ordinary equity holders in the forthcoming annual general meeting.

38 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	As at 31 December	
	2022	2021
Cash	67,180	74,610
Balance with central banks	169,295	101,010
Deposits with banks and other financial institutions	145,374	12,163
Placements with and loans to banks and other financial institutions	172,663	103,110
Financial assets held under resale agreements	1,151,121	833,869
Total	1,705,633	1,124,762

39 OPERATING SEGMENTS

Operating segments are identified on the basis of internal organizational structure, management requirements and internal management reporting rules of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2022										
External interest income	340,481	185,872	126,792	106,041	125,092	172,289	23,777	28,203	-	1,108,547
External interest expense	(74,888)	(113,455)	(61,901)	(83,036)	(69,369)	(76,645)	(22,675)	(16,612)	-	(518,581)
Inter-segment net interest (expense)/income	(324,776)	75,809	39,376	75,998	58,671	53,819	23,288	(2,185)	-	-
Net interest income	(59,183)	148,226	104,267	99,003	114,394	149,463	24,390	9,406	-	589,966
Fee and commission income	38,434	13,864	10,132	8,739	8,383	10,694	1,880	3,392	-	95,518
Fee and commission expense	(3,449)	(2,532)	(1,907)	(1,488)	(2,094)	(2,004)	(435)	(327)	-	(14,236)
Net fee and commission income	34,985	11,332	8,225	7,251	6,289	8,690	1,445	3,065	-	81,282
Net trading gain/(loss)	7,968	(141)	(11)	23	23	43	14	(2,400)	-	5,519
Net gain/(loss) on financial investments	4,159	(211)	(299)	(165)	24	(3,005)	(40)	5,446	-	5,909
Net gain on derecognition of financial assets measured at amortized cost	154	-	-	-	-	-	-	6	-	160
Other operating income	(207)	1,642	980	641	828	1,114	189	37,476	-	42,663
Operating income	(12,124)	160,848	113,162	106,753	121,558	156,305	25,998	52,999	-	725,499
Operating expenses	(15,377)	(41,206)	(29,738)	(34,422)	(41,175)	(56,358)	(14,865)	(40,882)	-	(274,023)
Credit impairment losses	8,135	(17,916)	(20,160)	(9,983)	(30,566)	(66,701)	(6,050)	(2,026)	-	(145,267)
Impairment losses on other assets	-	-	-	7	(19)	(30)	(5)	(12)	-	(59)
Operating (loss)/profit	(19,366)	101,726	63,264	62,355	49,798	33,216	5,078	10,079	-	306,150
Share of results of associates and joint ventures	56	-	-	-	-	-	-	10	-	66
(Loss)/profit before tax	(19,310)	101,726	63,264	62,355	49,798	33,216	5,078	10,089	-	306,216
Income tax expense										(47,528)
Profit for the year										258,688
Depreciation and amortization included in operating expenses	2,338	3,242	2,641	3,235	3,322	4,373	1,193	521	-	20,865
Capital expenditure	5,518	1,656	1,555	2,509	3,813	4,672	734	2,405	-	22,862
As at 31 December 2022										
Segment assets	6,499,065	7,213,176	4,496,584	6,166,474	4,953,791	6,386,015	1,470,623	1,243,493	(4,651,386)	33,777,835
Including: Investment in associates and joint ventures	2,105	-	-	-	-	-	-	5,987	-	8,092
Unallocated assets										149,698
Total assets										33,927,533
Including: Non-current assets (1)	19,786	28,599	17,393	30,071	30,283	43,660	11,297	24,889	-	205,978
Segment liabilities	(3,689,997)	(7,285,870)	(4,489,449)	(6,189,612)	(4,991,794)	(6,448,867)	(1,480,796)	(1,280,358)	4,651,386	(31,205,357)
Unallocated liabilities										(47,725)
Total liabilities										(31,253,082)
Loan commitments and financial guarantee contracts	13,308	640,617	420,037	454,542	356,150	353,388	75,901	98,450	-	2,412,393

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

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(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2021										
External interest income	312,905	165,902	116,342	97,411	112,282	159,636	23,728	19,808	–	1,008,014
External interest expense	(62,136)	(93,360)	(48,988)	(71,233)	(59,171)	(66,727)	(20,385)	(8,027)	–	(430,027)
Inter-segment net interest (expense)/income	(271,993)	63,604	31,990	65,095	48,445	44,643	19,617	(1,401)	–	–
Net interest income	(21,224)	136,146	99,344	91,273	101,556	137,552	22,960	10,380	–	577,987
Fee and commission income	39,414	14,432	10,999	8,913	8,641	11,416	2,071	2,835	–	98,721
Fee and commission expense	(3,529)	(3,568)	(2,707)	(2,149)	(2,791)	(2,921)	(634)	(93)	–	(18,392)
Net fee and commission income	35,885	10,864	8,292	6,764	5,850	8,495	1,437	2,742	–	80,329
Net trading gain	7,621	613	54	86	33	46	24	5,764	–	14,241
Net gain/(loss) on financial investments	12,174	(4,065)	(925)	(380)	(726)	6,416	(115)	2,656	–	15,035
Net gain on derecognition of financial assets measured at amortized cost	9	–	–	–	–	–	–	2	–	11
Other operating income	1,053	970	629	448	483	1,693	107	28,760	–	34,143
Operating income	35,518	144,528	107,394	98,191	107,196	154,202	24,413	50,304	–	721,746
Operating expenses	(18,196)	(38,779)	(27,919)	(32,533)	(38,428)	(53,152)	(14,431)	(36,837)	–	(260,275)
Credit impairment losses	(10,057)	(33,444)	(21,895)	(32,026)	(30,379)	(33,349)	(4,104)	(632)	–	(165,886)
Impairment losses on other assets	(20)	–	–	(1)	(9)	(45)	(22)	(17)	–	(114)
Operating profit	7,245	72,305	57,580	33,631	38,380	67,656	5,856	12,818	–	295,471
Share of results of associates and joint ventures	58	–	–	–	–	–	–	351	–	409
Profit before tax	7,303	72,305	57,580	33,631	38,380	67,656	5,856	13,169	–	295,880
Income tax expense										(53,944)
Profit for the year										241,936
Depreciation and amortization included in operating expenses	1,872	3,186	2,546	3,106	3,124	4,255	1,193	515	–	19,797
Capital expenditure	3,684	2,565	3,642	4,141	4,014	5,771	969	2,158	–	26,944
As at 31 December 2021										
Segment assets	5,349,436	6,245,511	3,777,921	5,144,974	4,261,718	5,616,038	1,292,922	1,158,228	(3,920,620)	28,926,128
Including: Investment in associates and joint ventures	1,072	–	–	–	–	–	–	7,225	–	8,297
Unallocated assets										143,027
Total assets										29,069,155
Including: Non-current assets (1)	15,399	30,401	20,108	30,150	28,146	42,446	10,731	27,094	–	204,475
Segment liabilities	(2,878,758)	(6,304,624)	(3,787,707)	(5,185,277)	(4,293,433)	(5,647,159)	(1,303,874)	(1,105,290)	3,920,620	(26,585,502)
Unallocated liabilities										(62,294)
Total liabilities										(26,647,796)
Loan commitments and financial guarantee contracts	12,035	537,337	366,666	389,817	308,368	320,502	75,593	77,987	–	2,088,305

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, personal deposit, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2022					
External interest income	417,689	343,674	339,641	7,543	1,108,547
External interest expense	(160,818)	(239,481)	(115,219)	(3,063)	(518,581)
Inter-segment net interest (expense)/income	(29,880)	224,630	(194,750)	–	–
Net interest income	226,991	328,823	29,672	4,480	589,966
Fee and commission income	57,633	32,256	905	4,724	95,518
Fee and commission expense	(7,470)	(6,466)	(44)	(256)	(14,236)
Net fee and commission income	50,163	25,790	861	4,468	81,282
Net trading gain/(loss)	–	–	6,707	(1,188)	5,519
Net (loss)/gain on financial investments	(741)	(254)	1,326	5,578	5,909
Net gain on derecognition of financial assets measured at amortized cost	–	–	154	6	160
Other operating income	1,131	989	5,716	34,827	42,663
Operating income	277,544	355,348	44,436	48,171	725,499
Operating expenses	(86,066)	(123,520)	(24,248)	(40,189)	(274,023)
Credit impairment losses	(101,917)	(45,775)	2,814	(389)	(145,267)
Impairment losses on other assets	(47)	–	–	(12)	(59)
Operating profit	89,514	186,053	23,002	7,581	306,150
Share of results of associates and joint ventures	–	–	–	66	66
Profit before tax	89,514	186,053	23,002	7,647	306,216
Income tax expense					(47,528)
Profit for the year					258,688
Depreciation and amortization included in operating expenses	5,707	10,987	3,662	509	20,865
Capital expenditure	4,835	11,204	4,418	2,405	22,862
As at 31 December 2022					
Segment assets	11,695,117	7,512,287	14,162,923	407,508	33,777,835
Including: Investment in associates and joint ventures	–	–	–	8,092	8,092
Unallocated assets					149,698
Total assets					33,927,533
Segment liabilities	(9,945,976)	(15,451,979)	(5,469,192)	(338,210)	(31,205,357)
Unallocated liabilities					(47,725)
Total liabilities					(31,253,082)
Loan commitments and financial guarantee contracts	2,308,207	104,186	–	–	2,412,393

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2021					
External interest income	382,068	313,486	304,389	8,071	1,008,014
External interest expense	(129,812)	(210,635)	(86,184)	(3,396)	(430,027)
Inter-segment net interest (expense)/income	(24,981)	186,829	(161,848)	–	–
Net interest income	227,275	289,680	56,357	4,675	577,987
Fee and commission income	59,722	34,090	1,058	3,851	98,721
Fee and commission expense	(11,392)	(6,634)	(39)	(327)	(18,392)
Net fee and commission income	48,330	27,456	1,019	3,524	80,329
Net trading gain	–	–	11,040	3,201	14,241
Net (loss)/gain on financial investments	(7,181)	(75)	17,158	5,133	15,035
Net gain on derecognition of financial assets measured at amortized cost	–	–	11	–	11
Other operating income	1,475	1,341	357	30,970	34,143
Operating income	269,899	318,402	85,942	47,503	721,746
Operating expenses	(82,315)	(112,663)	(29,168)	(36,129)	(260,275)
Credit impairment losses	(111,269)	(49,672)	(4,567)	(378)	(165,886)
Impairment losses on other assets	(72)	(4)	(2)	(36)	(114)
Operating profit	76,243	156,063	52,205	10,960	295,471
Share of results of associates and joint ventures	–	–	–	409	409
Profit before tax	76,243	156,063	52,205	11,369	295,880
Income tax expense					(53,944)
Profit for the year					241,936
Depreciation and amortization included in operating expenses	5,230	10,484	3,630	453	19,797
Capital expenditure	5,933	13,909	5,510	1,592	26,944
As at 31 December 2021					
Segment assets	9,539,860	7,110,002	11,884,433	391,833	28,926,128
Including: Investment in associates and joint ventures	–	–	–	8,297	8,297
Unallocated assets					143,027
Total assets					29,069,155
Segment liabilities	(8,833,093)	(13,357,389)	(4,083,852)	(311,168)	(26,585,502)
Unallocated liabilities					(62,294)
Total liabilities					(26,647,796)
Loan commitments and financial guarantee contracts	1,213,942	874,363	–	–	2,088,305

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2022				
External interest income	291,067	817,480	–	1,108,547
External interest expense	(165,864)	(352,717)	–	(518,581)
Inter-segment net interest income/(expense)	158,544	(158,544)	–	–
Net interest income	283,747	306,219	–	589,966
Fee and commission income	37,779	57,739	–	95,518
Fee and commission expense	(5,986)	(8,250)	–	(14,236)
Net fee and commission income	31,793	49,489	–	81,282
Net trading (loss)/gain	(1,990)	7,509	–	5,519
Net (loss)/gain on financial investments	(211)	6,120	–	5,909
Net gain on derecognition of financial assets measured at amortized cost	–	160	–	160
Other operating income	4,441	38,222	–	42,663
Operating income	317,780	407,719	–	725,499
Operating expenses	(115,112)	(158,911)	–	(274,023)
Credit impairment losses	(71,334)	(73,933)	–	(145,267)
Impairment losses on other assets	(17)	(42)	–	(59)
Operating profit	131,317	174,833	–	306,150
Share of results of associates and joint ventures	–	66	–	66
Profit before tax	131,317	174,899	–	306,216
Income tax expense				(47,528)
Profit for the year				258,688
Depreciation and amortization included in operating expenses	8,291	12,574	–	20,865
Capital expenditure	6,012	16,850	–	22,862
As at 31 December 2022				
Segment assets	12,003,909	22,160,093	(386,167)	33,777,835
Including: Investment in associates and joint ventures	–	8,092	–	8,092
Unallocated assets				149,698
Total assets				33,927,533
Segment liabilities	(11,093,700)	(20,497,824)	386,167	(31,205,357)
Unallocated liabilities				(47,725)
Total liabilities				(31,253,082)
Loan commitments and financial guarantee contracts	815,000	1,597,393	–	2,412,393

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2021				
External interest income	259,517	748,497	–	1,008,014
External interest expense	(140,954)	(289,073)	–	(430,027)
Inter-segment net interest income/(expense)	136,984	(136,984)	–	–
Net interest income	255,547	322,440	–	577,987
Fee and commission income	38,344	60,377	–	98,721
Fee and commission expense	(7,388)	(11,004)	–	(18,392)
Net fee and commission income	30,956	49,373	–	80,329
Net trading gain	6,497	7,744	–	14,241
Net (loss)/gain on financial investments	(2,476)	17,511	–	15,035
Net gain on derecognition of financial assets measured at amortized cost	–	11	–	11
Other operating income	4,471	29,672	–	34,143
Operating income	294,995	426,751	–	721,746
Operating expenses	(104,046)	(156,229)	–	(260,275)
Credit impairment losses	(64,790)	(101,096)	–	(165,886)
Impairment losses on other assets	(48)	(66)	–	(114)
Operating profit	126,111	169,360	–	295,471
Share of results of associates and joint ventures	–	409	–	409
Profit before tax	126,111	169,769	–	295,880
Income tax expense				(53,944)
Profit for the year				241,936
Depreciation and amortization included in operating expenses	7,758	12,039	–	19,797
Capital expenditure	6,521	20,423	–	26,944
As at 31 December 2021				
Segment assets	10,419,215	18,612,453	(105,540)	28,926,128
Including: Investment in associates and joint ventures	–	8,297	–	8,297
Unallocated assets				143,027
Total assets				29,069,155
Segment liabilities	(9,631,167)	(17,059,875)	105,540	(26,585,502)
Unallocated liabilities				(62,294)
Total liabilities				(26,647,796)
Loan commitments and financial guarantee contracts	703,422	1,384,883	–	2,088,305

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 31 December 2022, the MOF directly owned 35.29% (31 December 2021: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditure, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group enters into transactions with the MOF in its ordinary course of business under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	913,436	9.58%	797,193	9.69%
Receivable from the MOF	333,078	3.49%	324,619	3.94%
Liabilities				
Due to customers	4,377	0.02%	4,018	0.02%
Other liabilities				
— redemption of treasury bonds on behalf of the MOF	4	0.00%	4	0.00%
— amount payable to the MOF	1,732	0.36%	1,286	0.26%

	Year ended 31 December			
	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	32,424	2.92%	28,513	2.83%
Interest expense	(58)	0.01%	(50)	0.01%
Fee and commission income	1,382	1.45%	1,133	1.15%
Net trading gain	103	1.87%	126	0.88%

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2022	2021
	%	%
Treasury bonds and receivable from the MOF	0.00–9.00	0.00–9.00
Due to customers	0.0001–4.43	0.01–0.80

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 42 Contingent liabilities and commitments.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated with authorized capital of RMB828,209 million in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

As at 31 December 2022, Huijin directly owned 40.03% (31 December 2021: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group enters into transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	14,012	0.07%	—	—
Financial investments	31,747	0.33%	52,357	0.64%
Liabilities				
Due to customers	11,745	0.05%	38,090	0.17%

	Year ended 31 December		Year ended 31 December	
	2022	Ratio to similar transactions	2021	Ratio to similar transactions
Interest income	1,077	0.10%	1,787	0.18%
Interest expense	(395)	0.08%	(616)	0.14%
Net trading gain	3	0.05%	23	0.16%

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2022	2021
	%	%
Loans and advances to customers	3.65	N/A
Financial investments	2.15–5.15	2.15–4.38
Due to customers	0.45–2.10	0.45–2.10

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	120,662	19.13%	88,842	40.66%
Placements with and loans to banks and other financial institutions	61,552	12.30%	123,271	27.58%
Derivative financial assets	6,049	19.69%	4,003	18.21%
Financial assets held under resale agreements	46,008	3.92%	27,577	3.29%
Loans and advances to customers	31,468	0.17%	20,935	0.13%
Financial investments	851,275	8.93%	736,027	8.94%
Liabilities				
Deposits from banks and other financial institutions	122,269	4.97%	79,144	4.88%
Placements from banks and other financial institutions	91,971	27.56%	68,168	23.42%
Derivative financial liabilities	5,604	18.08%	2,747	14.21%
Financial assets sold under repurchase agreements	6,155	14.06%	9,909	27.50%
Due to customers	3,032	0.01%	4,159	0.02%
Equity				
Other equity instruments	2,000	0.45%	2,000	0.56%
Off-balance sheet items				
Letters of guarantee and guarantees	1,239	0.38%	1,800	0.59%

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin (Continued)

	Year ended 31 December			
	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	20,359	1.84%	20,143	2.00%
Interest expense	(2,918)	0.56%	(1,473)	0.34%
Net trading gain	699	12.67%	1,887	13.25%
Net gain on financial investments	4,194	70.98%	3,061	20.36%

Interest rate ranges for transactions with companies under Huijin during the year are as follows:

	Year ended 31 December	
	2022 %	2021 %
Deposits with banks and other financial institutions	-0.90–2.50	0.00–4.05
Placements with and loans to banks and other financial institutions	-0.25–9.50	-0.52–4.00
Derivative financial assets	0.00–7.15	0.02–5.00
Financial assets held under resale agreements	2.65–4.40	2.55–3.89
Loans and advances to customers	0.00–6.15	0.00–4.90
Financial investments	0.00–5.98	0.00–9.00
Deposits from banks and other financial institutions	0.00–3.99	0.23–3.04
Placements from banks and other financial institutions	-0.20–6.03	-0.43–3.45
Derivative financial liabilities	0.00–6.26	0.02–5.00
Financial assets sold under repurchase agreements	2.00–4.23	2.03–4.00
Due to customers	0.0001–3.99	0.00–3.99
Other equity instruments	4.84	4.84

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and National Council for Social Security Fund of the People's Republic of China

As at 31 December 2022, the Bank's shares held by National Council for Social Security Fund of the People's Republic of China (the "SSF") accounted for 6.72% of the Bank's total share capital (31 December 2021: 6.72%). The Group enters into transactions with the SSF in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	41,549	3.54%	43,755	5.22%
Liabilities				
Due to customers	78,773	0.31%	65,415	0.30%
Equity				
Other equity instruments	1,250	0.28%	1,250	0.35%
Year ended 31 December				
	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	29	0.00%	32	0.00%
Interest expense	(2,798)	0.54%	(2,226)	0.52%

Interest rate ranges for transactions with SSF during the year are as follows:

	Year ended 31 December	
	2022	2021
	%	%
Financial assets held under resale agreements	2.45–4.30	2.58–3.90
Due to customers	0.45–4.26	0.46–4.26
Other equity instruments	4.84	4.84

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(4) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	83,895	16.77%	84,863	18.99%
Financial investments	601	0.01%	365	0.00%
Other assets	288	0.21%	102	0.08%
Liabilities				
Deposits from banks and other financial institutions	15,881	0.65%	14,079	0.87%
Placements from banks and other financial institutions	798	0.24%	—	—
Due to customers	2,247	0.01%	1,857	0.01%
Other liabilities	15	0.00%	986	0.20%
Off-balance sheet items				
Letters of guarantee and guarantees	2,866	0.87%	2,034	0.67%
Non-principal guaranteed wealth management products issued by the Group	10	0.00%	16	0.00%

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries (Continued)

	Year ended 31 December			
	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,484	0.13%	1,440	0.14%
Net gain on financial investments	100	1.69%	1	0.00%
Fee and commission income	1,941	2.03%	1,777	1.80%
Other operating income	150	0.35%	94	0.30%
Interest expense	(512)	0.10%	(368)	0.09%
Fee and commission expense	(1,655)	11.63%	(321)	1.75%
Operating expense	(354)	0.13%	(242)	0.09%

Interest rate ranges for transactions with its subsidiaries during the year are as follows:

	Year ended 31 December	
	2022 %	2021 %
Placements with and loans to banks and other financial institutions	0.30–6.68	1.21–3.65
Financial investments	0.00	0.00–3.68
Deposits from banks and other financial institutions	0.00–4.13	0.00–5.12
Placements from banks and other financial institutions	1.25	N/A
Due to customers	0.01–1.85	0.30–1.85

(6) The Group and its associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	1,043	0.01%	–	–
Liabilities				
Deposits from banks and other financial institutions	24	0.00%	16	0.00%
Due to customers	2,664	0.01%	–	–
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Group	4	0.00%	4	0.00%

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(6) The Group and its associates and joint venture (Continued)

	Year ended 31 December			
	2022		2021	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	21	0.00%	—	—
Interest expense	(9)	0.00%	0	0.00%

Interest rate ranges for transactions with its associates and joint ventures during the year are as follows:

	Year ended 31 December	
	2022	2021
	%	%
Loans and advances to customers	3.65–4.60	N/A
Deposits from banks and other financial institutions	0.00–1.65	0.00–0.72
Due to customers	0.25–1.85	N/A

(7) Key management personnel and related natural persons transactions

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 31 December 2022, the balance of loans and advances to the above related parties is RMB9.57 million (31 December 2021: RMB10.40 million).

The Bank issued loans and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the China Securities Regulatory Commission (the "CSRC")). As at 31 December 2022, the balance of such loans amounted to RMB17.66 million (31 December 2021: RMB11.97 million).

The remuneration of Directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2022	2021 (Restated)
	(millions)	(millions)
Salaries, bonuses and staff welfare	11.84	15.44

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2022 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2021 was not decided at the time when the Group's 2021 consolidated financial statements were released and the amount of remuneration of key management personnel recognized in the consolidated statement of profit or loss for the year of 2021 was RMB11.94 million. Supplementary announcement on final compensation of RMB15.44 million was released by the Bank on 29 August 2022. The comparative figures for the year of 2021 have been restated accordingly.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(8) Related party transactions defined by CBIRC

As at 31 December 2022, the Bank's balance of credit related transactions to the related parties as defined in the Rules on Related-Party Transactions of Banking and Insurance Institutions by the CBIRC totalled RMB95,327 million, and the amount of non-credit transaction totalled RMB12,792 million. As at 31 December 2021, the Bank's balance of credit related transactions to the related parties as defined in the Administration of Connected Transactions between Commercial Banks and their Insiders and Shareholders by the CBIRC totalled RMB4,085 million, and the balance of non-credit transaction was nil.

(9) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	As at 31 December 2022		As at 31 December 2021	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	7,342	0.03%	6,319	0.03%
Equity				
Other equity instruments	7,500	1.70%	7,500	2.08%

	Year ended 31 December		Year ended 31 December	
	2022	Ratio to similar transactions	2021	Ratio to similar transactions
Interest expense	(279)	0.05%	(240)	0.06%

Interest rate ranges for transactions with the Annuity Scheme during the year are as follows:

	Year ended 31 December	
	2022	2021
	%	%
Deposits from Annuity Scheme	0.00–5.00	0.00–5.00
Other equity instruments	4.84–5.32	4.84–5.32

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(10) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing consolidated financial statements. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

(i) Transaction Balance

	As at 31 December 2022		As at 31 December 2021	
	Related party transactions	Proportion	Related party transactions	Proportion
Deposits with banks and other financial institutions	120,662	19.13%	88,842	40.66%
Placements with and loans to banks and other financial institutions	61,552	12.30%	123,271	27.58%
Derivative financial assets	6,049	19.69%	4,003	18.21%
Financial assets held under resale agreements	87,557	7.47%	71,332	8.52%
Loans and advances to customers	46,523	0.25%	20,935	0.13%
Financial investments	2,129,536	22.35%	1,910,196	23.21%
Deposits from banks and other financial institutions	122,293	4.97%	79,160	4.88%
Placements from banks and other financial institutions	91,971	27.56%	68,168	23.42%
Derivative financial liabilities	5,604	18.08%	2,747	14.21%
Financial assets sold under repurchase agreements	6,155	14.06%	9,909	27.50%
Due to customers	107,933	0.43%	118,001	0.54%
Other liabilities	1,736	0.36%	1,290	0.26%
Other equity instruments	10,750	2.44%	10,750	2.99%
Letters of guarantee and guarantees	1,239	0.38%	1,800	0.59%
Non-principal guaranteed wealth management products issued by the Group	4	0.00%	4	0.00%

(ii) Transaction amount

	Year ended 31 December			
	2022		2021	
	Related party transactions	Proportion	Related party transactions	Proportion
Interest income	53,910	4.86%	50,475	5.01%
Interest expense	(6,457)	1.25%	(4,605)	1.07%
Net trading gain	805	14.59%	2,036	14.30%
Net gain on financial investments	4,194	70.98%	3,061	20.36%
Fee and commission income	1,382	1.45%	1,133	1.15%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 STRUCTURED ENTITIES

(1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profits to investors based on product performance.

As at 31 December 2022, the total assets invested by these non-principal guaranteed WMPs amounted to RMB2,004,687 million (31 December 2021: RMB2,210,935 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,933,155 million (31 December 2021: RMB2,072,533 million). During the year ended 31 December 2022, the Group's interest in these WMPs included net fee and commission income of RMB5,742 million (2021: RMB6,129 million). The Group enters into placements and repo transactions at market interest rates with these WMPs, and the outstanding balance of these transactions was represented the Group's maximum exposure to the WMPs. These transactions did not occur during the year ended 31 December 2022 (the average balance and weighted average maturity during the year ended 31 December 2021 were RMB14,238 million and 6.42 days; net interest income which related to placements and repo transactions entered into by the Group with these WMPs were RMB426 million). And there was no outstanding balance for the above-mentioned transactions at 31 December 2022 and 31 December 2021. The Group was under no obligation to enter into these transactions.

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the years ended 31 December 2022 and 31 December 2021. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 31 December 2022, the total assets of these products amounted to RMB423,668 million (31 December 2021: RMB463,451 million). During the year ended 31 December 2022, the Group's interest in these products mainly included net fee and commission income of RMB1,556 million (2021: RMB1,530 million).

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For the year ended 31 December 2022

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, WMPs, funds, trust plans, asset-backed securities and debt investment plans. etc. As at 31 December 2022, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB73,497 million (31 December 2021: RMB80,229 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the consolidated statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

42 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 31 December 2022, provisions of RMB5,317 million were made by the Group (31 December 2021: RMB5,333 million) based on court judgments or advice of legal counsel, and included in Note IV 31 Other liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December	
	2022	2021
Contracted but not provided for	1,929	1,961

Loan commitments and financial guarantee contracts

	As at 31 December	
	2022	2021
Loan commitments		
— With an original maturity of less than 1 year	31,744	21,567
— With an original maturity of 1 year or above	383,897	438,333
Subtotal	415,641	459,900
Bank acceptances	702,237	414,934
Credit card commitments	797,219	743,594
Letters of guarantee and guarantees	329,420	304,238
Letters of credit	167,876	165,639
Total	2,412,393	2,088,305

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, letters of guarantee and guarantees or bank acceptances.

Notes to the Consolidated Financial Statements

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the “Capital Rules for Commercial Banks (Provisional)” issued by the CBIRC which was effective on 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 31 December 2022 and 31 December 2021, credit risk weighted amount for credit commitments was measured under the Internal Ratings-Based approach.

	As at 31 December	
	2022	2021
Credit risk weighted amount for credit commitments	1,186,585	1,178,909

Collateral

Assets as collateral

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2022	2021
Debt securities	44,352	33,407
Bills	3,565	4,749
Total	47,917	38,156

As at 31 December 2022, the financial assets sold under repurchase agreements (disclosed in Note IV 28 Financial assets sold under repurchase agreements) by the Group amounted to RMB43,779 million (31 December 2021: RMB36,033 million). Repurchase agreements are primarily due within 1 year from the effective dates of these agreements.

Financial assets sold under repurchase agreements include certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 43 Transferred financial assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements as collateral for derivative transactions or borrowings from central banks etc. by the Group as at 31 December 2022 amounted to RMB1,218,412 million in total (31 December 2021: RMB1,095,330 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note IV 16 Financial assets held under resale agreements). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2022 and 31 December 2021.

Notes to the Consolidated Financial Statements

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(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2022, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB51,367 million (31 December 2021: RMB63,405 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on security underwriting

As at 31 December 2022, the Group did not have unexpired securities underwriting obligations (31 December 2021: RMB140 million).

43 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets based on the criteria as detailed in Note II 8.7 Derecognition of financial assets and Note III 6 Derecognition of financial assets transferred.

As at 31 December 2022, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB101,538 million (31 December 2021: RMB102,388 million). RMB9,736 million of this balance (31 December 2021: RMB6,706 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB91,802 million (31 December 2021: RMB95,682 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2022, the Group continued to recognize assets of RMB8,850 million (31 December 2021: RMB9,691 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

During the year ended 31 December 2022, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB11,883 million (2021: RMB16,542 million). The Group carried out an assessment based on the criteria as detailed in Note II 8.7 and Note III 6 and concluded that these transferred assets were qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2022, book value of these collateral pledged disclosed in Note IV 42 Contingent liabilities and commitments — Collateral, RMB1,769 million (31 December 2021: RMB707 million) represented debt securities whereby legal title has been transferred to counterparties.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2022, the carrying amount of debt securities lent to counterparties was RMB29,000 million (31 December 2021: there was no debt securities lent to counterparties).

44 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to meet the requirements of stable operation from regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors of the Group is responsible for formulating the Group's overall risk appetite, reviewing and approving the Group's major risk management policies and procedures.

Senior Management of the Group is responsible for the implementation of risk management, including implementing risk management appetite and strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

44.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management and Consumer Protection Committee, Senior Management and its Risk Management and Internal Control Committee, Credit Approval Committee and Asset Disposal Committee, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Credit risk management (Continued)

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (1) ceasing enforcement activity and (2) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control. Considering COVID-19 prevention and collection and disposal of non-performing loans, the Group accelerated the disposal of non-performing loans to ensure the stability of assets quality.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgements, assumptions and estimates where appropriate, including:

- Portfolio segmentation of credit risk exposures
- Parameters for measuring ECL
- Criteria for significant increase in credit risk and default definition
- Definition of credit-impaired financial assets
- Forward-looking information
- Estimation of future cash flows for Stage III wholesale credit assets

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Portfolio segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the Group considers product types, customer types, industry, customer size, risk mitigation method and market distribution. The Group retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analysis of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12m PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12m EAD") or over the remaining lifetime ("Lifetime EAD");
- LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria includes changes in its credit risk classification, changes in the borrower's PD, overdue status and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the wholesale clients' PD rises to a certain level, there has been a SICR. Criteria to determine SICR varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been SICR when the credit grade falls at least 5 notches. When retail clients' PD exceeds a certain level, there has been SICR. According to IFRS 9, a backstop is applied and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e.g. external "investment grade" rating).

Definition of credit-impaired financial assets

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event in relation to interest or principal payment;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Forward-looking information

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the forward-looking information that affect the credit risk and ECL of various portfolio. Forward-looking information include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), etc.

The impact of these forward-looking information on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these forward-looking information and the PDs and LGDs. The Group assesses and forecasts these forward-looking information at least every six months, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 31 December 2022, the Group has assessed and forecasted the relevant forward-looking information for 2023, of which the forecast value of 2023 GDP growth rate under each scenario is as follows: 4.50% under base scenario, 5.50% under upside scenario, and 3.50% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding forward-looking information forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the other two scenarios. At 31 December 2022, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2021. The Group uses the weighted 12 months ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

A sensitivity analysis is performed on scenario and indicators used in forward-looking measurement. When the assigned weightings of upside scenario and downside scenario change by 10% or major indicators change by 10% under base scenario, the impact on the allowance of expected credit loss is less than 5%.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for Stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, letters of guarantee and guarantees and letters of credit also include credit risks.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	Notes	As at 31 December	
		2022	2021
Balances with central banks		2,481,950	2,246,796
Deposits with banks and other financial institutions		630,885	218,500
Placements with and loans to banks and other financial institutions		500,330	446,944
Derivative financial assets		30,715	21,978
Financial assets held under resale agreements		1,172,187	837,637
Loans and advances to customers	(i)	18,982,886	16,454,503
Financial investments			
Financial assets at fair value through profit or loss		383,048	328,769
Debt instrument investments at amortized cost	(ii)	7,306,000	6,372,522
Other debt instrument investments at fair value through other comprehensive income	(iii)	1,697,405	1,392,691
Other financial assets		76,368	77,881
Subtotal		33,261,774	28,398,221
Loan commitments and financial guarantee contracts	(iv)	2,384,342	2,068,034
Total		35,646,116	30,466,255

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels

The Group classified the credit risk levels of financial assets measured by ECL into “Low” (credit risk in good condition), “Medium” (increased credit risk), and “High” (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group’s internal credit risk management. “Low” refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. “Medium” refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. “High” refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Corporate loans and advances	As at 31 December 2022		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	11,726,113	21,104	11,747,217
Medium	–	211,587	211,587
High	–	221,992	221,992
Gross carrying amount	11,726,113	454,683	12,180,796
Allowance for impairment losses	(377,699)	(186,959)	(564,658)
Net amount	11,348,414	267,724	11,616,138
Personal Loans and advances	As at 31 December 2022		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,433,212	25,819	7,459,031
Medium	–	76,848	76,848
High	–	49,070	49,070
Gross carrying amount	7,433,212	151,737	7,584,949
Allowance for impairment losses	(160,098)	(58,103)	(218,201)
Net amount	7,273,114	93,634	7,366,748
Corporate loans and advances	As at 31 December 2021		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	9,588,174	16,422	9,604,596
Medium	–	203,289	203,289
High	–	209,519	209,519
Gross carrying amount	9,588,174	429,230	10,017,404
Allowance for impairment losses	(336,129)	(191,135)	(527,264)
Net amount	9,252,045	238,095	9,490,140

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Personal Loans and advances	As at 31 December 2021		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,071,624	–	7,071,624
Medium	–	49,781	49,781
High	–	36,264	36,264
Gross carrying amount	7,071,624	86,045	7,157,669
Allowance for impairment losses	(163,988)	(29,318)	(193,306)
Net amount	6,907,636	56,727	6,964,363

- (ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels

	As at 31 December 2022		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,324,788	–	7,324,788
Medium	–	347	347
High	–	1,300	1,300
Gross carrying amount	7,324,788	1,647	7,326,435
Allowance for impairment losses	(19,150)	(1,285)	(20,435)
Net amount	7,305,638	362	7,306,000

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels (Continued)

	As at 31 December 2021		Total
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	
Credit risk grade			
Low	6,389,720	–	6,389,720
Medium	–	548	548
High	–	1,281	1,281
Gross carrying amount	6,389,720	1,829	6,391,549
Allowance for impairment losses	(17,764)	(1,263)	(19,027)
Net amount	6,371,956	566	6,372,522

- (iii) Maximum exposure to credit risk for other debt instrument investments at fair value through other comprehensive income disclosed in credit risk levels

	As at 31 December 2022		Total
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	
Credit risk grade			
Low	1,696,481	400	1,696,881
Medium	–	507	507
High	–	17	17
Carrying amount	1,696,481	924	1,697,405

	As at 31 December 2021		Total
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	
Credit risk grade			
Low	1,390,789	399	1,391,188
Medium	–	1,471	1,471
High	–	32	32
Carrying amount	1,390,789	1,902	1,392,691

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (iv) Maximum exposure to credit risk for loan commitments and financial guarantee contracts is balance after estimated contingent liabilities. Majority of loan commitments and financial guarantee contracts is in Stage I with credit risk grade as "Low".
- (v) As at 31 December 2022 and 31 December 2021, in its deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements, the Group had insignificant balances with "Medium" and "High" credit risk grade and classified as Stage II and Stage III assets.
- (vi) The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;
- Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and
- Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers

The below information does not include accrued interests of loans and advances to customers.

- (1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	607,201	5.0	313,248	3.1
Yangtze River Delta	2,953,442	24.3	2,383,014	23.8
Pearl River Delta	1,645,878	13.5	1,325,589	13.2
Bohai Rim	1,663,666	13.6	1,427,512	14.3
Central China	1,784,698	14.7	1,477,841	14.8
Western China	2,686,130	22.1	2,297,775	23.0
Northeastern China	407,763	3.4	367,382	3.7
Overseas and Others	410,068	3.4	406,823	4.1
Subtotal	12,158,846	100.0	9,999,184	100.0
Personal loans and advances				
Head Office	43	0.0	47	0.0
Yangtze River Delta	1,777,354	23.5	1,705,450	23.9
Pearl River Delta	1,588,312	21.0	1,514,233	21.2
Bohai Rim	1,083,299	14.3	1,033,741	14.5
Central China	1,308,100	17.3	1,187,096	16.6
Western China	1,561,455	20.7	1,451,317	20.3
Northeastern China	226,719	3.0	225,328	3.2
Overseas and Others	18,593	0.2	19,356	0.3
Subtotal	7,563,875	100.0	7,136,568	100.0
Gross loans and advances to customers	19,722,721		17,135,752	

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	2,386,103	19.8	2,145,617	21.5
Manufacturing	2,107,478	17.3	1,694,879	17.0
Leasing and commercial services	1,768,094	14.5	1,507,059	15.1
Production and supply of power, heat, gas and water	1,184,206	9.7	1,054,517	10.5
Real estate	891,470	7.3	876,407	8.8
Water, environment and public utilities management	874,684	7.2	719,530	7.2
Retail and wholesale	827,723	6.8	574,187	5.7
Finance	928,185	7.6	446,486	4.5
Construction	361,175	3.0	303,347	3.0
Mining	223,745	1.8	203,937	2.0
Others	605,983	5.0	473,218	4.7
Subtotal	12,158,846	100.0	9,999,184	100.0
Personal loans and advances				
Residential mortgage	5,346,608	70.7	5,242,297	73.4
Personal business	577,522	7.6	469,498	6.6
Personal consumption	210,850	2.8	193,706	2.7
Credit cards	647,651	8.6	626,783	8.8
Others	781,244	10.3	604,284	8.5
Subtotal	7,563,875	100.0	7,136,568	100.0
Gross loans and advances to customers	19,722,721		17,135,752	

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

- (3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	31 December 2022			Total
	Less than 1 year	1–5 years	Over 5 years	
Unsecured loans	3,530,142	1,210,988	2,121,511	6,862,641
Guaranteed loans	727,408	526,599	1,036,344	2,290,351
Loans secured by mortgages	1,412,521	589,521	6,297,040	8,299,082
Pledged loans	282,640	132,282	1,855,725	2,270,647
Total	5,952,711	2,459,390	11,310,620	19,722,721

	31 December 2021			Total
	Less than 1 year	1–5 years	Over 5 years	
Unsecured loans	2,307,472	860,788	1,824,122	4,992,382
Guaranteed loans	667,336	466,119	777,262	1,910,717
Loans secured by mortgages	1,279,772	587,215	6,096,590	7,963,577
Pledged loans	386,734	118,536	1,763,806	2,269,076
Total	4,641,314	2,032,658	10,461,780	17,135,752

- (4) Overdue loans (i)

	31 December 2022					Total
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	
Unsecured loans	11,058	6,758	14,117	6,548	3,695	42,176
Guaranteed loans	11,931	3,978	6,073	9,263	1,141	32,386
Loans secured by mortgages	38,066	30,496	31,125	24,384	6,450	130,521
Pledged loans	822	223	3,189	2,389	1,133	7,756
Total	61,877	41,455	54,504	42,584	12,419	212,839

	31 December 2021					Total
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	
Unsecured loans	7,313	4,388	10,949	4,431	4,318	31,399
Guaranteed loans	5,017	2,953	7,569	9,031	1,876	26,446
Loans secured by mortgages	30,388	21,419	29,563	22,740	7,734	111,844
Pledged loans	1,922	959	4,766	4,684	2,901	15,232
Total	44,640	29,719	52,847	40,886	16,829	184,921

- (i) When either loan principal or interest is past due by one day (inclusive) in any period, the whole loan is classified as overdue loan.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	As at 31 December	
	2022	2021
Portion covered	161,691	141,243
Portion not covered	109,371	104,539
Total	271,062	245,782

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modified, the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL.

Rescheduled loan is a loan which the contractual terms were renegotiated between the Group and borrowers because of deterioration in borrowers' financial position, or the inability to meet borrowers' original repayment schedule. Rescheduled loans and advances of the Group as at 31 December 2022 amounted to RMB19,625 million (31 December 2021: RMB18,307 million).

During the year ended 31 December 2022, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB544 million (31 December 2021: RMB1,984 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

- (1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income were disclosed in Notes IV18.2 and 18.3, respectively.
- (2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there are any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

Credit grade	Note	31 December 2022			Total
		Low	Medium	High	
Debt securities issued by					
— Governments		5,664,931	—	—	5,664,931
— Public sector and quasi-governments		2,060,235	—	—	2,060,235
— Financial institutions		600,420	—	—	600,420
— Corporates	(ii)	229,401	507	17	229,925
Special government bond		94,114	—	—	94,114
Receivable from the MOF		333,078	—	—	333,078
Others		20,340	347	15	20,702
Total		9,002,519	854	32	9,003,405

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

Credit grade	Note	31 December 2021			Total
		Low	Medium	High	
Debt securities issued by					
— Governments		4,807,834	—	—	4,807,834
— Public sector and quasi-governments		1,787,588	—	—	1,787,588
— Financial institutions		511,253	1,218	—	512,471
— Corporates	(ii)	209,339	253	32	209,624
Special government bond		94,122	—	—	94,122
Receivable from the MOF		324,619	—	—	324,619
Others		28,389	548	18	28,955
Total		7,763,144	2,019	50	7,765,213

- (i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss were not included in the credit grade table as at 31 December 2022 and 31 December 2021.
- (ii) As at 31 December 2022, the ratings of super short-term commercial papers of the Group amounted to RMB894 million (31 December 2021: RMB3,634 million) included in corporate bonds above were based on issuer rating for this credit risk analysis.

44.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

- Optimizing asset and liability structure;
- Maintaining stability of deposit base;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining an efficient internal funds transfer mechanism within the Group; and
- Performing stress testing on a regular basis.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	31 December 2022								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Cash and balances with central banks	-	236,475	-	1,046	1,479	-	-	2,310,130	2,549,130
Deposits with banks and other financial institutions	-	84,380	68,096	155,947	315,608	6,854	-	-	630,885
Placements with and loans to banks and other financial institutions	-	-	211,786	87,740	194,248	5,166	1,390	-	500,330
Derivative financial assets	-	-	5,414	9,579	12,175	3,394	153	-	30,715
Financial assets held under resale agreements	3,872	-	1,149,796	9,671	8,848	-	-	-	1,172,187
Loans and advances to customers	20,179	-	681,898	1,063,014	4,435,288	3,911,518	8,870,989	-	18,982,886
Financial assets at fair value through profit or loss	-	3,120	4,890	23,260	87,262	43,539	236,736	123,250	522,057
Debt instrument investments at amortized cost	361	-	59,732	137,709	557,500	2,398,673	4,152,025	-	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	17	-	55,910	108,643	412,304	598,101	522,430	4,701	1,702,106
Other financial assets	3,662	67,982	1,148	377	3,041	77	81	-	76,368
Total financial assets	28,091	391,957	2,238,670	1,596,986	6,027,753	6,967,322	13,783,804	2,438,081	33,472,664
Borrowings from central banks	-	(33)	(112,661)	(103,477)	(684,017)	(928)	-	-	(901,116)
Deposits from banks and other financial institutions	-	(1,683,473)	(125,841)	(210,189)	(298,685)	(140,990)	-	-	(2,459,178)
Placements from banks and other financial institutions	-	(3,442)	(117,150)	(100,850)	(100,734)	(8,951)	(2,628)	-	(333,755)
Financial liabilities at fair value through profit or loss	-	(12,039)	-	-	(44)	(204)	-	-	(12,287)
Derivative financial liabilities	-	-	(9,158)	(9,093)	(11,057)	(1,696)	-	-	(31,004)
Financial assets sold under repurchase agreements	-	-	(13,768)	(16,034)	(13,277)	(700)	-	-	(43,779)
Due to customers	-	(13,399,420)	(757,431)	(1,489,777)	(3,918,388)	(5,546,897)	(9,127)	-	(25,121,040)
Debt securities issued	-	-	(44,857)	(517,156)	(834,459)	(137,878)	(335,048)	-	(1,869,398)
Other financial liabilities	-	(144,633)	(1,923)	(2,123)	(8,478)	(53,560)	(75,464)	-	(286,181)
Total financial liabilities	-	(15,243,040)	(1,182,789)	(2,448,699)	(5,869,139)	(5,891,804)	(422,267)	-	(31,057,738)
Net position	28,091	(14,851,083)	1,055,881	(851,713)	158,614	1,075,518	13,361,537	2,438,081	2,414,926

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2021								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Cash and balances with central banks	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	78,385	29,425	41,606	57,200	11,884	-	-	218,500
Placements with and loans to banks and other financial institutions	-	-	181,508	115,957	132,768	14,975	1,736	-	446,944
Derivative financial assets	-	-	4,284	4,770	9,233	3,688	3	-	21,978
Financial assets held under resale agreements	3,872	-	810,227	20,738	2,800	-	-	-	837,637
Loans and advances to customers	16,555	-	661,910	817,875	3,243,507	3,371,483	8,343,173	-	16,454,503
Financial assets at fair value through profit or loss	-	4,721	19,554	11,609	81,376	38,219	175,922	128,840	460,241
Debt instrument investments at amortized cost	394	-	57,670	111,377	593,026	2,740,193	2,869,862	-	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	32	-	36,490	72,014	294,752	611,990	377,413	4,589	1,397,280
Other financial assets	1,836	67,612	309	3,442	959	54	98	3,571	77,881
Total financial assets	22,689	326,338	1,801,377	1,200,332	4,415,621	6,792,486	11,768,207	2,281,842	28,608,892
Borrowings from central banks	-	(32)	(49,889)	(31,806)	(663,870)	(1,616)	-	-	(747,213)
Deposits from banks and other financial institutions	-	(1,105,856)	(28,658)	(139,121)	(139,143)	(209,588)	-	-	(1,622,366)
Placements from banks and other financial institutions	-	-	(106,957)	(92,770)	(80,218)	(6,394)	(4,766)	-	(291,105)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Derivative financial liabilities	-	-	(3,918)	(4,255)	(7,643)	(3,305)	(216)	-	(19,337)
Financial assets sold under repurchase agreements	-	-	(18,841)	(6,877)	(9,156)	(1,159)	-	-	(36,033)
Due to customers	-	(12,386,137)	(603,855)	(1,303,745)	(3,209,263)	(4,388,038)	(16,089)	-	(21,907,127)
Debt securities issued	-	-	(84,856)	(277,220)	(723,814)	(126,768)	(294,999)	-	(1,507,657)
Other financial liabilities	-	(187,376)	(4,484)	(7,810)	(11,122)	(42,500)	(63,212)	(2,039)	(318,543)
Total financial liabilities	-	(13,695,047)	(901,458)	(1,863,604)	(4,844,229)	(4,779,368)	(379,496)	(2,039)	(26,465,241)
Net position	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	31 December 2022								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	-	236,475	-	1,046	1,479	-	-	2,310,130	2,549,130
Deposits with banks and other financial institutions	-	84,380	69,226	157,741	317,966	7,459	-	-	636,772
Placements with and loans to banks and other financial institutions	-	-	214,343	89,477	197,592	8,002	1,461	-	510,875
Financial assets held under resale agreements	3,915	-	1,152,070	9,713	8,951	-	-	-	1,174,649
Loans and advances to customers	69,763	-	761,628	1,201,723	5,099,884	5,913,248	13,302,937	-	26,349,183
Financial assets at fair value through profit or loss	-	3,120	4,372	23,496	93,412	78,252	265,549	123,250	591,451
Debt instrument investments at amortized cost	1,308	-	60,167	146,879	690,483	3,111,553	5,005,895	-	9,016,285
Other debt instrument and other equity investments at fair value through other comprehensive income	121	-	56,112	110,418	440,003	708,529	610,826	4,701	1,930,710
Other financial assets	5,203	70,871	1,172	384	3,147	79	82	-	80,938
Total non-derivative financial assets	80,310	394,846	2,319,090	1,740,877	6,852,917	9,827,122	19,186,750	2,438,081	42,839,993
Non-derivative financial liabilities									
Borrowings from central banks	-	(33)	(112,845)	(104,746)	(697,076)	(944)	-	-	(915,644)
Deposits from banks and other financial institutions	-	(1,683,473)	(127,254)	(212,647)	(302,080)	(144,069)	-	-	(2,469,523)
Placements from banks and other financial institutions	-	(3,442)	(117,966)	(101,840)	(101,573)	(10,676)	(2,891)	-	(338,388)
Financial liabilities at fair value through profit or loss	-	(12,039)	-	-	(44)	(204)	-	-	(12,287)
Financial assets sold under repurchase agreements	-	-	(13,775)	(16,108)	(13,482)	(701)	-	-	(44,066)
Due to customers	-	(13,399,420)	(758,152)	(1,495,385)	(3,974,506)	(5,900,104)	(10,666)	-	(25,538,233)
Debt securities issued	-	-	(44,980)	(520,814)	(850,121)	(195,391)	(386,684)	-	(1,997,990)
Other financial liabilities	-	(144,633)	(1,969)	(2,157)	(8,677)	(54,073)	(75,542)	-	(287,051)
Total non-derivative financial liabilities	-	(15,243,040)	(1,176,941)	(2,453,697)	(5,947,559)	(6,306,162)	(475,783)	-	(31,603,182)
Net position	80,310	(14,848,194)	1,142,149	(712,820)	905,358	3,520,960	18,710,967	2,438,081	11,236,811

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period: (Continued)

	31 December 2021								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	79,506	29,581	42,282	57,883	12,424	-	-	221,676
Placements with and loans to banks and other financial institutions	-	-	183,457	118,102	134,679	16,303	1,840	-	454,381
Financial assets held under resale agreements	3,915	-	813,408	20,849	2,826	-	-	-	840,998
Loans and advances to customers	66,076	-	733,902	981,574	3,956,763	5,475,868	12,476,078	-	23,690,261
Financial assets at fair value through profit or loss	-	4,721	19,856	12,128	88,156	64,095	196,609	128,840	514,405
Debt instrument investments at amortized cost	1,269	-	58,718	118,783	706,909	3,315,201	3,548,575	-	7,749,455
Other debt instrument and other equity investments at fair value through other comprehensive income	119	-	36,686	73,474	316,861	691,188	435,749	4,589	1,558,666
Other financial assets	3,821	70,332	362	3,456	992	55	98	3,617	82,733
Total non-derivative financial assets	75,200	330,179	1,875,970	1,371,592	5,265,069	9,575,134	16,658,949	2,281,888	37,433,981
Non-derivative financial liabilities									
Borrowings from central banks	-	(32)	(49,991)	(32,020)	(678,145)	(1,597)	-	-	(761,785)
Deposits from banks and other financial institutions	-	(1,105,856)	(29,446)	(140,548)	(146,482)	(229,627)	-	-	(1,651,959)
Placements from banks and other financial institutions	-	-	(106,990)	(93,027)	(80,847)	(7,283)	(4,967)	-	(293,114)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Financial assets sold under repurchase agreements	-	-	(18,848)	(6,898)	(9,172)	(1,162)	-	-	(36,080)
Due to customers	-	(12,386,137)	(604,386)	(1,308,635)	(3,255,950)	(4,683,792)	(19,066)	-	(22,257,966)
Debt securities issued	-	-	(84,971)	(278,957)	(740,163)	(182,848)	(331,012)	-	(1,617,951)
Other financial liabilities	-	(187,376)	(4,553)	(7,854)	(11,313)	(43,000)	(63,288)	(2,039)	(319,423)
Total non-derivative financial liabilities	-	(13,695,047)	(899,185)	(1,867,939)	(4,922,072)	(5,149,309)	(418,547)	(2,039)	(26,954,138)
Net position	75,200	(13,364,868)	976,785	(496,347)	342,997	4,425,825	16,240,402	2,279,849	10,479,843

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	31 December 2022					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a net basis	(1,392)	489	1,558	67	–	722

	31 December 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a net basis	650	512	448	(101)	–	1,509

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	31 December 2022					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
— Cash inflow	216,726	272,243	469,123	296,445	36,192	1,290,729
— Cash outflow	(219,050)	(272,191)	(469,332)	(294,755)	(36,015)	(1,291,343)
Total	(2,324)	52	(209)	1,690	177	(614)

	31 December 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
— Cash inflow	356,369	441,786	354,719	88,158	751	1,241,783
— Cash outflow	(352,649)	(439,862)	(353,358)	(68,759)	(1,000)	(1,215,628)
Total	3,720	1,924	1,361	19,399	(249)	26,155

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, letters of guarantee and guarantees and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	31 December 2022			Total
	Less than 1 year	1-5 years	Over 5 years	
Loan commitments	129,074	125,563	161,004	415,641
Bank acceptances	702,237	–	–	702,237
Credit card commitments	797,219	–	–	797,219
Letters of guarantee and guarantees	155,951	156,531	16,938	329,420
Letters of credit	157,063	10,448	365	167,876
Total	1,941,544	292,542	178,307	2,412,393

	31 December 2021			Total
	Less than 1 year	1-5 years	Over 5 years	
Loan commitments	85,271	177,371	197,258	459,900
Bank acceptances	414,934	–	–	414,934
Credit card commitments	743,594	–	–	743,594
Letters of guarantee and guarantees	153,029	135,151	16,058	304,238
Letters of credit	162,515	2,738	386	165,639
Total	1,559,343	315,260	213,702	2,088,305

44.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on-and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates assets and liabilities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

Based on changes in the external market and business operations, the Group formulates annual treasury trading, investment business and market risk management policies, and further clarifies the basic policies to be followed for bond trading and derivatives trading, as well as risk control requirements such as exposure and duration. The limit indicator system with VaR as the core, and the market risk management system is used to realize the measurement and monitoring of market risk in the trading book.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book

Bank

	Note	2022			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		63	43	70	29
Exchange rate risk	(1)	110	93	203	11
Commodity risk		23	34	62	22
Overall VaR		138	112	216	55

Bank

	Note	2021			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		53	67	99	36
Exchange rate risk	(1)	149	190	289	35
Commodity risk		44	83	136	21
Overall VaR		150	210	307	87

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios to assess the potential impact on profit and loss.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Banking Book (Continued)

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book or overall income to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since the People's Bank of China's RMB Loan Prime Rate (LPR) reform, the Bank has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system. The entire process of loan pricing applies LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Bank strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes. The adverse impact of earnings. During the reporting period, the Bank's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits of the Group are classified as either directive limits or indicative limits, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	31 December 2022				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,451,239	62,050	2,493	33,348	2,549,130
Deposits with banks and other financial institutions	556,431	40,426	3,514	30,514	630,885
Placements with and loans to banks and other financial institutions	226,596	201,279	48,943	23,512	500,330
Derivative financial assets	22,433	3,242	2,466	2,574	30,715
Financial assets held under resale agreements	1,172,187	–	–	–	1,172,187
Loans and advances to customers	18,514,226	310,569	68,962	89,129	18,982,886
Financial assets at fair value through profit or loss	509,877	10,355	793	1,032	522,057
Debt instrument investments at amortized cost	7,169,086	120,139	4,216	12,559	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	1,399,333	226,214	6,924	69,635	1,702,106
Other financial assets	69,338	3,132	2,768	1,130	76,368
Total financial assets	32,090,746	977,406	141,079	263,433	33,472,664
Borrowings from central banks	(899,455)	–	–	(1,661)	(901,116)
Deposits from banks and other financial institutions	(2,390,553)	(30,949)	(26,589)	(11,087)	(2,459,178)
Placements from banks and other financial institutions	(78,693)	(191,969)	(40,088)	(23,005)	(333,755)
Financial liabilities at fair value through profit or loss	(12,243)	–	(44)	–	(12,287)
Derivative financial liabilities	(23,656)	(2,083)	(2,019)	(3,246)	(31,004)
Financial assets sold under repurchase agreements	(11,855)	(23,671)	–	(8,253)	(43,779)
Due to customers	(24,461,622)	(581,718)	(30,946)	(46,754)	(25,121,040)
Debt securities issued	(1,559,352)	(253,818)	(20,772)	(35,456)	(1,869,398)
Other financial liabilities	(267,757)	(15,043)	(2,137)	(1,244)	(286,181)
Total financial liabilities	(29,705,186)	(1,099,251)	(122,595)	(130,706)	(31,057,738)
Net on-balance sheet position	2,385,560	(121,845)	18,484	132,727	2,414,926
Net notional amount of derivatives	146,496	119,764	4,936	(120,394)	150,802
Loan commitments and financial guarantee contracts	2,149,291	213,226	12,193	37,683	2,412,393

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows: (Continued)

	31 December 2021				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,241,015	61,233	1,142	18,016	2,321,406
Deposits with banks and other financial institutions	148,782	49,451	2,561	17,706	218,500
Placements with and loans to banks and other financial institutions	152,884	218,378	43,509	32,173	446,944
Derivative financial assets	18,053	1,175	1,805	945	21,978
Financial assets held under resale agreements	837,637	–	–	–	837,637
Loans and advances to customers	15,985,155	344,323	60,014	65,011	16,454,503
Financial assets at fair value through profit or loss	446,980	10,933	677	1,651	460,241
Debt instrument investments at amortized cost	6,307,943	49,929	9,991	4,659	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	1,151,033	197,730	2,756	45,761	1,397,280
Other financial assets	69,258	5,315	2,528	780	77,881
Total financial assets	27,358,740	938,467	124,983	186,702	28,608,892
Borrowings from central banks	(745,597)	–	–	(1,616)	(747,213)
Deposits from banks and other financial institutions	(1,572,836)	(17,571)	(24,877)	(7,082)	(1,622,366)
Placements from banks and other financial institutions	(67,315)	(178,291)	(26,842)	(18,657)	(291,105)
Financial liabilities at fair value through profit or loss	(15,860)	–	–	–	(15,860)
Derivative financial liabilities	(14,397)	(2,290)	(2,164)	(486)	(19,337)
Financial assets sold under repurchase agreements	(20,302)	(9,950)	–	(5,781)	(36,033)
Due to customers	(21,373,264)	(459,099)	(32,650)	(42,114)	(21,907,127)
Debt securities issued	(1,175,836)	(229,994)	(36,114)	(65,713)	(1,507,657)
Other financial liabilities	(294,746)	(19,984)	(1,508)	(2,305)	(318,543)
Total financial liabilities	(25,280,153)	(917,179)	(124,155)	(143,754)	(26,465,241)
Net on-balance sheet position	2,078,587	21,288	828	42,948	2,143,651
Net notional amount of derivatives	154,772	8,789	23,045	(35,288)	151,318
Loan commitments and financial guarantee contracts	1,799,496	245,491	10,216	33,102	2,088,305

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated statement of financial position of the Group.

	31 December 2022		31 December 2021	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
RMB				
5% appreciation	(2,266)	629	(3,317)	186
5% depreciation	2,266	(629)	3,317	(186)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established LPR to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors.

The Group manages its interest rate risk by:

- Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;
- Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;
- Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period:

	31 December 2022						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	
Cash and balances with central banks	2,290,703	–	1,479	–	–	256,948	2,549,130
Deposits with banks and other financial institutions	145,656	155,047	313,789	6,714	–	9,679	630,885
Placements with and loans to banks and other financial institutions	215,067	94,572	184,103	3,808	–	2,780	500,330
Derivative financial assets	–	–	–	–	–	30,715	30,715
Financial assets held under resale agreements	1,148,899	9,648	8,823	–	–	4,817	1,172,187
Loans and advances to customers	4,368,066	2,991,024	10,389,935	780,984	409,853	43,024	18,982,886
Financial assets at fair value through profit or loss	4,712	27,798	89,739	36,243	204,647	158,918	522,057
Debt instrument investments at amortized cost	54,222	125,806	502,088	2,378,345	4,110,472	135,067	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	67,249	125,564	394,577	575,672	518,612	20,432	1,702,106
Other financial assets	–	–	–	–	–	76,368	76,368
Total financial assets	8,294,574	3,529,459	11,884,533	3,781,766	5,243,584	738,748	33,472,664
Borrowings from central banks	(109,923)	(102,708)	(678,938)	–	–	(9,547)	(901,116)
Deposits from banks and other financial institutions	(1,800,732)	(206,070)	(295,798)	(138,920)	–	(17,658)	(2,459,178)
Placements from banks and other financial institutions	(120,034)	(100,254)	(100,017)	(8,851)	(2,572)	(2,027)	(333,755)
Financial liabilities at fair value through profit or loss	–	–	(44)	(204)	–	(12,039)	(12,287)
Derivative financial liabilities	–	–	–	–	–	(31,004)	(31,004)
Financial assets sold under repurchase agreements	(13,749)	(15,924)	(13,198)	(699)	–	(209)	(43,779)
Due to customers	(14,110,126)	(1,436,280)	(3,803,857)	(5,378,056)	(9,115)	(383,606)	(25,121,040)
Debt securities issued	(56,638)	(536,873)	(819,900)	(110,345)	(335,028)	(10,614)	(1,869,398)
Other financial liabilities	–	–	–	–	–	(286,181)	(286,181)
Total financial liabilities	(16,211,202)	(2,398,109)	(5,711,752)	(5,637,075)	(346,715)	(752,885)	(31,057,738)
Interest rate gap	(7,916,628)	1,131,350	6,172,781	(1,855,309)	4,896,869	(14,137)	2,414,926

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period: (Continued)

	31 December 2021						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	
Cash and balances with central banks	2,032,222	–	–	–	–	289,184	2,321,406
Deposits with banks and other financial institutions	102,908	41,099	56,447	11,503	–	6,543	218,500
Placements with and loans to banks and other financial institutions	182,417	116,368	132,215	14,866	–	1,078	446,944
Derivative financial assets	–	–	–	–	–	21,978	21,978
Financial assets held under resale agreements	809,716	20,666	2,786	–	–	4,469	837,637
Loans and advances to customers	4,316,155	2,451,794	8,483,615	709,928	453,690	39,321	16,454,503
Financial assets at fair value through profit or loss	18,736	16,130	84,068	32,078	156,612	152,617	460,241
Debt instrument investments at amortized cost	57,004	104,328	543,312	2,676,021	2,869,265	122,592	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	64,522	96,496	277,788	566,997	372,294	19,183	1,397,280
Other financial assets	–	–	–	–	–	77,881	77,881
Total financial assets	7,583,680	2,846,881	9,580,231	4,011,393	3,851,861	734,846	28,608,892
Borrowings from central banks	(48,518)	(31,000)	(659,796)	(1,263)	–	(6,636)	(747,213)
Deposits from banks and other financial institutions	(1,127,742)	(138,506)	(138,393)	(205,554)	–	(12,171)	(1,622,366)
Placements from banks and other financial institutions	(106,779)	(99,692)	(78,797)	(3,046)	(1,295)	(1,496)	(291,105)
Financial liabilities at fair value through profit or loss	–	–	–	–	(214)	(15,646)	(15,860)
Derivative financial liabilities	–	–	–	–	–	(19,337)	(19,337)
Financial assets sold under repurchase agreements	(18,838)	(6,871)	(9,147)	(1,157)	–	(20)	(36,033)
Due to customers	(12,926,703)	(1,254,524)	(3,120,029)	(4,240,028)	(16,046)	(349,797)	(21,907,127)
Debt securities issued	(94,101)	(294,188)	(701,558)	(114,560)	(294,999)	(8,251)	(1,507,657)
Other financial liabilities	–	–	–	–	–	(318,543)	(318,543)
Total financial liabilities	(14,322,681)	(1,824,781)	(4,707,720)	(4,565,608)	(312,554)	(731,897)	(26,465,241)
Interest rate gap	(6,739,001)	1,022,100	4,872,511	(554,215)	3,539,307	2,949	2,143,651

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument investments and other equity investments at fair value through other comprehensive held, whose fair value changes are recorded as an element of other comprehensive income.

	31 December 2022		31 December 2021	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(43,292)	(59,146)	(37,792)	(39,264)
- 100 basis points	43,292	59,146	37,792	39,264

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

44.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of CBIRC, the Group managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. In the meanwhile, we fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently estimated the asset loss that may be caused by country risk. Corresponding provisions were also made for country risk impairment.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.5 Insurance risk

The Group engages in its insurance business primarily in Chinese mainland. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

45 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;
- capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;
- additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;
- should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

In April 2014, the CBIRC officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The CBIRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the “Capital Rules for Commercial Banks (Provisional)”.

In January 2017, the CBIRC officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group’s management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

The Group’s capital adequacy ratio calculated in accordance with the “Capital Rules for Commercial Banks (Provisional)” issued by the CBIRC as at the end of the reporting period is as follows:

	Notes	31 December 2022	31 December 2021
Common Equity Tier-one Capital Adequacy Ratio	(1)	11.15%	11.44%
Tier-one Capital Adequacy Ratio	(1)	13.37%	13.46%
Capital Adequacy Ratio	(1)	17.20%	17.13%
Common Equity Tier-one Capital	(2)	2,228,372	2,053,737
Deductible Items from Common Equity Tier-one Capital	(3)	(12,977)	(11,257)
Net Common Equity Tier-one Capital		2,215,395	2,042,480
Additional Tier-one Capital	(4)	439,878	359,881
Net Tier-one Capital		2,655,273	2,402,361
Tier-two Capital	(5)	760,728	655,506
Net Capital		3,416,001	3,057,867
Risk-weighted Assets	(6)	19,862,505	17,849,566

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (1) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

- (2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve, etc.
- (3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (4) The Group's Additional Tier-one Capital includes: other equity instruments issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities does not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2022 and 31 December 2021.

46.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The Board of Directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the years ended 31 December 2022 and 31 December 2021, there were no significant changes in the valuation techniques or inputs used to determine fair value measurements.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

46.3 Financial assets and financial liabilities not measured at fair value in the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	6,878,808	7,040,956	76,954	6,878,799	85,203
Financial liabilities					
Bonds issued	487,477	484,583	53,371	431,212	–
	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	5,953,781	6,107,442	32,976	5,961,771	112,695
Financial liabilities					
Bonds issued	428,856	435,680	47,865	387,815	–

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
— Exchange rate derivatives	—	26,850	—	26,850
— Interest rate derivatives	—	2,512	—	2,512
— Precious metal derivatives and others	—	1,353	—	1,353
Subtotal	—	30,715	—	30,715
Loans and advances to customers				
— Discounted bills and forfeiting	—	1,344,182	—	1,344,182
Subtotal	—	1,344,182	—	1,344,182
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	5,933	120,665	—	126,598
Precious metal contracts	—	17,988	—	17,988
Equity	5,345	445	—	5,790
Fund and others	5,493	—	—	5,493
— Other financial assets at fair value through profit or loss				
Bonds	—	204,056	1,041	205,097
Equity	8,120	12,475	91,307	111,902
Fund and others	543	25,900	21,496	47,939
— Financial assets designated at fair value through profit or loss				
Bonds	1,210	40	—	1,250
Subtotal	26,644	381,569	113,844	522,057
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	213,030	1,473,792	—	1,686,822
Others	—	10,583	—	10,583
— Equity instruments	1,230	—	3,471	4,701
Subtotal	214,260	1,484,375	3,471	1,702,106
Total assets	240,904	3,240,841	117,315	3,599,060

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	—	(12,039)	—	(12,039)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	—	—	(248)	(248)
Subtotal	—	(12,039)	(248)	(12,287)
Derivative financial liabilities				
— Exchange rate derivatives	—	(26,253)	—	(26,253)
— Interest rate derivatives	—	(871)	—	(871)
— Precious metal derivatives and others	—	(3,880)	—	(3,880)
Subtotal	—	(31,004)	—	(31,004)
Due to customers				
Due to customers measured at fair value through profit or loss	—	(27,340)	—	(27,340)
Total liabilities	—	(70,383)	(248)	(70,631)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
— Exchange rate derivatives	—	20,116	—	20,116
— Interest rate derivatives	—	1,141	—	1,141
— Precious metal derivatives and others	—	721	—	721
Subtotal	—	21,978	—	21,978
Loans and advances to customers				
— Discounted bills and forfeiting	—	502,748	—	502,748
Subtotal	—	502,748	—	502,748
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	8,225	119,912	—	128,137
Precious metal contracts	—	21,389	—	21,389
Equity	3,948	1,331	—	5,279
Fund and others	4,261	316	—	4,577
— Other financial assets at fair value through profit or loss				
Bonds	—	154,585	274	154,859
Equity	13,501	12,063	79,112	104,676
Fund and others	251	19,305	19,455	39,011
— Financial assets designated at fair value through profit or loss				
Bonds	2,273	40	—	2,313
Subtotal	32,459	328,941	98,841	460,241
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	162,072	1,213,723	—	1,375,795
Others	—	16,896	—	16,896
— Equity instruments	1,165	—	3,424	4,589
Subtotal	163,237	1,230,619	3,424	1,397,280
Total assets	195,696	2,084,286	102,265	2,382,247

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	—	(15,646)	—	(15,646)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	—	—	(214)	(214)
Subtotal	—	(15,646)	(214)	(15,860)
Derivative financial liabilities				
— Exchange rate derivatives	—	(14,734)	—	(14,734)
— Interest rate derivatives	—	(2,366)	—	(2,366)
— Precious metal derivatives and others	—	(2,237)	—	(2,237)
Subtotal	—	(19,337)	—	(19,337)
Due to customers				
Due to customers measured at fair value through profit or loss	—	(52,306)	—	(52,306)
Total liabilities	—	(87,289)	(214)	(87,503)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Level 3 financial assets of the Group mainly represented unlisted equity investments. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameters relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows:

	2022			
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Due to customers measured at fair value through profit or loss
1 January 2022	98,841	3,424	(214)	—
Purchases	33,970	38	—	—
Issues	—	—	—	—
Settlements/disposals/transfer out of Level 3	(19,401)	(1)	—	—
Total gain/(loss) recognized in				
— Profit or loss	434	243	(34)	—
— Other comprehensive income	—	(233)	—	—
31 December 2022	113,844	3,471	(248)	—
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	523	—	—	—

Notes to the Consolidated Financial Statements

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(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

	2021			
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Due to customers measured at fair value through profit or loss
1 January 2021	102,883	21,119	(9,770)	(73,118)
Purchases	32,827	1,792	–	–
Issues	–	–	–	–
Settlements/disposals/transfer out of Level 3	(37,436)	(19,277)	9,570	73,553
Total gain/(loss) recognized in				
— Profit or loss	567	659	(14)	(435)
— Other comprehensive income	–	(869)	–	–
31 December 2021	98,841	3,424	(214)	–
Change in unrealized profit or loss for the year included in profit or loss for assets/ liabilities held at the end of the year	783	–	–	–

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year are presented in net gain/(loss) on financial investments (Note IV 4) of the consolidated statement of profit or loss.

47 EVENTS AFTER THE REPORTING PERIOD

47.1 Profit appropriation

- (1) An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2023 and distributed on 22 February 2023.
- (2) Pursuant to the Board of Directors' meeting on 30 March 2023, the proposal for profit appropriations of the Bank for the year ended 31 December 2022 are set forth as follows:
 - (i) An appropriation of RMB25,309 million to the statutory surplus reserve (Note IV 36);
 - (ii) An appropriation of RMB67,557 million to the general reserve (Note IV 37);
 - (iii) A cash dividend of RMB0.2222 (tax included) per ordinary share in respect of the year ended 31 December 2022 based on the number of ordinary shares issued as at 31 December 2022 totaling RMB77,766 million (tax included) (Note IV 10).

As at 31 December 2022, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized in the Group's financial statements after approval by ordinary equity holders in the forthcoming Annual General Meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 EVENTS AFTER THE REPORTING PERIOD (Continued)

47.2 Tier 2 capital notes issued

On 23 March 2023, the Bank completed the public issuance of the "Agricultural Bank of China Limited 2023 Tier 2 Capital Notes (Series 1)" (the "Notes") in the National Interbank Bond Market. The total amount of the Notes is RMB70 billion. The proceeds from this issuance of the Notes will be used to boost the Tier 2 capital of the Bank.

48 COMPARATIVE FIGURES

Certain comparative figures in the notes have been adjusted to conform with changes in disclosures in current year.

49 STATEMENT OF FINANCIAL POSITION OF THE BANK

	As at 31 December	
	2022	2021
Assets		
Cash and balances with central banks	2,548,564	2,320,907
Deposits with banks and other financial institutions	609,195	198,745
Precious metals	83,389	96,504
Placements with and loans to banks and other financial institutions	583,079	531,065
Derivative financial assets	30,715	21,978
Financial assets held under resale agreements	1,169,113	832,216
Loans and advances to customers	18,899,856	16,377,896
Financial investments		
Financial assets at fair value through profit or loss	347,744	320,106
Debt instrument investments at amortized cost	7,267,567	6,337,768
Other debt instrument and other equity investments at fair value through other comprehensive income	1,650,807	1,337,218
Investment in subsidiaries	51,521	51,523
Investment in associates and joint ventures	2,105	1,073
Property and equipment	141,159	140,675
Deferred tax assets	148,699	142,180
Other assets	131,534	127,195
Total assets	33,665,047	28,837,049
Liabilities		
Borrowings from central banks	901,077	747,101
Deposits from banks and other financial institutions	2,475,046	1,636,419
Placements from banks and other financial institutions	263,009	233,468
Financial liabilities at fair value through profit or loss	12,039	15,646
Derivative financial liabilities	31,004	19,337
Financial assets sold under repurchase agreements	35,484	30,456
Due to customers	25,120,347	21,906,047
Dividends payable	1,936	—
Debt securities issued	1,828,305	1,461,094
Other liabilities	350,094	388,958
Total liabilities	31,018,341	26,438,526

Notes to the Consolidated Financial Statements

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(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	As at 31 December	
	2022	2021
Equity		
Ordinary shares	349,983	349,983
Other equity instruments	440,000	360,000
Preference shares	80,000	80,000
Perpetual bonds	360,000	280,000
Capital reserve	173,227	173,229
Investment revaluation reserve	35,700	34,262
Surplus reserve	245,235	219,926
General reserve	381,222	348,955
Retained earnings	1,019,630	913,752
Foreign currency translation reserve	1,709	(1,584)
Total equity	2,646,706	2,398,523
Total equity and liabilities	33,665,047	28,837,049

Approved and authorized for issue by the Board of Directors on 30 March 2023.



谷澍

Chairman

付万学

Vice Chairman

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF CHANGES IN EQUITY OF THE BANK

	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 31 December 2021	349,983	360,000	173,229	34,262	219,926	348,955	913,752	(1,584)	2,398,523
Profit for the year	-	-	-	-	-	-	253,086	-	253,086
Other comprehensive income	-	-	-	1,438	-	-	-	3,293	4,731
Total comprehensive income for the year	-	-	-	1,438	-	-	253,086	3,293	257,817
Capital contribution from equity holders	-	80,000	(3)	-	-	-	-	-	79,997
Appropriation to surplus reserve	-	-	-	-	25,309	-	(25,309)	-	-
Appropriation to general reserve	-	-	-	-	-	32,267	(32,267)	-	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(72,376)	-	(72,376)
Dividends paid to other equity instruments holders	-	-	-	-	-	-	(17,239)	-	(17,239)
Others	-	-	1	-	-	-	(17)	-	(16)
As at 31 December 2022	349,983	440,000	173,227	35,700	245,235	381,222	1,019,630	1,709	2,646,706

	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 31 December 2020	349,983	320,000	173,232	25,784	195,591	309,642	812,626	(78)	2,186,780
Profit for the year	-	-	-	-	-	-	243,354	-	243,354
Other comprehensive income	-	-	-	8,478	-	-	-	(1,506)	6,972
Total comprehensive income for the year	-	-	-	8,478	-	-	243,354	(1,506)	250,326
Capital contribution from equity holders	-	40,000	(3)	-	-	-	-	-	39,997
Appropriation to surplus reserve	-	-	-	-	24,335	-	(24,335)	-	-
Appropriation to general reserve	-	-	-	-	-	39,313	(39,313)	-	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(64,782)	-	(64,782)
Dividends paid to other equity instruments holders	-	-	-	-	-	-	(13,798)	-	(13,798)
As at 31 December 2021	349,983	360,000	173,229	34,262	219,926	348,955	913,752	(1,584)	2,398,523

Unaudited Supplementary Financial Information

For the year ended 31 December 2022
(Amounts in millions of Renminbi, unless otherwise stated)

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. LIQUIDITY COVERAGE RATIOS

	Three months ended			
	31 March 2022	30 June 2022	30 September 2022	31 December 2022
Average Liquidity Coverage Ratio	125.6%	135.5%	132.0%	132.1%

	Three months ended			
	31 March 2021	30 June 2021	30 September 2021	31 December 2021
Average Liquidity Coverage Ratio	129.8%	127.3%	127.9%	121.1%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2. CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			Total
	USD	HKD	Other	
31 December 2022				
Spot assets	1,045,056	142,060	263,427	1,450,543
Spot liabilities	(1,143,279)	(120,576)	(127,831)	(1,391,686)
Forward purchases	956,920	31,985	76,449	1,065,354
Forward sales	(827,280)	(27,049)	(196,765)	(1,051,094)
Net options position	(9,876)	–	(78)	(9,954)
Net long position	21,541	26,420	15,202	63,163
Net structural position	4,162	3,725	4,138	12,025

	Equivalent in millions of RMB			Total
	USD	HKD	Other	
31 December 2021				
Spot assets	948,956	125,183	186,204	1,260,343
Spot liabilities	(914,889)	(121,991)	(143,268)	(1,180,148)
Forward purchases	1,169,736	46,303	85,630	1,301,669
Forward sales	(1,165,736)	(24,260)	(121,580)	(1,311,576)
Net options position	15,263	–	49	15,312
Net long position	53,330	25,235	7,035	85,600
Net structural position	4,766	7,664	5,515	17,945

Unaudited Supplementary Financial Information

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

3. OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	As at 31 December	
	2022	2021
Overdue		
Within 3 months	103,332	74,359
Between 3 and 6 months	29,203	29,079
Between 6 and 12 months	25,301	23,768
Over 12 months	55,003	57,715
Total	212,839	184,921
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	0.52%	0.43%
Between 3 and 6 months	0.15%	0.17%
Between 6 and 12 months	0.13%	0.14%
Over 12 months	0.28%	0.34%
Total	1.08%	1.08%

(2) Rescheduled loans and advances to customers

	As at 31 December	
	2022	2021
Total rescheduled loans and advances to customers	19,625	18,307
Including: rescheduled loans and advances to customers overdue for not more than 3 months	1,147	656
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.01%	0.00%

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions.

As at 31 December 2022 and 31 December 2021, the Group's gross carrying amounts of overdue placements with and loans to banks and other financial institutions were not significant.



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