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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

RESULTS ANNOUNCEMENT FOR THE YEAR 2022

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries (the “**Group**”) for the twelve months ended 31 December 2022 (the “**Annual Results**”). This Annual Results announcement contains the full text of the annual report of the Group for the twelve months ended 31 December 2022 and the contents were prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the International Financial Reporting Standards. The Annual Results have been reviewed by the audit committee of the Bank. This Annual Results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report for the twelve months ended 31 December 2022 will be despatched to shareholders of the Bank and will also be made available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Xie Wenhui

Chairman and President

Chongqing, the PRC, 30 March 2023

As at the date of this announcement, the executive directors of the Bank are Mr. Xie Wenhui and Mr. Zhang Peizong; the non-executive directors of the Bank are Ms. Hu Chun, Mr. Zhang Peng, Mr. Yin Xianglin and Ms. Gu Xiaoxu; and the independent non-executive directors of the Bank are Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

* *The Bank holds a financial licence number B0335H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

* *The Bank holds a financial licence number B0335H250000001 approved by the China Banking and Insurance Regulatory Authority and was authorised by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/ deposit-taking business in Hong Kong.*

Important Notice

1. The Board, the Board of Supervisors and the directors, supervisors and senior management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this annual report, and that there are no false presentations, misleading statements or material omissions herein, and are legally liable jointly and severally.
2. The 2022 annual report and the results announcement of the Bank have been considered and approved at the 26th meeting of the fifth session of the Board of Directors of the Bank convened on 30 March 2023. The number of directors who should attend the meeting is 11 with 11 directors actually attended the meeting, 1 director entrusted other directors to vote on their behalf. Some supervisors and senior management personnel of the Bank attended the meeting.
3. The 2022 financial report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by KPMG Huazhen LLP, and the 2022 financial report prepared in accordance with International Financial Reporting Standards has been audited by KPMG. Both auditors issued an unqualified audit report.
4. The Bank's chairman and president Xie Wenhui and vice president in charge of accounting and head of the accounting department Gao Song warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
5. The Board of Directors of the Bank has recommended a final dividend on ordinary shares for 2022 of RMB2.714 per 10 shares (inclusive of tax), such dividend distribution plan will be submitted to the 2022 annual general meeting for consideration. No capitalisation of the capital reserve to share capital is proposed in this distribution.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders or other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.
8. The Bank has no significant risks that need to draw special attention of investors. For details of the major risks that the Bank faces in its business operation and various measures adopted by the Bank, please refer to the Risk Management Section in Chapter 3 of this report.

Contents

Important Notice	1
Definitions	3
Chairman's Statement	5
Chapter 1 Company Information	10
Chapter 2 Financial Summary	27
Chapter 3 Management Discussion and Analysis	30
1. Overall Operating Analysis	30
2. Financial Review	31
3. Discussion and Analysis of Main Business Operations	66
4. Key Issues of Operation Concerns	81
5. Risk Management	85
6. Capital Management	100
7. Outlook	106
Chapter 4 Corporate Governance Report	108
Chapter 5 Environmental and Social Responsibilities	156
Chapter 6 Major Events	161
Chapter 7 Changes in Shares and Particulars of Shareholders	167
Chapter 8 Report of the Board of Directors	178
Chapter 9 Report of the Board of Supervisors	189
Chapter 10 Independent Auditor's Report	193
Chapter 11 Consolidated Financial Statements and Notes	203
Chapter 12 Unaudited Supplemental Financial Information	374
Chapter 13 Organization Chart	379
Chapter 14 Branches and Subsidiaries	380

Definitions

Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司), as amended from time to time
Board of Directors or Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
PBOC or Central Bank	the People's Bank of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
China Banking Regulatory Authority	China Banking and Insurance Regulatory Commission and its agencies
CBIRC Chongqing Office	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
Chongqing Rural Commercial Bank, Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司)
Group	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
CQRC Wealth Management	CQRC Wealth Management Co., Ltd.
CQRC Financial Leasing	CQRC Financial Leasing Co., Ltd.
HKD or HK dollars	the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
CG Code	Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules
Hong Kong Stock Exchange, or the Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Stock Exchange	Shanghai Stock Exchange

Definitions

PRC or China	the People's Republic of China
RMB or Renminbi	the lawful currency of the PRC
yuan	RMB yuan
United States	the United States of America
USD or U.S. dollars	the lawful currency of the United States
urban area	9 urban areas in Chongqing City, namely Yuzhong District, Dadukou District, Jiangbei District, Shapingba District, Jiulongpo District, Nan'an District, Beibei District, Yubei District and Ba'nán District
county area	Regions other than 9 urban areas of Chongqing city, also including 12 village and township banks controlled by the Bank and Qujing Branch established in another province by the Bank
CPC	the Communist Party of China (中國共產黨)
rural commercial bank	a short-hand reference to rural commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
village and township banks	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
Reporting Period	the twelve months period from 1 January 2022 to 31 December 2022

Chairman's Statement

Dear shareholders,

The year 2022 is a year of difficulties, hopes, challenges and opportunities. Although the economic development of our country has been impacted by multiple unexpected factors and extreme high temperature and drought and sudden raging wildfires in Chongqing brought challenges, we are also keenly aware of the increasingly dynamic and diversified market environment, deepening and focused financial reform, and more promising development opportunities. Along with the development of the economy and the growth of our customers, we achieved a solid growth. In 2022, the Group's asset size exceeded RMB1.35 trillion, with a deposit balance of RMB824.9 billion and a loan balance of RMB632.7 billion. The Bank achieved operating income of RMB28.9 billion and net profit of RMB10.5 billion. The Bank's non-performing loan ratio was 1.22%, provision coverage ratio was 357.74% and core tier 1 capital adequacy ratio was 13.10%. The Bank ranked 113rd in the "Top 1000 Global Banks in 2022" of The Banker, up six places from the previous year.

For many years, the strategy of "characteristic operation, fine management, corporate culture cultivation" has determined the target market and the key point of reform for us. The strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents" has transformed our competitive strategy and development momentum. A development system of "all-in-one four-wheel drive" provides us with a clear business layout and long-term plan to achieve trillion target in revenue. In the process of running a business, we have been thinking about how to lead the company across the "first curve" and find the "the second growth curve" to support the new stage of development, and then traverse the life cycle and continue to innovate and break through. The evolution and advancement of strategy is also based on this thinking. We constantly study the market, analyze the decisions, and find out where our own characteristics, differences and competitiveness lie in a comprehensive, timely and accurate manner. By doing so, we hope to promote the continuous refinement of business layout, optimization of management model, continuous improvement of technological driver, and continuous strengthening of human resources, so as to better walk a new road of trillions.

Regarding strategic determination, we firmly believe that "only with foresight can one start a business; only with pragmatism can one succeed". No matter we are at any strategic stage, there is a main line, which is to put customer needs in the most important position. This is not only the result of careful consideration of our own development, but also the summation of our experience over the years in firmly implementing our strategy and growing stronger and more confident in the fierce market competition. In 2022, we continued to build the BBC ecosystem, turning the bank into a platform, building a system of value-added customer benefits, and creating an integrated financial and life ecosystem with customers and merchants (farmers). Our partners are increasing, the number of effective merchants increased by 44%, the transaction amount increased by 246%, and the advantages of the model gradually emerged. Focusing on the increasingly diversified financial needs of our customers, strengthened synergic development of business lines and business synergy to provide more integrated and distinctive financial service solutions. By doing so, we have continued to consolidate our customer base, with 28 million customers across the Bank, accounting for nearly 90% of the city's population. We accelerated the pace of digital transformation and continued to enhance the competitiveness of our online products while consolidating the advantage of offline products. Our number of mobile banking customers exceeded 13.52 million, we developed more than 10 online products independently, and our online loan balance exceeded RMB120 billion.

Chairman's Statement

For market positioning, we know that “no matter how short the road is, one can't reach it without walking; no matter how small the task is, one can't accomplish it without doing it.” Traditionally, the “Sannong” and small-micro markets are large, but require significant investment of people, technology and time to get right. As a rural financial institution, we not only support agriculture and small and micro enterprises as our duty, but also establish a congenital advantage. From the period of rural credit cooperatives, we walked on this difficult but bright road for 71 years, not only achieving sustainable development, but also creating a stable “moat” in the fierce market competition. We still have a long way to go according to the strategy of rural revitalization. We still have a lot of space to do deep and thorough, to do fine, and this will also be the driving force for us to do more in the future. In 2022, we continued to innovate service models to support agriculture and rural areas and small and micro enterprises. By enriching the system of franchised institutions, we have created more than 60 special service institutions and 1,067 inclusive finance bases based on local agriculture such as Jiangjin pepper and Fuling squash. We have launched a financial service management platform for rural revitalization, created credit towns in more than 30 districts and counties, and promoted the online processing of small-amount credit loans for people who have escaped from poverty, ranking first in Chongqing in terms of loan disbursement for the year. We have been improving the service system for small and micro enterprises, setting up 17 special sub-branches for small and micro enterprises and 73 financial service stations. We have launched the corporate version of “Shui Fast Loan” and “Cloud Signing”, optimized the “self-drawing” and “self-renewing loans” service functions with the online drawing and renewing rate exceeding 90% and 95%, respectively. As of the end of 2022, the balance of inclusive small and micro enterprise loans was RMB113 billion, representing an increase of RMB16.9 billion or 17.54% from the end of the previous year.

In performing social responsibility, we bear in mind that “when eating the fruit of a tree, think of the fruit-bearing tree; when drinking the water of a river, think of its source.” “Any enterprise existing in society is an enterprise of the society.” We are fully aware that the depth of our development depends on the stability of our country and the progress of our society. It is the new era that has given us new opportunities, we should shoulder new missions and demonstrate new actions. As financial service providers, we strive to be financial builders who never forget the kindness bestowed upon them and inclusive practitioners who think of the source when drinking water. Focusing on the political and popular nature of financial work, we are constantly playing a greater role in promoting economic development and maintaining social stability. In 2022, we resolutely implemented major national strategic deployments, helped the construction of Chengdu-Chongqing Economic Circle, and extended credit of over RMB104 billion to key projects in the Chengdu-Chongqing region and relevant enterprises in Sichuan. We continued to exert the green finance demonstration role of the “Equator Bank” and took the lead in handling carbon emission quota pledge financing in Chongqing and other green financial products. The balance of green loans exceeded RMB48.7 billion, with a growth rate of more than 30% for three consecutive years. Hence, the Bank actively helped the achievement of “peak carbon dioxide emissions, carbon neutrality”. We served the development of the real economy: the number of small-micro inclusive loan households and the market share of the balance remain the first in Chongqing, serving more than 30% of the city's “technologically advanced” enterprises, and the balance of manufacturing loans ranks first in Chongqing. Focusing on the construction of “New Chongqing”, the Bank has increased its financial services for housing and consumption of new citizens to enhance people's sense of access and happiness from financial services.

To promote transformation and reform, we adhere to the principle of “if you innovate for a day, you should keep innovating every day, and update your innovation.” Reform, innovation and transformation are timeless topics. We actively embrace the future and deploy financial technology. Especially after 5 years of financial innovation, we have personally experienced the efficiency improvement and operational changes brought by digital transformation. In addition, we also know that only by continuing to unleash the value of financial technology and data elements, promoting the “three changes” in business model, management process and organizational structure, fully digitalizing our genes, and changing everyone’s thinking mode and work style, can we truly tap the development potential of the whole bank. In 2022, we accelerated the integration of technology and business to effectively improve business efficiency through digital credit granting, online drawing, and intelligent post-loan management. The Bank made an average of 850,000 smart decisions per day, up 1.2 times year-on-year. We launched 34 robotic process automation scenarios and increased processing efficiency by an average of 12 times. We launched “Xiaoyu”, an AI fusion simulation digital employee, and applied more than 40 automated processes using a robotic process automation (RPA) technology. Thus, traditional labor-intensive operations continue to be replaced by digital labor. The ability of technology to support business has continued to improve, enterprise online banking 4.0, mobile banking 7.0 and the rural version of helping farmers were successfully released, and the replacement rate of electronic transactions reached 97%. Construction of science and technology system has been accelerated for optimization and upgrading, a series of projects of business middle offices, management middle offices and intelligent middle offices have been implemented step by step, and the operating efficiency has been improved continuously.

Focusing on value creation, we believe that “all things grow together and do not interfere with each other. Paths run parallel and do not clash.” Our Company, customers, shareholders, employees and society are a whole of value symbiosis and future creation. We have put “service to customers, return to shareholders, achievement of employees, dedication to society” into the corporate culture, and implanted it into the management gene. Focusing on the customer-oriented principle, the Bank continuously improves online and offline service experience with the advantage of outlets and personnel close to customers, makes innovations of dialect bank, video bank and air bank. By doing so, the Bank has achieved more than 90% of online options for counter transactions and the use of face intelligence recognition technology covers 100% of its branches. The Bank adheres to the principle of “creating value for shareholders”, welcomes value investors with an open and inclusive attitude, and shares development dividends with shareholders. The dividend distribution rate has remained above 30% over the past two years, ranking among top listed banks. We intended to submit the profit distribution plan for 2022 to the general meeting and proposed to distribute cash dividends on ordinary shares of RMB2.714 per 10 shares (tax inclusive), totaling RMB3,082 million. We believe that “successful employees are the most valuable assets of a company” and strive to create a more high-quality talent development platform. The proportion of employees with bachelor degree or above is 76%, and the proportion of financial technology talents has increased to 3.5%. With the belief of “rooted in the local, serve the public” faith, we are working together with the people of the city, and support the real economy through the difficulties. We support market players in difficulty by deferring their principal repayment and interest payment and offering loan renewal services without principal repayment, and all employees of the Bank work together with the city to overcome difficulties through participation in volunteer actions, 24-hour on-site manning, and support for government affair hotlines.

Chairman's Statement

The year 2023 is the opening year of fully implementing the 20th CPC National Congress, and we will also celebrate the 15th anniversary of the restructuring and establishment of the Bank. Over the past 15 years, we have constantly carried out reform, innovation, transformation and development, and experienced important moments including assets reaching trillion, listing in the mainland and Hong Kong, and “going global”. At different times, we have identified development strategies and systems of “characteristic operation, fine management, corporate culture cultivation”, “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and “all-in-one four-wheel drive” and gradually explored a way forward that is in line with the characteristics of Chongqing Rural Commercial Bank. In the future, we will maintain our strategic determination, under the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and the “all-in-one four-wheel drive” development system, we will build a solid foundation for the high-quality development and the “moat” for the development of rural commercial banks, and increase the core momentum of development.

We stand firm and support the implementation of major strategies. We seize major policy opportunities such as the Chengdu-Chongqing Economic Circle, the Yangtze River Economic Belt, western financial center, and the new western land and sea corridor, and actively deploy large infrastructure projects. We effectively serve key customers in the fields of people's livelihood, green development and new energy, and strengthen internal linkage marketing and external inter-industry cooperation to broaden the scope of business and enhance comprehensive income.

We stick to our original intention and strengthen the main role of “big retail” business. We pay close attention to and meet the needs of residents' consumption and market players, and accelerate the construction of the “BBC” ecosystem. We tap the “all-in-one” value of customers to enhance their contribution, take advantage of the “grid” channels to improve marketing efficiency, and promote the “market-oriented” allocation of resources to stimulate the potential of our employees. We continue to enhance the contribution of our “large retail” business by improving customer stickiness and tapping customer potential.

We stick to innovation and embrace “digital transformation”. We seize the opportunity of “digital” transformation promoted by the state and take the initiative to embrace changes. By accelerating the construction of the “three middle offices” in business, data and management, we are doing our best to promote the digitalization of products, online processes before, during and after lending, and intelligent marketing, risk control and pricing. Through technology empowerment, we enhance our targeted customer acquisition and marketing capabilities to enhance customer experience.

We adhere to the bottom line and enhance risk prevention and control capabilities. By enhancing sensitivity to economic cycle and market changes, we seize positive opportunities in the economy and pay close attention to risk pressures. We improve the comprehensive risk management mechanism and enhance the foresight and accuracy of risk prevention. We strengthen the prevention, disposal and elimination of risks in key areas, continue to optimize the mechanism for the administration of non-performing assets, and spare no efforts to stabilize asset quality.

Chairman's Statement

With spring mountains coming in sight, the future is in sight. With the recovery of the national economy, we are full of expectations for the future. We will continue to tackle the difficulties and strive to create greater value for shareholders, employees and the society, and make greater contributions to our country's building into a modern and powerful socialist country.

XIE Wenhui
Chairman

30 March 2023

Company Information

I. Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal Representative	XIE Wenhui
Authorised Representatives	XIE Wenhui ZHANG Peizong
Secretary to the Board	ZHANG Peizong
Securities affairs representative	XIE Xiaozhou
Contact details for investors	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing Telephone: (86)23-61110637 Fax: (86)23-61110844 Email address: ir@cqrcb.com
Company Secretary	LEUNG Chi Kit
Registered and office address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing 400023
Historical change of the Company’s registered address	The registered address of the Bank at the time of its establishment on 27 June 2008 was 10 Yanghe Road East, Jiangbei District, Chongqing, and was changed to the current registered address on 1 April 2017
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Name of designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of annual report	Website of the Shanghai Stock Exchange (www.sse.com.cn)

Website of the Hong Kong Stock Exchange for publication of annual report	the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of annual report	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618
A share registrar	Shanghai branch of China Securities Depository and Clearing Company Limited Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Administration for Market Regulation of Chongqing
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority
Auditors	KPMG Huazhen LLP Address: 8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China Signing accountants: SHI Haiyun, XUE Chenjun KPMG Address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong Signing accountant: CHAN Siu Tung, Thomas

Company Information

Legal advisor as to PRC laws	SGLA Law Firm (Chongqing) Address: 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing
Legal advisor as to Hong Kong laws	Clifford Chance LLP Address: 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

II. Overview of the Company's Businesses

The Bank was established in 2008 and listed on the Main Board of the Hong Kong Stock Exchange in 2010 and on the main board of the Shanghai Stock Exchange in 2019. The Bank's main businesses include retail finance business, inclusive finance business, corporate finance business and financial market business. Among them, the retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc. Inclusive finance business mainly provides financial services for new agricultural business entities such as small and micro enterprises, farmers and farmers' professional cooperatives. The corporate finance business mainly provides a wide variety of finance products and services for enterprises and public institutions, government agencies, and financial institutions, mainly including corporate loans business, trade financing loans business, bills business and guarantees business. The financial market business mainly includes capital operation business, investment banking business and asset custody business. At the same time, the Bank currently has one wholly-owned non-banking subsidiary and one non-banking holding subsidiary which engage in wealth management business and financial leasing business respectively.

III. The Development Strategy and Core Competitiveness

(I) Development strategy of the Bank

Under the guidance of the strategic goal of “striving to become a leading regional bank in China”, the Bank further promotes the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, focuses on building a development system of “all-in-one four-wheel drive”, grasps the macro trend, conforms to the industry trend, combines its own advantages, takes the “large retail” business as the subject of core competitiveness, takes the corporate financial business, financial market business, financial technology and talent team as the “four driving forces” with interconnected development and unified goals of the Bank. The corporate financial business and the financial market business and the “large retail” are coordinated, integrated and promoted, the technology empowers the digital transformation of the Bank, and the professional talent team supports the implementation of strategies and businesses, jointly promoting the Bank’s high-quality and connotative development, continuously improving the ability of financial services to the real economy, and contributing financial forces in implementing major national strategies.



1. *The subject of “large retail”*

Based on the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving county-level economy”, the Bank insists on customer-oriented principle, creates a “large retail” business ecology with distinctive features, outstanding advantages and market leadership, establishes a new well-known retail brand of “Yukuai Life” with prominent features, strives to become “a retail bank with best customer experience in the central and western regions” and establishes a solid foundation for high-quality development.

– New retail thinking of “three transformations”

Transform from “product marketing” to “customer’s housekeeper”. Focus on client management, transform from “product marketing” which only provides financial products and services to “customer’s housekeeper” of all information, all channels, all businesses and all products, leverage on system tools to ensure that customers of all lines, such as small and micro enterprises, individuals and credit cards, are “managed”, and different customers can be “managed effectively” by categories and levels, so as to truly achieve “customer-oriented”.

Transform from “B2C” to “BBC”. Transform from the traditional “Bank to Customer” to “Bank-Business-Customer”. Build a BBC financial ecosystem, turn the Bank into a platform, construct a client value-added rights and interests system and build an integrated ecosystem of finance and life with clients and merchants (farmers).

Transform from “traditional hall service” to “OMO integration”. Base on the outlets scene and product digitization, take the intelligent machines and tools at outlets and the working APPs of employees as an important carrier, improve the intelligent level of offline outlets, build the offline service contacts of the ecosystem, and realize the outlets transformation from transactional outlets to service marketing outlets. Open the online and offline information exchange channels, and promote the collaborative integration of online and offline multi-channel customer acquisition and service.

– New retail strategy of “five attitudes”

Serve counties attentively and set up the model of rural vitalization. Seize the opportunity of the development policy of rural vitalization strategy, give play to the channel advantages of 1,450 county outlets, rely on the rural credit system construction platform and the rural service management platform to enrich digital products and services and fully tap the financial demand potential of individual and agricultural industry in rural areas.

Serve users wholeheartedly and build a BBC financial ecosystem. Build an integrated ecosystem of finance and life based on the scene of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”. Bind the products with the merchants deeply with “merchant code + system” serving merchants’ products, conduct deep cooperation with farmers through agricultural industry chain services, approach the construction of the ecosystem and create scene marketing.

Serve high net worth clients intently and strengthen wealth management. Build a professional wealth management center, a professional customer manager team, a professional private banking product system, and a professional customer rights and interests system.

Serve all customers closely and reconstruct the customer operation system. Reconstruct the customer management system with the customer as the center to realize the effective management of customers by specific organization and staff, focus on customer experience and enhance customer stickiness. Identify customers and accurately depict them in the customer whole life cycle of “seven transformations and seven contributions”, and use digital transformation to empower business marketing to truly achieve customers in batches, active customers with scenario-based services and excellent customers with characteristics.

Concentrate on technology empowerment, digital products, processes and management. Enrich mobile banking APP and micro banking functions, optimize the basic financial services of “deposit, loan, remittance, payment and inquiry”, and accelerate launches of products online to create the “Yukuai” series of online products. Establish the intelligent brain of the branches, and create a digital workflow for customer managers and the customer digital business experience. Enable management, and build automated and intelligent credit granting and risk management.

2. “Four driving forces”

(1) Corporate financial business

Stabilize the scale, optimize the structure, promote transformation, focus on optimizing the asset structure, customer structure and income structure, accelerate the pace of scenario transformation, channel transformation and settlement transformation, and enhance the linkage ability of loans, debts, investments, rent and foreign exchange.

- Enhance the business synergy, strengthen the linkage with the “large retail” business, and create the omni-channel services for accounts, corporate online banking, cards and cash management platform.

Company Information

- Improve the digital management, build a big data platform for corporate business, realize customer insight, and implant the comprehensive services into the customer business ecology.
- Optimize the green financial service model, and promote the deep integration of developing green finance with serving local economic construction and social and people's livelihood.
- Actively integrate into major national strategies, increase the support for the real economy, constantly cultivate new business growth points, and promote the high-quality development of regional economy.

(2) Financial market business

Steady the income, strengthen the transactions, expand the market, and strive to become an investment expert, an asset operation housekeeper and a capital operation expert in the field of capital business.

- Develop the business in a coordinated and integrated way, continuously optimize the construction of marketing system, enrich products and services in the same industry, and enhance the breadth and depth of cooperation in the same industry.
- Focus on improving the investment and research capabilities and trading capabilities, steadily develop into trading, light-oriented and specialization, and enhance the contribution of transactions.
- Scientifically analyze the market situation, continuously optimize the customer structure, strengthen the internal and external linkage of investment banking business, and enhance the comprehensive financial service capability.
- Enhance the asset allocation and product management capabilities, serve customers with product specialization and service innovation, and build a leading platform for wealth creation, innovation and creation.

(3) Financial technology

Take digital transformation as an important breakthrough in development potential and competitiveness, accelerate the digital transformation, increase the investments in financial technology, accelerate the application of new technologies such as big data, AI and cloud computing, fully release the value of financial technology, and enhance the level of technological empowerment and the value creation ability. Adhere to independent research and development, and form a "patent pool" and "standard library" with the characteristics of the rural commercial bank and local features.

– Promote the “Four Enhancements”

Enhance financial technology empowerment. Strengthen basic research and application research, promote the transformation of scientific and technological achievements, establish a customer-centered management platform that runs through all kinds of businesses, support the coordinated development of businesses, empower the risk management before, during and after lending, and promote the improvement of the digital management level of the Bank.

Enhance smart financial service. Continuously iterate “smart bank”, implant the gene of the platform, explore open bank, and create a modern financial service ecosystem by integrating “platform + scenario” and “scenario + finance”.

Enhance online and offline integration. Solve offline bottlenecks by technological means, accelerate the transformation of the new generation of branches and rebuild the journey of customer branches to establish “Air Counter”. Make customer service precise, put application scenarios on the platform, and integrate linkage marketing. Expand advantages of online products to develop online users into comprehensive customers.

Enhance data mining value. Carry out professional processing and in-depth mining through advanced technology such as big data, turn the data stock of the whole bank into business flow, launch personalized, differentiated and customized exclusive services, and achieve the goal of “value-added” of data.

(4) Talent team

Adhere to the principle of “service development, talent priority, overall development and use-oriented”, coordinate the relationship between “intelligence” and “skill”, the relationship between “tower spire” and “tower base”, and the relationship between “the near one pleases” and “the far one comes”, make great efforts to promote the construction of “marketing iron army”, develop and bring up a talent team with high comprehensive quality, strong execution ability and practical work style, and provide the talent support and intellectual guarantee for promoting high-quality development of the Bank.

– Implement the “Five Programs”

Management talent leading program. Formulate strict standards for good cadres in the new era, and select and properly use a group of middle-level leaders and basic-level managers who are good at operation, understand management and adapt to strategic needs. Promote the reform of the management tenure system and contractual management, and form a management system featuring market-oriented recruitment, contractual management, differentiated compensation, and market-oriented exit.

Professional talent development program. Introduce and develop core talents in high-level key positions urgently needed in operation and management in accordance with the principle of “one matter, one approach; one person, one strategy”. Strive to build a high-skilled talent team with reasonable structure, matching echelons and outstanding performance.

Practical talents support program. Create an employer brand, conduct “internship” programs and carry out recruitment by region, level and job type. Increase the intensity of double-selection, investigation and research, up-appointment and down-transfer, and broaden the career development channels for talents.

Talent quality improvement program. Improve tracking and cultivation of management trainee, rotation and cultivation of reserve cadres as well as exchange and cultivation of up-appointment and down-transfer, and build a three-dimensional training system of “bringing in + going out, online + offline, head office + line + branch”.

Talent service guarantee program. Optimize the organizational structure, improve compensation system, promote the digital construction of human resources, create a development platform for high-quality talent and form good atmosphere that is conducive to all kinds of outstanding talents to stand out and fully show their abilities.

(II) Investment value and core competitiveness of the Bank

Development strategy of sticking to our own business and clear orientation. Adhere to the main responsibility and business of supporting “agriculture, rural areas and farmers” and supporting small and micro businesses and serving the real economy, comply with the development trend of the new pattern of double circulations, deeply serve the rural vitalization and development, establish the strategic direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and a development system of “all-in-one four-wheel drive”, adhere to high-quality and endogenous growth, and strive to build the Bank into a “national leading regional bank”.

A corporate culture of “realistic, enterprising, innovative and developing”. Since its establishment, the Bank has always maintained the gene of “benchmark bank culture”, rooted in Chongqing and faced the whole country, been the pioneer, become the first “A + H” share bank in western China by overcoming many difficulties, and become the leading rural commercial bank in China. The Bank inherits the excellent tradition of “loyalty and responsibility, tenacity and enterprising, diligence and dedication, and simplicity and obligation”, and create an enterprise atmosphere of “want to do things, able to do things, and do things well”.

Scientific, efficient, sustainable and complete management system. As a local corporation, the Bank has few management levels and short decision-making chain, which plays a key role in the development of adapting to market changes and seeking innovation. Keep adhering to refined management, integrate it into the corporate culture, establish the risk management, operation management, technology management, human resource management and financial management system and their abilities, and constantly promote the management of important management areas with advanced enterprises as the benchmark, so as to achieve the benefit from management.

Digital and intelligent technology empowerment. Adhere to the technology drive, specially establish a financial technology center, realize the complete closure of business, data, technology and channels, and build a digital rural commercial bank in an all-round way. Adhere to independent innovation, occupy the commanding height of technology, create the “three heights” cloud services, promote the “three stages” of data governance, and build the “three modules” of intelligent operation, which jointly support seven integrated major digital business capabilities, including intelligent risk control, precise marketing, efficient operation, online and offline integration, refined management, high-quality experience and cooperative ecology.

Retail finance with significant advantages and potential. Make use of three traditional advantages including outlets across the urban and rural areas, team advantages and leading client base as well as three modern advantages of new technology, new channel and new system, take customer as the center, implement the “five attitudes” strategy of retail finance, build an ecological platform, a financial life circle and a core brand, deeply tap the potential of customers, promote retail finance to constantly release potentials and become the main part of the Bank’s business development.

Corporate finance with green development and intensive cultivation. Focus on the goals of “carbon peaking and carbon neutrality” and become the first “equator bank” in the central and western regions. Establish a “1+3+22+N” green financial system to develop green credit and green financial products, and comprehensively promote the construction of green financial benchmark bank. Locate at the important connection point between “the Belt and Road Initiative” and the Yangtze River Economic Belt and the core city of Chengdu-Chongqing Economic Circle, and actively integrate into the major national strategies, having the strategic development advantages and opportunities. Under the background of digital economy, create the “expert” and “housekeeper” services by driving the standardized corporate customer management and the digital, integrated and scenario-based financial services with scientific and technological innovation.

Integrated and collaborative financial market business. Take “integrated financial market operator” as the goal, act collaboratively in the manner of “united as one team” of the Group, take “settlement and clearing + trust” as the support, take “investment + wealth management” as the approach, promote the three-level linkage of interbank, business line and head office-branch, constantly tap the cooperation potentials of interbank customers, and form a whole chain customer group service system of “investment + capital + trust + investment bank”.

(III) Implementation of the Bank’s development strategy

During the Reporting Period, the Bank adhered to implement the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and with the core advantages of outlet channel, service team and customer base, fully promoted the digital transformation and development by empowering new technologies, new channels and new systems through science and technology, cultivated outstanding professionals and teams, and built an integrated development system of “all-in-one four-wheel drive” with the characteristics of rural commercial banks.

1. *Adhere to the strategic determination and continue to promote the transformation of the “large retail” business*

The Bank made every effort to promote the “large retail” business, built a precise marketing service system based on customer portraits, created an ecological circle to enrich marketing scenarios, continuously improved the digital level of inclusive finance, consolidated its traditional advantages, and continuously promoted the retail transformation of the Bank. In 2022, revenue from the retail business, profits before tax and the retail loans accounted for 42.07%, 40.28% and 44.69%, respectively.

Build a precise marketing service system. On the basis of a large number of retail customers of the Bank, the Bank used big data thinking and modern scientific and technological means to promote deeper digging, label management and further value enhancement of customer data. The Bank proactively used financial technology to identify customers, developed 201 customer labels, and established a multi-dimensional customer label system of “subject, behavior and contribution”, laying a good foundation for “creating products for customers and finding customers for products”. In 2022, the number of VIP customers of the Bank increased by 267,900 on a net basis, representing an increase of 11.05%, and the balance of financial assets of VIP customers increased by RMB80.323 billion on a net basis, representing an increase of 15.45%; and the number of active customers amounted to 17,098,800, representing a year-on-year increase of 6,000 realizing the “double increase” of target customers and customer contributions.

Continue to deepen the construction of the ecological circle. The Bank launched a series of activities of “Yukuai Life” to build a brand of “Yukuai Life • 7 Encounters”, and added issuance of 206,400 credit cards and 172,300 customers. The Bank created products around the consumption scenario of “home, car and beauty” and vigorously developed the installment business, with a net increase of RMB3.309 billion in credit balance, representing an increase of 36.31%. The Bank continued to improve the function construction of the “BBC” ecosystem and enhance the comprehensive contribution of merchants. The number of effective merchants amounted to 579,600, representing an increase of 44.36% and the transaction amount of merchants exceeded RMB164.4 billion, representing a year-on-year increase of RMB116.8 billion. The AUM balance and LUM balance of merchants amounted to RMB58.557 billion and RMB39.210 billion respectively, representing an increase of RMB22.014 billion and RMB14.493 billion.

Inclusive finance’s advantages are enhanced. The Bank built a service system of inclusive finance, consolidated the long-term service mechanism, and accelerated the pace of digital transformation. Personal operational loans were handled online in the whole process except for the on-site investigation. In 2022, the amount of online loans for small and micro businesses of the Bank exceeded RMB100 billion, with the online payment substitution rate of over 90% and the online loan renewal substitution rate of over 95%. As of the end of 2022, the number of inclusive small and micro enterprise loans¹ of the Bank amounted to 176,000, representing an increase of 23,600 as compared with the end of previous year. The loan balance amounted to RMB113.038 billion, representing an increase of RMB16.867 billion as compared with the end of previous year. The number of inclusive small and micro enterprise loans and the market share of the balance continued to maintain the first in Chongqing.

Fully support rural revitalization. The Bank launched a financial service management platform for rural revitalization, built a rural credit evaluation system in Chongqing, and participated in the demonstration project of financial technology empowering rural revitalization in Chongqing. The Bank created special agricultural assistance products such as “Yukuai Village Loan”, “Rural Revitalization Kuaidan Loan” and “New Citizen Jiefang Loan” to meet the increasingly diversified and multi-level financial needs of rural market subjects. As of the end of 2022, the balance of agricultural loans of the Group amounted to RMB215.625 billion, representing an increase of RMB19.851 billion as compared with the end of previous year.

¹ Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive), excluding bill discount and transfer discount.

2. *Empower operation through science and technology; the Bank's digital transformation moves towards the "key period"*

Empower characteristic digital operation. The Bank gave full play to the intelligent service support capability of the perception and cognition engine, promoted the application of distinctive services such as "Dialect Bank" and "Air Counter", and continuously expanded the digitalization and intelligence level of the Bank's operation and management scenarios. The Bank strengthened the cooperation with the dialect bank of Chongqing Provident Fund Center to export capacity, completed the interconnection of the smart customer service of the Provident Fund APP and the customer service robot in the lobby, etc., and participated in the exhibition of the Smart China Expo. The "Air Counter" has launched more than 30 transactions in total, with the highest monthly transaction volume of nearly 50,000, and the daily processing business of a single video teller can reach 120, which significantly improved the centralized operation efficiency. The Bank launched the AI-converged 2D simulation digital employee "Xiaoyu", applied more than 40 RPA automation processes, and the traditional labor-intensive business was constantly replaced by digital labor. The Bank launched the rural revitalization financial service management platform, built a rural credit evaluation system in Chongqing, and customized smart work phones to meet the business needs of on-site visits and investigations. The Bank launched an intelligent service platform for online outlets, opened up the online and offline channels such as queuing machines, counters, PADs and applets, and provided all-customer journey services from booking, number picking, processing to evaluation, helping the digital transformation of outlets. The Bank actively participated in the pilot projects of digital RMB, etc., and continuously improved its ability of scientific and technological innovation.

Empower the digital product system. The Bank continued to launch and improve self-developed products with special features, such as "Piao Fast Discount", "Yukuai Loan", "Housing Fast Loan", "Tax Fast Loan" and "Jie Housing Loan" through independent innovation, full covering all kinds of conventional businesses such as credit, mortgage, pledge, discount and installment. As of the end of 2022, the balance of online loans of the Bank was RMB123.273 billion, representing a net increase of RMB22.97 billion compared with the end of the previous year, the business scale grew steadily, and the overall risk remained stable. In terms of "Jie Housing Loan", the Bank continuously optimized the customer experience, newly launched the online second-hand house mortgage loan business, and jointly explored a new service mode of "mortgage transfer" registration and loans of second-hand houses with the relevant government departments. The product balance increased by RMB7.055 billion compared with the end of the previous year. In terms of "Yukuai Village Loan", the customer groups of mountain pepper planting, mustard tuber planting and tobacco planting were newly added, and the loan balance increased by RMB513 million as compared with the end of the previous year, which gradually showed the role of empowering the national rural revitalization strategy.

Empower online business channels. The Bank launched the “Mobile Banking APP7.0” to build the capabilities of “cloud experience, cloud outlet, cloud store, cloud identification and cloud sharing”. The Bank newly optimized the visual and interactive design of APP to enrich the visual presentation and enhance the customer experience. The Bank created a distinctive “cloud outlet”, and customers can easily experience the “one-stop” online outlet service with a touch of the screen. The Bank launched a personalized customer manager “cloud store”, and used the digital transformation ability to create an “online studio” for customer managers to achieve differentiated and precise marketing. The Bank introduced the “cloud identification” risk control tool, and completed the real-name identity authentication of customers through the Internet of Things technology to improve the security and convenience of mobile banking. The Bank upgraded the “cloud sharing” fission marketing function, realizing the synergy between the bank, employees and customers, and empowering the development of the retail business.

Empower the marketing operation system. The Bank built the internal traffic channel, Internet traffic channel and tripartite cooperation drainage channel, created a loan advisory service model, and improved the online customer acquisition ability of digital products. The Bank built a digital operation analysis platform, and basically realized the whole process tracking analysis and operation support of customer acquisition, activation, transformation and retention. The Bank built a two-dimensional code management platform to break down product marketing barriers and empower marketing effect evaluation. The Bank launched a customer experience management monitoring platform to monitor the whole scenario of customer journey and contact, and gradually formed a management closed loop of “monitoring-analysis-action-verification” of customer experience, so as to continuously improve the customer experience.

3. *Accelerate the cultivation of talents and gradually release the efficiency of human resources*

The Bank actively explored the new mechanisms and initiatives for recruiting, training, deploying, motivating, and disciplining human resources of the Bank under the new situation, continuously optimized the staff structure, significantly improved the quality of the team, gradually improved the talent mechanism, and gradually improved the supporting role of human resources in the strategic objectives of the Bank.

Promote the management talent leading plan. The Bank insisted on selecting persons according to the circumstances, optimized the team structure of branches and constantly enhanced the overall function of the team. The Bank interconnected the “Double Hundred Actions” and the “Special Action for Benchmarking”, fully implemented the appointment system and contractual management of leaders, continuously and effectively stimulated the talent efficiency and enterprise vitality.

Company Information

Promote the development plan of professional talents. The Bank interconnected and promoted the brand of “Chongqing Yingcai”, introduced and developed high-level core talents in key positions urgently needed in operation and management, and continued to introduce professionals in financial technology, financial markets and credit risk control, and the proportion of financial technology talents increased to 3.54%.

Promote the practical talent growth plan. The Bank established and improved a market-oriented employment system with contract management as the core and post management as the basis. The Bank optimized the allocation of human resources, standardized the setting of marketing centers, promoted the construction of the mechanism of “one person with multiple posts, one post with multiple responsibilities” for customer managers, helped the construction of “marketing iron army” and continuously improved the use efficiency of human resources.

Promote the talent quality improvement plan. The Bank promoted the key training of professional talents, the follow-up training of management trainees, the rotation training of reserve trainees, and the exchange training mechanism of up-appointment and down-transfer. The Bank established a three-dimensional training system of “bringing in + going out, online + offline, head office + lines + branches”, and conducted a total of 2,049 training projects throughout the year, with training participants of more than 367,500 persons.

Promote the talent service guarantee plan. The Bank improved its organizational structure and salary system, paid the fees for five types of insurances (i.e. endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance) and the housing provident fund according to law, improved and supplemented the medical insurance and enterprise annuity mechanism, and effectively protected the legitimate rights and interests of employees. The Bank strengthened employees’ solicitude and condolence, organized various thematic activities, continuously improved the employee well-being, and strove to gather talents by using platforms, attract talents by using policies and retain talents by using services.

IV. Honors and Awards

The Bank ranked No. 113 among the “Top 1,000 World Banks 2022” in The Bankers of the UK, up 6 places over the previous year.

The Bank ranked No.136 among the “Top 500 World Bank Brand Values” in 2022 in The Bankers of the UK and the Brand Finance, a UK brand value research institution, and No.22 among Chinese-funded banks.

The Bank ranked 815th in Forbes magazine’s list of “Top 2,000 Global Enterprises” in 2022.

The Bank ranked 389th in the 2022 Top 500 Chinese Enterprises, the only banking institution in the central and western regions on the list and ranked 135th in the 2022 Top 500 Chinese Service Enterprises.

The Bank ranked 22nd in the 2022 China Top 100 Banking List, maintaining the first place among the national rural commercial banks and the central and western banks.

The Bank ranked 390th in Fortune China 500 in 2022.

The Bank ranked 10th in 2022 Chongqing Top 100 Enterprises and 5th in 2022 Chongqing Top 100 Service Enterprises.

The Bank was selected into the latest list of “Double Hundred Enterprises” for state-owned enterprise reform issued by the State-owned Assets Supervision and Administration Commission of the State Council, and the Bank is one of the eight selected enterprises in Chongqing.

The three enterprise standards formulated by the Bank, namely, the “Online Banking Service Quality Standards”, “the Mobile Financial Client Application Software Management Standards” and the “Commercial Bank Application Program Interface”, were rated as the “leaders” of the national enterprise standards in the financial field in 2021 organized and selected by eight departments including the State Administration for Market Regulation.

The Bank won 9 awards, including the 2022 “Annual Market Impact Award”, “Market Innovation Award” and sub-awards issued by the National Interbank Funding Center. The number of awards ranked No. 1 among financial institutions in the central and western regions, and the Bank is the only legal person institution in Chongqing to win the award.

The Bank won the “2022 Tianji Award for High-quality Development Banks” in the selection of 2022 China Banking Industry Tianji Award issued by the Securities Times.

The Bank won the Wind 2021 Fast Progress Award for Bond Underwriting and the Outstanding Rural Commercial Bank Award for Best Credit Bond Underwriters.

The Bank was selected into the 2022 Wind ESG Rating List of Listed Banks in Mainland China with Grade A rating, and maintained the eighth place on the list, ranking first among the national rural commercial banks and the central and western banks.

The Bank’s “Jiangyu Credit Card • Sichuan-Chongqing Unbounded Card” won the “Popular Star” in the “Excellent Credit Card” selection activity in 2022 issued by the Financial Digital Development Alliance.

The Bank won the “Typical Case of Digital Transformation of Listed Companies in 2021” and the “Excellent Practice Case of Rural Revitalization of Listed Companies issued by the China Association for Public Companies.

The Bank won the advanced unit of financial services for small and micro enterprises in 2021 issued by Chongqing Banking and Insurance Regulatory Bureau.

The Bank won the title of “Benchmarking Enterprise” in the activity of creating management promotion benchmarking organized by the Chongqing State-owned Assets Supervision and Administration Commission.

Company Information

The Bank won the “Demonstration Enterprise for Rural Revitalization” selected by Chongqing Housing and Urban-Rural Construction Committee, Chongqing Agriculture and Rural Committee, Chongqing Culture and Tourism Development Committee, Chongqing Rural Revitalization Bureau, etc.

The Bank won the 2021 Green Finance Award, Special Contribution Award and Rural Revitalization Award for Social Responsibility Advanced Unit of Chongqing Banking issued by Chongqing Banking Association.

Financial Summary

(The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	2022	2021	Comparison between the year and last year	2020	2019	2018
			Rate of change (%)			
Operating results						
Net interest income	25,404.2	26,234.8	(3.17)	24,248.9	23,373.7	20,013.9
Net non-interest income	3,537.1	4,614.8	(23.35)	3,933.0	3,268.7	6,119.1
Among which: net fee and commission income	1,913.2	2,724.2	(29.77)	2,902.9	2,239.0	2,065.8
other net non- interest income	1,623.9	1,890.6	(14.11)	1,030.1	1,029.7	4,053.3
Operating income	28,941.3	30,849.6	(6.19)	28,181.9	26,642.4	26,133.0
Operating expenses	(9,540.5)	(8,795.7)	8.47	(7,909.4)	(7,835.9)	(8,165.1)
Credit impairment losses	(7,840.5)	(10,852.1)	(27.75)	(10,208.6)	(6,572.6)	(6,189.5)
Profit before tax	11,560.0	11,200.6	3.21	10,062.8	12,233.0	11,772.0
Net profit	10,477.8	9,718.4	7.81	8,564.8	9,988.1	9,164.0
Net profit attributable to shareholders of the Bank	10,275.6	<u>9,559.7</u>	7.49	<u>8,401.2</u>	<u>9,759.9</u>	<u>9,058.2</u>
			Change in amount			
Based on per share (RMB)						
Net assets per share attributable to ordinary shareholders of the Bank ⁽¹⁾	9.49	8.89	0.60	8.25	7.77	7.07
Basic earnings per share ⁽²⁾	0.89	0.84	0.05	0.74	0.95	0.91
Diluted earnings per share ⁽²⁾	0.89	<u>0.84</u>	<u>0.05</u>	<u>0.74</u>	<u>0.95</u>	<u>0.91</u>
			Change (percentage point)			
Profitability indicators (%)						
Average return on total assets ⁽³⁾	0.80	0.81	(0.01)	0.79	1.01	0.99
Weighted average return on net assets ⁽²⁾	9.72	9.82	(0.10)	9.24	12.75	13.47
Net interest spread ⁽⁴⁾	1.84	2.01	(0.17)	2.08	2.17	2.40
Net interest margin ⁽⁵⁾	1.97	2.17	(0.20)	2.25	2.33	2.45
Net fee and commission income to operating income	6.61	8.83	(2.22)	10.30	8.40	7.90
Cost-to-income ratio ⁽⁶⁾	31.90	<u>27.51</u>	<u>4.39</u>	<u>27.09</u>	<u>28.52</u>	<u>30.31</u>

Financial Summary

(Expressed in RMB million, unless otherwise stated)	31 December 2022	31 December 2021	Comparison between the end of the year and the end of last year	31 December 2020	31 December 2019	31 December 2018
			Rate of change (%)			
Scale indicators						
Total assets	1,352,301.2	1,266,291.2	6.79	1,136,366.6	1,030,230.2	950,618.0
Among which: Carrying balance of loans and advances to customers	632,677.1	582,166.5	8.68	507,885.9	437,084.9	381,135.6
Allowances for impairment on loans and advances to customers	(27,591.7)	(24,831.5)	11.12	(20,922.5)	(20,744.1)	(17,109.5)
Total liabilities	1,236,844.9	1,159,807.1	6.64	1,041,294.4	940,427.9	878,469.2
Among which: deposits from customers	824,946.8	759,360.2	8.64	724,999.8	673,401.8	616,166.2
Share capital	11,357.0	11,357.0	–	11,357.0	11,357.0	10,000.0
Equity attributable to shareholders of the Bank	113,723.5	104,952.8	8.36	93,668.7	88,213.5	70,748.2
Non-controlling interests	1,732.8	1,531.3	13.16	1,403.5	1,588.8	1,400.6
Total equity	115,456.3	106,484.1	8.43	95,072.2	89,802.3	72,148.8
			Change (percentage point)			
Assets quality indicators (%)						
Non-performing loan ratio	1.22	1.25	(0.03)	1.31	1.25	1.29
Provision coverage ratio	357.74	340.25	17.49	314.95	380.31	347.79
Provision-to-loan ratio	4.36	4.27	0.09	4.12	4.75	4.50
			Change (percentage point)			
Capital adequacy ratio indicators (%)						
Core Tier 1 capital adequacy ratio ⁽⁷⁾	13.10	12.47	0.63	11.96	12.42	10.95
Tier 1 capital adequacy ratio ⁽⁷⁾	13.84	12.98	0.86	11.97	12.44	10.96
Capital adequacy ratio ⁽⁷⁾	15.62	14.77	0.85	14.28	14.88	13.52
Total equity to total assets ratio	8.54	8.41	0.13	8.37	8.72	7.59
			Change (percentage point)			
Other indicators (%)						
Loan-to-deposit ratio	76.69	76.67	0.02	70.05	64.91	61.86

Notes:

- (1) Calculated by dividing shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments as at the end of the period by the total number of ordinary share capital as at the end of the period.
- (2) Calculated in accordance with the requirements of the "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.
- (3) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (4) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-bearing assets.
- (6) Calculated by dividing total operating expenses (excluding taxes and surcharges and other operating cost by operating income.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the CBIRC.

Basis of Preparation of Certain Financial Indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Management Discussion and Analysis

I. Overall Operating Analysis

In 2022, the Bank thoroughly implemented various national decision-making arrangements and regulatory requirements, adhered to the origin of serving real economy and the positioning of “supporting agriculture, rural areas and farmers and supporting small and micro enterprises”, continued to deepen the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, accelerated the construction of a development system of “all-in-one four-wheel drive” with the “large retail” as the subject and the corporate finance, financial market, financial technology and talent team as the driving force, proactively responded to market changes, and maintained a steady and good development trend, with the following characteristics of operation:

The operation development has achieved “three improvements”. The business development continued to improve, with total assets of RMB1,352.301 billion, representing an increase of RMB86.010 billion as compared to the end of the previous year, with deposit balance of RMB824.947 billion, representing an increase of RMB65.587 billion as compared to the end of the previous year, with loan balance of RMB632.677 billion, representing an increase of RMB50.511 billion as compared to the end of the previous year, and the scale of assets, deposits and loans continued to rank first in Chongqing. The quality and efficiency of service entities continued to improve, strengthening all-weather emergency duty, and ensuring the stability and continuity of financial services. The Bank increased the support for entities, and issued the re-loans of supporting agriculture, rural areas and farmers and supporting small and micro enterprises of RMB42.734 billion. The market shares of the loans for micro and small enterprises, the loans for private enterprise, the loans for manufacturing industry and other loans ranked first in Chongqing, and the Bank realized its own development in helping to “stabilize the market”. The asset quality continued to improve, with the non-performing loan ratio of 1.22%, representing a decrease of 0.03 percentage point as compared to the end of the previous year, with the provision coverage ratio of 357.74%, representing an increase of 17.49 percentage points as compared to the end of the previous year.

The strategic transformation made “three progress”. The retail transformation achieved results, consolidating and improving the financial ecology. The number of VIP customers in the retail business increased by 267,900 compared with the end of the previous year, and the activity rate increased by 0.28 percentage point compared with the end of the previous year. The retail business revenue accounted for 42.07%, representing a year-on-year increase of 1.56 percentage points, and the main supporting role of large retail was significantly enhanced. The digital transformation was accelerated, the balance of online loans exceeded RMB120 billion, and the service efficiency and customer experience continued to improve. Mobile banking 7.0, the new generation payment system, etc. completed the overall iteration, achieving a “zero breakthrough” in national government affairs data sources. The team structure transformation and optimization were deeply implemented, the front-line human resources protection was strengthened, and the proportion of customer managers continued to remain above 25%. The Bank increased the intensity of talent cultivation and introduction, and the proportion of financial science and technology talents was increased to 3.54%.

Reform and adjustment achieved “three enhancements”. The business vitality continued to improve, the marketization mechanism was further optimized, the reform tasks such as the “Double Hundred Actions” and the “Three-year Action of State-owned Enterprise Reform” were fully completed, and the special promotion action of benchmarking world-class management was promoted in an orderly manner. The Bank won the honorary title of “Benchmarking Enterprise” in the State-owned Asset Management System. The Group’s collaborative development capability was continuously improved, and the construction of internal operation analysis and marketization evaluation mechanism of subsidiaries was strengthened. The balance of the leasing assets of CQRC Financial Leasing maintained steady growth, the market competitiveness of the featured products of CQRC Wealth Management was continuously enhanced, and the management of village and township banks was improved, the risks of village and township banks were controllable risks, and all the village and township banks achieved profits. The market image of the Bank was continuously improved, and the Bank ranked 113rd among global banks, up 6 places. The Bank won nine awards issued by the National Interbank Funding Center, and won the most awards among financial institutions in central and western regions.

II. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Net interest income	25,404.2	26,234.8	(830.6)	(3.17)
Net non-interest income	3,537.1	4,614.8	(1,077.7)	(23.35)
Including: Net fee and Commission income	1,913.2	2,724.2	(811.0)	(29.77)
Net other non- interest income	1,623.9	1,890.6	(266.7)	(14.11)
Operating income	28,941.3	30,849.6	(1,908.3)	(6.19)
Operating expenses	(9,540.5)	(8,795.7)	(744.8)	8.47
Impairment losses on credit	(7,840.5)	(10,852.1)	3,011.6	(27.75)
Impairment losses on other assets	(0.3)	(1.2)	0.9	(75.00)
Profit before tax	11,560.0	11,200.6	359.4	3.21
Income tax expense	(1,082.2)	(1,482.2)	400.0	(26.99)
Net profit	10,477.8	9,718.4	759.4	7.81

Management Discussion and Analysis

In 2022, the Group insisted on the origin of serving the real economy, contributed to the stability of the overall economy, and proactively responded to market changes, thus its various business showed a stable growth and profitability was continuously enhanced. During the period, the Group recorded an operating income of RMB28.941 billion, representing a year-on-year decrease of RMB1.908 billion or 6.19%; and recorded a net profit of RMB10.478 billion, representing a year-on-year increase of RMB759 million or 7.81%.

1. Net interest income

The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Interest income	51,257.8	51,749.1	(491.3)	(0.95)
Interest expense	(25,853.6)	(25,514.3)	(339.3)	1.33
Net interest income	<u>25,404.2</u>	<u>26,234.8</u>	<u>(830.6)</u>	<u>(3.17)</u>

In 2022, the Group recorded a net interest income of RMB25.404 billion, representing a year-on-year decrease of RMB831 million or 3.17%. Among which, the loan interest income accounted for 57.54% of the interest income, representing a year-on-year increase of 1.71 percentage points.

(1) Net interest spread and net interest margin

The table below sets forth, for the years indicated, the average balances of interest-bearing assets and interest-bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of lease liabilities on the interest expense and average balances.

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest income/expense	Average yield/cost rate (%)	Average balance	Interest income/expense	Average yield/cost rate (%)
Assets						
Loans and advances to customers	612,476.7	29,496.2	4.82	555,385.1	28,893.4	5.20
Financial investment	484,951.7	17,578.9	3.62	436,875.5	16,886.6	3.87
Balances with Central Bank	53,840.2	824.4	1.53	58,274.2	895.8	1.54
Due from banks and other financial institutions	139,489.7	3,358.3	2.41	159,992.9	5,073.3	3.17
Total interest-bearing assets	1,290,758.3	51,257.8	3.97	1,210,527.7	51,749.1	4.27
Liabilities						
Deposits from customers	802,585.9	15,814.7	1.97	745,999.9	14,756.0	1.98
Borrowings from Central Bank	86,346.7	2,172.4	2.52	67,454.1	1,808.8	2.68
Due to banks and other financial institutions	147,742.9	3,217.8	2.18	109,017.8	2,864.8	2.63
Debt securities issued	175,711.3	4,643.9	2.64	204,664.7	6,079.0	2.97
Total interest-bearing liabilities	1,212,386.8	25,848.8	2.13	1,127,136.5	25,508.6	2.26
Net interest income		25,409.0			26,240.5	
Net interest spread⁽¹⁾			1.84%			2.01%
Net interest margin⁽¹⁾			1.97%			2.17%

Note: (1) Net interest spread refers to the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Management Discussion and Analysis

In 2022, the Group's net interest spread was 1.84%, representing a year-on-year decrease of 17 basis points, and the net interest margin was 1.97%, representing a year-on-year decrease of 20 basis points. On one hand, the LPR declined continuously due to the overall market environment; on the other hand, the Group continuously increased the support on real economy and implemented the policy of reducing fees and surrendering profits to effectively reduce the financing costs of enterprises, resulting in the decrease of the assets yield. Meanwhile, the Group actively used monetary policy tools to strengthen cost management and control and effectively reduced the liability financing costs.

The following table sets forth the changes in the Group's interest income and interest expense due to changes in volume and interest rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate:

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in amount of interest income and expense
Assets			
Loans and advances to customers	2,751.8	(2,149.0)	602.8
Financial investments	1,740.4	(1,048.1)	692.3
Balances with Central Bank	(67.8)	(3.6)	(71.4)
Due from banks and other financial institutions	(494.1)	(1,220.9)	(1,715.0)
Changes in interest income	<u>3,930.3</u>	<u>(4,421.6)</u>	<u>(491.3)</u>
Liabilities			
Deposits from customers	1,114.7	(56.0)	1,058.7
Borrowings from Central Bank	476.1	(112.5)	363.6
Due to banks and other financial institutions	844.2	(491.2)	353.0
Debt securities issued	(764.4)	(670.7)	(1,435.1)
Changes in interest expense	<u>1,670.6</u>	<u>(1,330.4)</u>	<u>340.2</u>
Changes in net interest income	<u>2,259.7</u>	<u>(3,091.2)</u>	<u>(831.5)</u>

Net interest income decreased by RMB832 million year-on-year, which was mainly due to the fact that the increase of RMB2,260 million of net interest income was driven by the changes in the average balance of various assets and liabilities and the decrease of RMB3,091 million of net interest income was attributable to the changes in the average yield and the average cost rate.

(2) Interest income

In 2022, the interest income of the Group amounted to RMB51,258 million, representing a year-on-year decrease of RMB491 million or 0.95%. The details are as follows:

① Interest Income from Loans and Advances to Customers

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	290,740.5	13,605.7	4.68	286,610.4	14,116.9	4.93
General short-term loans	68,145.4	2,738.9	4.02	77,622.1	3,306.0	4.26
Medium and long-term loans	222,595.1	10,866.8	4.88	208,988.3	10,810.9	5.17
Retail loans	274,960.2	15,069.0	5.48	251,467.5	14,331.2	5.70
General short-term loans	126,833.6	7,298.5	5.75	109,677.0	6,616.8	6.03
Medium and long-term loans	148,126.6	7,770.5	5.25	141,790.5	7,714.4	5.44
Discounted bills	46,776.0	821.5	1.76	17,307.2	445.3	2.57
Total loans and advances to customers	612,476.7	29,496.2	4.82	555,385.1	28,893.4	5.20

The interest income from loans and advances to customers amounted to RMB29.496 billion, representing a year-on-year increase of RMB603 million or 2.09%, which was mainly attributable to the fact that average balance of loans and advances to customers achieved faster growth. Among which, interest income from retail loans accounted for 51.09% of the interest income from loans and advances to customers, representing a year-on-year increase of 1.49 percentage points.

Management Discussion and Analysis

② Interest Income from Financial Investments

The average balance, interest income and average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets measured at amortised cost	405,947.2	15,393.9	3.79	413,457.9	16,150.4	3.91
Financial assets measured at fair value through other comprehensive income	79,004.5	2,185.0	2.77	23,417.6	736.2	3.14
Total financial investments	484,951.7	17,578.9	3.62	436,875.5	16,886.6	3.87

In 2022, interest income from financial investments amounted to RMB17.579 billion, representing a year-on-year increase of RMB692 million or 4.10%. This was mainly attributable to the fact that the Group strengthened investment in research and analysis, took into account liquidity and profitability on the premise of meeting capital security, and carried out multi-level assets portfolio in a rational manner.

③ Interest Income from Balances with Central Bank

The Group's interest income from balances with Central Bank amounted to RMB824 million, representing a year-on-year decrease of RMB71 million or 7.97%, mainly due to the fact that the PBOC lowered the deposit reserve ratio, which resulted in the year-on-year decrease in the Group's average balance with Central Bank of RMB4.434 billion or 7.61%.

④ Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	99,203.1	2,732.2	2.75	126,681.7	4,409.2	3.48
Financial assets held under resale agreements	40,286.6	626.1	1.55	33,311.2	664.1	1.99
Total due from banks and other financial institutions	139,489.7	3,358.3	2.41	159,992.9	5,073.3	3.17

In 2022, the Group's interest income due from banks and other financial institutions amounted to RMB3,358 million, representing a year-on-year decrease of RMB1,715 million or 33.80%, mainly due to the fact that the Group provided greater credit support and reduced the proportion of the assets allocation of banks, which resulted in decrease in due from banks and other financial institutions.

(3) Interest expense

In 2022, the interest expense of the Group was RMB25.854 billion, representing a year-on-year increase of RMB339 million or 1.33%, mainly driven by the increase of interest-bearing liabilities of the Group. The details are analyzed as follows:

Management Discussion and Analysis

① Interest Expense on Deposits from Customers

The average balance, interest expense and average cost rate for each component of deposits from customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Demand deposit	104,952.0	686.9	0.65	108,847.5	700.0	0.64
Time deposit	51,179.3	1,514.8	2.96	51,651.1	1,491.0	2.89
Subtotal corporate deposits	156,131.3	2,201.7	1.41	160,498.6	2,191.0	1.37
Demand deposit	130,337.1	373.5	0.29	122,545.5	394.8	0.32
Time deposit	516,117.5	13,239.5	2.57	462,955.8	12,170.2	2.63
Subtotal personal deposits	646,454.6	13,613.0	2.11	585,501.3	12,565.0	2.15
Total deposits from customers	802,585.9	15,814.7	1.97	745,999.9	14,756.0	1.98

In 2022, the interest expense on deposits from customers amounted to RMB15,815 million, representing a year-on-year increase of RMB1,059 million or 7.17%. The interest payment rate on deposits from customers was 1.97%, representing a year-on-year decrease of 1 basis point. The Group constantly consolidated its core liability and leveraged outlet, personnel and product advantages. Meanwhile, the Group optimized the deposit structure, strengthened deposit pricing management, limited and controlled deposit products with relatively high costs.

② Interest Expense on Borrowings from Central Bank

In 2022, interest expense on borrowings from Central Bank amounted to RMB2,172 million, representing a year-on-year increase of RMB364 million or 20.10%, mainly due to the fact that the Bank proactively used the re-loans in support of small enterprises, re-loans in support of agriculture and funds for rediscounting from Central Bank to support the development of real economy, with the year-on-year increase of RMB18,893 million or 28.01% in average balance of borrowings from Central Bank.

③ Interest Expense on Due to Banks and Other Financial Institutions

The average balance, interest expense and average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Amounts from banks and other financial institutions	86,160.4	2,135.9	2.48	67,656.4	2,025.6	2.99
Financial assets sold under repurchase agreements	61,582.5	1,081.9	1.76	41,361.4	839.2	2.03
Total amount due to banks and other financial institutions	147,742.9	3,217.8	2.18	109,017.8	2,864.8	2.63

In 2022, the Group's interest expense on due to banks and other financial institutions amounted to RMB3,218 million, representing a year-on-year increase of RMB353 million or 12.32%, mainly due to the fact that the Group moderately increased the interbank liabilities financing based on the change of the market situation.

④ Interest Expense on Issued Debt Securities

The average balance, interest expense and average cost rate for each component of issued debt securities of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2022			2021		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Debt Securities Payable	23,168.2	793.1	3.42	28,348.6	1,029.7	3.63
Interbank deposit certificate	152,543.1	3,850.8	2.52	176,316.1	5,049.3	2.86
Total Issued Debt Securities	175,711.3	4,643.9	2.64	204,664.7	6,079.0	2.97

In 2022, the interest expenses on issued debt securities of the Group amounted to RMB4,644 million, representing a year-on-year decrease of RMB1,435 million or 23.61%, the Group actively optimized the liability structure management and reduced financing from the issued debt securities.

Management Discussion and Analysis

2. Net non-interest income

In 2022, the Group's net non-interest income amounted to RMB3,537 million, representing a year-on-year decrease of RMB1,078 million or 23.35%, accounting for 12.22% of the operating income, representing a year-on-year decrease of 2.74 percentage points.

(1) Net fee and commission income

The following table sets forth, for the years indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Subtotal fee and commission income	2,326.7	2,902.0	(575.3)	(19.82)
Wealth management fees	462.0	1,638.5	(1,176.5)	(71.80)
Agency and fiduciary service fees	700.3	454.3	246.0	54.15
Bank card fees	423.9	194.3	229.6	118.17
Settlement and clearing fees	134.0	132.2	1.8	1.36
Others	606.5	482.7	123.8	25.65
Fee and commission expense	(413.5)	(177.8)	(235.7)	132.56
Total net fee and commission income	<u>1,913.2</u>	<u>2,724.2</u>	<u>(811.0)</u>	<u>(29.77)</u>

In 2022, the net fee and commission income of the Group amounted to RMB1,913 million, representing a year-on-year decrease of RMB811 million or 29.77%. The net fee and commission income accounted for 6.61% of the operating income.

Wealth management fees amounted to RMB462 million, representing a year-on-year decrease of RMB1,177 million, mainly due to the decrease in the asset yield of the overall market.

Agency and fiduciary service fees amounted to RMB700 million, representing a year-on-year increase of RMB246 million, mainly due to the steady promotion of agency business such as insurance agency business of the Group.

Bank card fees amounted to RMB424 million, representing a year-on-year increase of RMB230 million, mainly attributed to the growth of the Group's merchant business.

Other fee and commission income amounted to RMB607 million, representing a year-on-year increase of RMB124 million, which mainly due to the fact that the Group kept up with the market and continuously promoted the development of businesses such as bond lending.

Fee and commission expenses amounted to RMB414 million, representing a year-on-year increase of RMB236 million, which mainly due to the fact that the Group accelerated the construction of BBC ecosystem and the business scale further expanded.

(2) Other net non-interest income

The following table sets forth, for the years indicated, other net non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Net trading gain	687.4	1,239.1	(551.7)	(44.52)
Other net business gain	463.4	526.2	(62.8)	(11.93)
Share of net profits from associates	3.3	1.1	2.2	200.00
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	404.6	119.2	285.4	239.43
Net gain resulted from derecognition of financial assets measured at amortised cost	65.2	5.0	60.2	1,204.00
Total other net non- interest income	<u>1,623.9</u>	<u>1,890.6</u>	<u>(266.7)</u>	<u>(14.11)</u>

In 2022, the Group's other net non-interest income was RMB1,624 million, representing a year-on-year decrease of RMB267 million or 14.11%, mainly due to the decrease in net gains and losses resulted from transactions of financial assets measured at fair value through profit and loss.

Management Discussion and Analysis

3. Operating expenses

The following table sets forth, for the years indicated, the operating expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Staff costs	5,640.2	5,499.1	141.1	2.57
Salaries, bonuses and allowances	3,792.4	3,621.7	170.7	4.71
Staff benefits, social insurance premiums, housing provident fund	1,380.4	1,339.1	41.3	3.08
Others	467.4	538.3	(70.9)	(13.17)
Taxes and surcharges	274.2	286.8	(12.6)	(4.39)
Depreciation and amortisation	785.7	829.8	(44.1)	(5.31)
Other general and administrative costs	2,805.9	2,159.0	646.9	29.96
Other operating cost	34.5	21.0	13.5	64.29
Total operating expenses	<u>9,540.5</u>	<u>8,795.7</u>	<u>744.8</u>	<u>8.47</u>

In 2022, the operating expenses of the Group amounted to RMB9,541 million, representing a year-on-year increase of RMB745 million or 8.47%.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 59.12% and 62.52% of its total operating expenses for 2022 and 2021 respectively.

In 2022, staff costs amounted to RMB5,640 million, representing a year-on-year increase of RMB141 million or 2.57%, mainly due to the increase in labour cost.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In 2022, taxes and surcharges amounted to RMB274 million, representing a year-on-year decrease of RMB13 million or 4.39%, which was mainly due to the decrease in the taxes such as value-added tax and surcharges, driven by the decrease in the Group's taxable income.

(3) Depreciation and Amortization

In 2022, the depreciation and amortization amounted to RMB786 million, representing a year-on-year decrease of RMB44 million, which was basically stable.

(4) Other General and Administrative Expenses

In 2022, other general and administrative expenses amounted to RMB2,806 million, representing a year-on-year increase of RMB647 million or 29.96%, which was mainly due to the fact that the Group continuously consolidated and improved the business ecology of “large retail” and the business promotion fee and other fees related to the business development increased.

(5) Other Operating Cost

In 2022, the Group’s other operating cost amounted to RMB35 million, which was mainly due to the fact that the Group carried out operating lease business, resulting in the increase in operating lease cost.

4. Impairment loss

The following table sets forth, for the years indicated, the impairment loss of the Group:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Impairment loss on credit on loans and advances to customers	7,719.1	11,051.0	(3,331.9)	(30.15)
Impairment loss on credit on financial investments	60.4	(218.4)	278.8	(127.66)
Impairment loss on other credit	61.0	19.5	41.5	212.82
Impairment losses on other assets	0.3	1.2	(0.9)	(75.00)
Total impairment loss	7,840.8	10,853.3	(3,012.5)	(27.76)

Management Discussion and Analysis

In 2022, the Group's impairment loss was RMB7,841 million, representing a year-on-year decrease of RMB3,013 million or 27.76%. Among which, impairment losses on loans and advances to customers decreased by RMB3,332 million year-on-year, mainly due to the fact that the Group made forward-looking impairment provision for large-value risky loans in the previous years. During the year, the downward pressure of loan asset quality has been mitigated and the impairment loss significantly declined.

The impairment losses on financial investments increased by RMB279 million year-on-year and impairment losses on other credit increased by RMB42 million year-on-year, mainly due to the fact that the Group made forward-looking impairment provision based on the principle of prudence after taking into account the uncertainties of the financial market.

5. Income tax expense

The following table sets forth the profit before tax and income tax expense of the Group for the years indicated:

(Expressed in RMB million, unless otherwise stated)	2022	2021	Change in amount	Rate of change (%)
Profit before tax	11,560.0	11,200.6	359.4	3.21
Tax calculated at applicable statutory tax rate	2,773.8	2,707.3	66.5	2.46
Add/(less) the tax effect of the following items:				
Non-deductible expenses	114.0	85.3	28.7	33.65
Deductible/Non-taxable income	(1,806.6)	(1,304.9)	(501.7)	38.45
Others	1.0	(5.5)	6.5	(118.18)
Income tax expense	<u>1,082.2</u>	<u>1,482.2</u>	<u>(400.0)</u>	<u>(26.99)</u>

In 2022, income tax expense amounted to RMB1,082 million, representing a decrease of RMB400 million year-on-year. The effective income tax rate was 9.36%, lower than the statutory rate of 25%, which was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Balance Sheet

1. Assets

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

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021		Change in amount	Rate of change (%)
	Amount	Rate of change (%)	Amount	Percentage (%)		
Net loans and advances to customers	605,085.4	44.74	557,335.0	44.01	47,750.4	8.57
Carrying balance of loans and advances to customers	632,677.1	46.79	582,166.5	45.97	50,510.6	8.68
Allowances for impairment on loans and advances to customers ⁽¹⁾	(27,591.7)	(2.05)	(24,831.5)	(1.96)	(2,760.2)	11.12
Financial Investments	572,982.8	42.37	521,599.0	41.20	51,383.8	9.85
Financial assets measured at amortised cost	401,141.7	29.66	424,417.9	33.52	(23,276.2)	(5.48)
Financial assets measured at fair value through other comprehensive income	106,005.4	7.84	48,833.5	3.86	57,171.9	117.08
Financial assets measured at fair value through profit and loss	65,835.7	4.87	48,347.6	3.82	17,488.1	36.17
Cash and balances with Central Bank	52,894.0	3.91	61,349.6	4.84	(8,455.6)	(13.78)
Deposits and placements with banks and other financial institutions	94,666.7	7.00	108,089.9	8.54	(13,423.2)	(12.42)
Financial assets held under resale agreements	8,457.2	0.63	980.3	0.08	7,476.9	762.72
Investment in associates	454.7	0.03	451.4	0.04	3.3	0.73
Goodwill	440.1	0.03	440.1	0.03	–	–
Other assets ⁽²⁾	17,320.3	1.29	16,045.9	1.26	1,274.4	7.94
Total Assets	1,352,301.2	100.00	1,266,291.2	100.00	86,010.0	6.79

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets, right-of-use assets, and other receivables.

Management Discussion and Analysis

As of the end of 2022, the Group's total assets amounted to RMB1,352,301 million, representing an increase of RMB86,010 million or 6.79% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB632.677 billion, representing an increase of RMB50.511 billion or 8.68% over the end of the previous year and accounted for 46.79% of total assets, representing an increase of 0.82 percentage point over the end of the previous year. The Group gave full play to the role of local financial services as the "main force" serving real economy and local economy, docked with major strategies and seized the opportunity of the construction of the Chengdu-Chongqing Economic Circle. The Group was committed to serving the rural revitalization, thoroughly promoted inclusive finance, actively established green finance system and increased the credit placement in the areas that benefit people's livelihood and advanced manufacturing. The Group also enhanced the support of fintech on business, enriched digitalized product system, steadily enlarged consumer loans and consolidated and improved finance ecology.

Financial investments amounted to RMB572,983 million, representing an increase of RMB51,384 million or 9.85% as compared to the end of the previous year. In 2022, the Group increased the investment in standardized products such as bonds and also continued to enrich categories of investment products and optimized allocation strategy. Among which, financial assets measured at fair value through other comprehensive income amounted to RMB106,005 million, representing an increase of RMB57,172 million or 117.08% as compared to the end of the previous year. Financial assets measured at fair value through profit and loss amounted to RMB65,836 million, representing an increase of RMB17,488 million or 36.17% as compared to the end of the previous year.

Total cash and balances with the Central Bank amounted to RMB52,894 million, representing a decrease of RMB8,456 million or 13.78% as compared to the end of the previous year, mainly attributable to the decrease of the deposit reserve ratio.

Deposits and placements with banks and other financial institutions amounted to RMB94,667 million, representing a decrease of RMB13,423 million or 12.42% as compared to the end of the previous year, mainly due to the fact that the Group optimized its asset structure, increased credit investment, increased the proportion of credit assets and reduced deposits and placements with banks and other financial institutions.

Financial assets held under resale agreements amounted to RMB8,457 million, representing an increase of RMB7,477 million or 762.72% as compared to the end of the previous year, mainly due to the Group's utilization of surplus funds through multiple channels, after comprehensively taking into account the needs of asset-liability and liquidity management.

(1) Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	298,687.4	47.21	280,285.2	48.15
Short-term loans	48,907.4	7.73	56,140.6	9.64
Medium and long-term loans	249,780.0	39.48	224,144.6	38.51
Retail loans and advances	282,769.4	44.69	275,554.8	47.33
Personal mortgage loans ⁽¹⁾	96,965.2	15.33	100,979.8	17.35
Personal business and reemployment loans ⁽²⁾	101,879.8	16.10	89,795.5	15.42
Other loans ⁽³⁾	83,924.4	13.26	84,779.5	14.56
Discounted bills	51,220.3	8.10	26,326.5	4.52
Total loans and advances to customers	632,677.1	100.00	582,166.5	100.00

Notes:

- (1) Personal mortgage loans primarily consist of residential mortgage loans and commercial property mortgage loans.
- (2) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and small amount loans related to employment and re-employment.
- (3) Other loans primarily consist of individual consumption loans, credit card loans, housing pledged loan, rural cross-guaranteed loans and credit loans.

As at the end of 2022, the carrying balance of loans and advances to customers of the Group amounted to RMB632,677 million, representing an increase of RMB50,511 million, or 8.68% as compared to the end of the previous year.

Management Discussion and Analysis

The gross amount of corporate loans and advances was RMB298,687 million, representing an increase of RMB18,402 million, or 6.57% as compared to the end of the previous year. Among which, short-term loans decreased by RMB7,233 million, and medium-and long-term loans increased by RMB25,635 million. The Group innovated featured products, enriched franchise institutions, and made efforts to promote the rural revitalization from various aspects around local featured agriculture. The Group continued to build a green product system and promote the development of green finance. The Group adhered to serving the real economy, tilted credit resources, and supported the development of strategic emerging industries such as new energy.

Total retail loans and advances amounted to RMB282.769 billion, representing an increase of RMB7.215 billion or 2.62% over the end of the previous year. The Group continuously implemented the strategic orientation of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents” and vigorously developed inclusive finance and consumer finance retail loan business.

Among which, total personal mortgage loans amounted to RMB96.965 billion, representing a decrease of RMB4.015 billion or 3.98% over the end of the previous year, mainly due to the major support for the local citizens’ reasonable financing requirement for owner-occupied houses, subject to the regulatory requirements.

Total personal business and re-employment loans amounted to RMB101.880 billion, representing an increase of RMB12.084 billion or 13.46% over the end of the previous year. The Group has accelerated the online digital transformation, promoted the construction of the service system and supported the development of personal operating loans business through multiple channels.

Total other loans amounted to RMB83.924 billion, representing a decrease of RMB855 million or 1.01% over the end of the previous year. With the help of financial technology, the Group highlighted innovation of products such as “Yukuai Loan”, implemented differentiation financial services to steadily promote the development of consumer finance.

Discounted bills amounted to RMB51,220 million, representing an increase of RMB24,894 million or 94.56% as compared to the end of the previous year, which was mainly attributable to the fact that the Group met the needs of enterprises for discounted financing based on the operating situation of the real economy.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Loan amount	Percentage (%)	Loan amount	Percentage (%)
Corporate loans and advances	298,687.4	47.21	280,285.2	48.15
Leasing and business services	72,416.8	11.45	63,956.0	10.99
Water, environmental and public facility management	71,061.4	11.23	66,616.5	11.44
Manufacturing	61,679.4	9.75	56,766.4	9.75
Transportation, warehousing and postal services	25,503.7	4.03	22,092.3	3.79
Electricity, heat, gas and water production and supply industries	22,174.8	3.50	23,169.5	3.98
Wholesale and retail industries	15,095.2	2.39	16,590.0	2.85
Construction	8,368.1	1.32	7,165.6	1.23
Health and social work	6,834.2	1.08	6,819.3	1.17
Real estate	4,403.7	0.70	4,687.0	0.81
Agriculture, forestry, animal husbandry and fishery	2,287.5	0.36	2,039.1	0.35
Others	8,862.6	1.40	10,383.5	1.79
Retail loans and advances	282,769.4	44.69	275,554.8	47.33
Discounted bills	51,220.3	8.10	26,326.5	4.52
Total loans and advances to customers	632,677.1	100.00	582,166.5	100.00

In 2022, the Group continued to increase credit support for national and major local strategic projects, intelligent manufacturing, and people's livelihood. As of the end of 2022, the balance of the Group's corporate loans invested in leasing and business service, water, environmental and public facilities management and manufacturing industries were RMB72.417 billion, RMB71.061 billion and RMB61.679 billion respectively, accounting for 11.45%, 11.23% and 9.75% of the Group's total loans and advances, respectively.

Management Discussion and Analysis

(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds investment	468,689.6	81.81	419,772.3	80.49
Debt instruments issued by financial institutions	10,967.6	1.91	16,193.8	3.10
Interbank certificates of deposit	49,185.2	8.58	28,461.4	5.46
Debt financing plan	13,301.7	2.32	24,746.8	4.74
Fund	30,206.1	5.27	31,627.0	6.06
Equity instruments	632.6	0.11	797.7	0.15
Total financial investments	572,982.8	100.00	521,599.0	100.00

As of the end of 2022, the total financial investment amounted to RMB572,983 million, representing an increase of RMB51,384 million or 9.85% as compared with the end of the previous year. The Group continued to strengthen investment and research analysis and actively optimized investment structure.

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	188,526.5	40.22	178,927.5	42.62
Public institutions and quasi-government bonds	138,868.3	29.63	97,837.9	23.31
Financial institution bonds	90,835.8	19.38	81,904.5	19.51
Corporate bonds	50,459.0	10.77	61,102.4	14.56
Total bonds investment	468,689.6	100.00	419,772.3	100.00

The Group optimized the structure of financial investment. At the end of 2022, the government bonds and public institutions and quasi-government bonds increased by RMB9,599 million and RMB41,030 million respectively, as compared to the end of the previous year.

(3) Foreclosed Assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary delivery of the borrowers, as compensation for the losses on loans and advances and interest receivable. As at the end of 2022, the Group's foreclosed assets was RMB39 million, and the balance of impairment allowances for foreclosed assets was RMB4 million. Please refer to "Other Assets" under Notes to the Financial Statements for details.

2. Liabilities

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

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Deposits from customers	824,946.8	66.70	759,360.2	65.47	65,586.6	8.64
Deposits and placements from banks and other financial institutions	93,529.2	7.56	63,396.7	5.47	30,132.5	47.53
Debt securities issued	171,069.2	13.83	225,254.4	19.42	(54,185.2)	(24.06)
Borrowings from Central Bank	86,393.4	6.98	80,539.8	6.94	5,853.6	7.27
Financial assets sold under repurchase agreements	42,465.6	3.43	19,088.5	1.65	23,377.1	122.47
Other liabilities ⁽¹⁾	18,440.7	1.50	12,167.5	1.05	6,273.2	51.56
Total liabilities	1,236,844.9	100.00	1,159,807.1	100.00	77,037.8	6.64

Note: (1) Other liabilities consist of accrued staff costs, taxes payable, lease liabilities and other payables, etc.

Management Discussion and Analysis

As of the end of 2022, the total liabilities of the Group increased by RMB77.038 billion, or 6.64%, to RMB1,236.845 billion as compared to the end of the previous year. Deposits from customers are the most core liabilities source of the Group, which increased by RMB65,587 million or 8.64% as compared to the end of the previous year; deposits and placements from banks and other financial institutions increased by RMB30,133 million or 47.53% as compared to the end of the previous year; the debt securities issued decreased by RMB54,185 million or 24.06% as compared to the end of the previous year; financial assets sold under repurchase agreements increased by RMB23,377 million or 122.47% as compared to the end of the previous year, mainly due to the adjustment of liabilities structure of the Group based on the market condition. Borrowings from Central Bank increased by RMB5,854 million or 7.27% as compared to the end of the previous year, which was mainly due to the fact that the Bank proactively used the Central Bank's monetary policy tools and newly added Central Bank's special funds including re-loans in support of agriculture and micro and small enterprises, etc.

(1) Deposits from customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Subtotal corporate deposits	141,081.9	17.10	150,211.6	19.78
Demand deposit	104,856.8	12.71	104,825.5	13.80
Time deposit	36,225.1	4.39	45,386.1	5.98
Subtotal personal deposits	677,351.3	82.11	604,016.1	79.55
Demand deposit	145,893.6	17.69	126,626.7	16.68
Time deposit	531,457.7	64.42	477,389.4	62.87
Pledged deposits	6,504.6	0.79	5,115.2	0.67
Other deposits	9.0	–	17.3	–
Total deposits from customers	824,946.8	100.00	759,360.2	100.00

In 2022, the Group leveraged its channel and retail advantages, and steadily increased deposits from customers. As of the end of 2022, total deposits from customers amounted to RMB824,947 million, representing an increase of RMB65,587 million or 8.64% as compared to the end of the previous year.

In terms of customer structure, corporate deposits amounted to RMB141,082 million with a decrease of RMB9,130 million or 6.08% over the end of the previous year, the percentage of deposits from customers recorded a decrease of 2.68 percentage points as compared to the end of the previous year; personal deposits amounted to RMB677,351 million with an increase of RMB73,335 million or 12.14% over the end of the previous year, the percentage of total deposits from customers recorded a further increase of 2.56 percentage points as compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB250,750 million, representing an increase of RMB19,298 million or 8.34% over the end of the previous year, and accounted for 30.40% of total deposits from customers. Time deposits amounted to RMB567,683 million, representing an increase of RMB44,907 million or 8.59% over the end of the previous year, with the proportion of total deposits from customers of 68.81%.

(2) Debt securities issued

The Bank has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the “Rules No. 2 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of Annual Report (Revision 2021)” and the “Administrative Measures on Information Disclosure of Corporate Credit Bonds” issued by CSRC. For details, please refer to “Debt securities issued” under Notes to the Financial Statements.

Management Discussion and Analysis

3. Shareholders' Equity

The following table sets forth, as at the dates indicated, the composition of shareholders' equity of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Share capital	11,357.0	9.84	11,357.0	10.67	–	–
Other equity instruments	5,997.6	5.19	3,998.3	3.75	1,999.3	50.00
Capital reserve	20,924.6	18.12	20,924.6	19.65	–	–
Investment revaluation reserve	(345.8)	(0.30)	195.8	0.18	(541.6)	(276.61)
Actuarial revaluation reserve	(576.2)	(0.50)	(641.2)	(0.60)	65.0	(10.14)
Surplus reserve	13,841.8	11.99	12,930.7	12.14	911.1	7.05
General risk reserve	17,848.9	15.46	15,881.4	14.91	1,967.5	12.39
Retained earnings	44,675.6	38.70	40,306.2	37.86	4,369.4	10.84
Equity attributable to						
shareholders of the Bank	113,723.5	98.50	104,952.8	98.56	8,770.7	8.36
Non-controlling interests	1,732.8	1.50	1,531.3	1.44	201.5	13.16
Total shareholders' equity	115,456.3	100.00	106,484.1	100.00	8,972.2	8.43

As of the end of 2022, total equity amounted to RMB115,456 million, representing an increase of RMB8,972 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, other equity instruments increased by RMB1,999 million as compared to the end of the previous year, which was mainly due to the fact that the Group issued new perpetual bonds; investment revaluation reserve decreased by RMB542 million as compared to the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; general risk reserve increased by RMB1,968 million as compared to the end of the previous year, mainly due to provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

4. *Off-Balance-Sheet Items*

Off-balance-sheet items of the Group mainly include unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued, and their respective balances amounted to RMB25,118 million, RMB9,490 million, RMB2,991 million and RMB339 million respectively. All the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were approved but not contracted or unfulfilled contracts with amount of RMB586 million. The operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

(III) Cash Flows Statement Analysis

The following table sets forth, for the years indicated, the Group's cash flow statement:

(Expressed in RMB million, unless otherwise stated)	2022	2021
Net cash flow from operating activities	70,901.2	41,228.8
Net cash flow from investing activities	(15,314.9)	(72,045.4)
Net cash flow from financing activities	(59,932.4)	47,371.1

Net cash inflows from operating activities amounted to RMB70,901 million, among which, the cash inflow was RMB174,414 million, representing a year-on-year increase of RMB18,286 million, mainly due to a year-on-year increase in the net increase in the deposits from customers and deposits from banks and other financial institutions; and the cash outflow was RMB103,512 million, representing a year-on-year decrease of RMB11,387 million, mainly due to a year-on-year decrease in the net increase in loans and advances to customers.

Net cash outflow from investing activities amounted to RMB15,315 million. In particular, cash inflow amounted to RMB306,876 million, representing a year-on-year increase of RMB83,250 million, which was mainly due to the increase in cash received from recovery of investments; cash outflow amounted to RMB322,191 million, representing a year-on-year increase of RMB26,519 million, which was mainly due to the increase in cash payments on investments.

Net cash outflow from financing activities amounted to RMB59,932 million. In particular, cash inflow amounted to RMB228,368 million, representing a year-on-year decrease of RMB65,233 million, which was mainly due to the decrease in the cash received from the issuance of debt bonds by the Group; cash outflow amounted to RMB288,301 million, representing a year-on-year increase of RMB42,070 million, which was mainly due to the increase in the cash paid for repayment of debt bonds.

(IV) Loan Quality Analysis

1. *Breakdown of Loans by the five-category classification*

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

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	616,790.2	97.49	563,693.0	96.83
Special mention	8,170.4	1.29	11,173.3	1.92
Substandard	4,404.8	0.70	4,002.0	0.69
Doubtful	2,964.6	0.47	3,079.6	0.53
Loss	347.1	0.05	218.6	0.03
Total loans and advances to customers	632,677.1	100.00	582,166.5	100.00
Balance of NPLs	7,716.5		7,300.2	
NPL ratio (%)		1.22		1.25

In 2022, the Bank actively responded to the external situation, strictly controlled substantial risks, implemented classification management dynamically, conducted the recovery and disposal of non-performing loans in a timely manner and comprehensively improved quality of asset. As of the end of 2022, balance of NPLs of the Group was RMB7,717 million, representing an increase of RMB416 million as compared to that of the end of the previous year. The NPL ratio was 1.22%, representing a decrease of 0.03 percentage point as compared to that of the end of the previous year. Among which, the balance of NPLs of urban area and the balance of NPLs of county area accounted for 60.25% and 39.75% of the Group, respectively.

2. Concentration of Loans

(1) Concentration by industry and distribution of NPL

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry:

(Expressed in RMB million, unless otherwise stated)	31 December 2022				31 December 2021			
	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances	298,687.4	47.21	4,399.6	1.47	280,285.2	48.15	5,468.9	1.95
Manufacturing	61,679.4	9.75	734.9	1.19	56,766.4	9.75	807.0	1.42
Production and supply of electricity, gas and water	22,174.8	3.50	578.0	2.61	23,169.5	3.98	254.3	1.10
Real estate	4,403.7	0.70	320.6	7.28	4,687.0	0.81	-	-
Leasing and commercial services	72,416.8	11.45	201.9	0.28	63,956.0	10.99	1,754.6	2.74
Water conservancy, environment and public utility management	71,061.4	11.23	459.4	0.65	66,616.5	11.44	207.1	0.31
Construction	8,368.1	1.32	44.9	0.54	7,165.6	1.23	28.2	0.39
Wholesale and retail	15,095.2	2.39	822.5	5.45	16,590.0	2.85	1,635.1	9.86
Others	43,488.0	6.87	1,237.4	2.85	41,334.2	7.10	782.6	1.89
Retail loans and advances	282,769.4	44.69	3,315.9	1.17	275,554.8	47.33	1,830.3	0.66
Discounted bills	51,220.3	8.10	1.0	0.00	26,326.5	4.52	1.0	0.00
Total	632,677.1	100.00	7,716.5	1.22	582,166.5	100.00	7,300.2	1.25

In 2022, the Group fully researched and judged regulatory policies, strictly implemented the guidelines on credit supply, strictly controlled credit access, and strengthened the monitoring of customers in key fields and the key industry. As of the end of 2022, the non-performing balance and non-performing ratio of the Group's retail loans increased as compared with the end of the previous year, which mainly due to the fact that some individual industrial and commercial households and other customers had difficulty in operating and their solvency declined affected by slow macro-economic recovery and other factors. The Group strictly controlled substantial risks and dynamically implemented classification management. Meanwhile, the asset quality of the Group's corporate loans continued to improve and its non-performing loans achieved a "double decline". Due to the overall risks of the industry and other factors, individual corporate customers are exposed to risks. The capital chains of some real estate enterprises were broken due to the poor prosperity of the real estate industry and other factors, resulting in the downward shift of asset quality and the fact that the non-performing balance and the non-performing ratio of the real estate industry increased.

Management Discussion and Analysis

(2) Concentration of borrowers

As of the end of 2022, the Group's total loans to its largest single borrower accounted for 3.21% of its net capital while total loans to its top ten clients accounted for 22.37% of its net capital. All the Group's loans to top ten largest single borrowers were not NPLs as of the end of 2022.

① Indicators of concentration

Major Regulatory Indicators (%)	Regulatory standard	31 December 2022	31 December 2021	31 December 2020
Percentage of the loans to largest single client to the net capital	≤10	3.21	2.73	3.74
Percentage of the loans to single group client to the net capital	≤15	6.73	5.84	5.72
Percentage of the loans to top ten clients to the net capital	–	<u>22.37</u>	<u>24.00</u>	<u>23.76</u>

② Top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	31 December 2022	
		Amount	Percentage of total loans and advances (%)
Client A	Transportation, warehousing and postal services	4,137.2	0.65
Client B	Leasing and commercial service	3,258.3	0.52
Client C	Manufacturing	3,123.7	0.49
Client D	Water conservancy, environment and public utility management	2,982.7	0.47
Client E	Manufacturing	2,891.5	0.46
Client F	Water conservancy, environment and public utility management	2,804.9	0.44
Client G	Water conservancy, environment and public utility management	2,567.9	0.41
Client H	Leasing and commercial service	2,396.5	0.38
Client I	Water conservancy, environment and public utility management	2,344.6	0.37
Client J	Water conservancy, environment and public utility management	2,291.1	0.36

3. *Distribution of Loans and NPLs by Product Type*

The following table sets forth, for the dates indicated, the loans and NPLs of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	31 December 2022			31 December 2021		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans and advances	298,687.4	4,399.6	1.47	280,285.2	5,468.9	1.95
Short-term loans	48,907.4	1,471.9	3.01	56,140.6	2,050.2	3.65
Medium-and-long-term loans	249,780.0	2,927.7	1.17	224,144.6	3,418.7	1.53
Retail loans and advances	282,769.4	3,315.9	1.17	275,554.8	1,830.3	0.66
Personal mortgage loans	96,965.2	750.5	0.77	100,979.8	469.0	0.46
Personal business and re- employment loans	101,879.8	1,513.0	1.49	89,795.5	653.8	0.73
Other loans	83,924.4	1,052.4	1.25	84,779.5	707.5	0.83
Discounted bills business	51,220.3	1.0	0.00	26,326.5	1.0	0.00
Total	632,677.1	7,716.5	1.22	582,166.5	7,300.2	1.25

As of the end of 2022, non-performing ratio of corporate loans of the Group decreased by 0.48 percentage point to 1.47% as compared with the end of the previous year, whereas non-performing ratio of retail loans increased by 0.51 percentage point to 1.17% as compared with the end of the previous year.

4. *Restructured Loans and Advances to Customers*

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	213.2	0.03	1,132.3	0.19

Management Discussion and Analysis

As at the end of 2022, the total restructured loans of the Group amounted to RMB213 million, representing a decrease of RMB919 million from the end of the previous year and accounted for 0.03% of total loans and advances, representing a decrease of 0.16 percentage point from the end of the previous year.

5. *Overdue Loans and Advances to Customers*

The following table sets forth, for the dates indicated, the aging analysis of the Group's overdue loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	2,779.1	0.44	2,616.9	0.45
Overdue for 3 months to 1 year	3,360.9	0.53	2,632.5	0.45
Overdue for over 1 year and within 3 years	1,655.0	0.26	1,456.3	0.25
Overdue for more than 3 years	620.1	0.10	186.0	0.03
Total overdue loans and advances to customers	8,415.1	1.33	6,891.7	1.18

As of the end of 2022, the total overdue loans of the Group amounted to RMB8,415 million, representing an increase of RMB1,523 million from the end of the previous year; overdue loans accounted for 1.33%, representing an increase of 0.15 percentage point from the end of the previous year.

6. *Changes in Provision for Loans Impairment*

The following table sets forth, for the periods indicated, the changes in the Group's provision for loans impairment:

(Expressed in RMB million, unless otherwise stated)	Stage 1	Stage 2	Stage 3	Total
Balance as of 31 December 2021	12,704.0	4,212.8	7,914.7	24,831.5
Transfer:				
Transfer to stage 1	997.6	(951.0)	(46.6)	–
Transfer to stage 2	(635.7)	672.3	(36.6)	–
Transfer to stage 3	(105.5)	(1,598.3)	1,703.8	–
Provision for the year	1,215.2	3,910.9	2,586.9	7,713.0
Write-off and others for the year	–	–	(7,064.8)	(7,064.8)
Recovery of loans written- off for the year	–	–	2,112.0	2,112.0
Balance as of 31 December 2022	14,175.6	6,246.7	7,169.4	27,591.7

7. *Distribution of Loans by Type of Collateral*

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
Credit loans	110,725.3	17.50	98,461.8	16.91
Guaranteed loans	171,484.8	27.10	177,919.3	30.56
Collateralised loans	252,180.8	39.86	239,851.7	41.20
Pledged loans	98,286.2	15.54	65,933.7	11.33
Total loans and advances to customers	<u>632,677.1</u>	<u>100.00</u>	<u>582,166.5</u>	<u>100.00</u>

8. *Loan Migration Ratios*

Items (%)	31 December 2022	31 December 2021	31 December 2020
Migration ratios of normal loans	1.54	1.93	3.20
Migration ratios of special-mentioned loans	38.49	60.98	49.53
Migration ratios of substandard loans	29.81	65.23	10.89
Migration ratios of doubtful loans	2.77	1.78	2.04

Loan migration ratio is calculated according to 1104 statement of CBIRC and is the data of the Group.

(V) Liability quality analysis

Liability quality management means a management activity carried out in terms of liability sources, structures, costs, etc. for the purpose of ensuring the safety, liquidity and efficiency of operations, and in accordance with the principle of adapting to business strategy, risk preference and overall business structure.

The Bank's liability quality management system consists of a decision-making system, a supervision system and an implementation system and specifies the division of responsibilities, management strategies and processes, management elements and indicators, etc. The liability quality management system and process are well-established.

The Bank adhered to the steady and prudent debt quality management strategy, and continued to promote the steady and sustainable development of the liability business. Firstly, the Bank adhered to the balanced development of volume and price, firmly established the consciousness that "cost control is also the core competitiveness", insisted on giving priority to the growth of low-cost deposits, properly handled the relationship between stable deposits and deposit increase and volume and price balance, and continuously consolidated the effect of interest payment cost control. Secondly, the Bank made proper arrangements for active liabilities, rationally arranged the issuance plans for active liabilities such as inter-bank liabilities and financial liabilities in combination with the needs of asset business development and liquidity management, and kept diversified liability channels and sources. At the same time, the Bank strengthened the analysis of market interest rate trend and grasped the issuance window to effectively control the interest payment costs. Thirdly, the Bank paid attention to the coordinated development of assets and liabilities, strengthened the concept of balanced and coordinated development of assets and liabilities as a whole, rationally manipulated the term structure and interest rate structure of assets and liabilities business, and properly balanced the "quantity, price and risk".

In 2022, the Group's liability business grew steadily, and the overall performance of liability quality indicators was good. The net stable fund ratio of the Group was 122.89%, and the liquidity coverage ratio was 296.92%, both of which were better than the regulatory requirements. The Group's interest-bearing liability cost ratio was 2.13%, representing a year-on-year decrease of 13BP, and the interest-bearing rate of deposits was 1.97%, representing a year-on-year decrease of 1BP. The liability costs were controlled well.

(VI) Segment Information1. *Summary of Geographical Segment*

(Expressed in percentage)	31 December 2022		31 December 2021	
	County	Urban	County	Urban
Deposits	71.80	28.20	70.62	29.38
Loans	50.15	49.85	52.00	48.00
Assets	51.63	48.37	50.69	49.31
Deposit-loan ratio	53.57	135.55	56.44	125.28

In 2022, the Group's deposits in county area accounted for 71.80%, an increase of 1.18 percentage points over the end of the previous year. The loans in county area accounted for 50.15%, a decrease of 1.85 percentage points over the end of the previous year, and the assets in county area accounted for 51.63%, an increase of 0.94 percentage point over the end of the previous year; county-level deposit to loan ratio was 53.57%, a decrease of 2.87 percentage points over the end of the previous year. Based on Chongqing, the Group deeply cultivates the rural economy, continuously increases the loans and insists on improving the county's financial service capabilities, and supports the development of county economy.

2. *Summary of Business Segment*

(Expressed in RMB million, unless otherwise stated)	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	9,311.7	32.17	10,210.9	33.10
Retail banking business	12,175.2	42.07	12,497.6	40.51
Financial market business	7,431.6	25.68	8,126.4	26.34
Unallocated	22.8	0.08	14.7	0.05
Total operating income	28,941.3	100.00	30,849.6	100.00

In 2022, the Group's operating income of corporate banking business was RMB9,312 million, accounting for 32.17%, a year-on-year decrease of 0.93 percentage point; operating income of retail banking business was RMB12,175 million, accounting for 42.07%, a year-on-year increase of 1.56 percentage points; operating income of financial market business was RMB7,432 million, accounting for 25.68%, a year-on-year decrease of 0.66 percentage point. In recent years, the Bank has been adhering to the strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", served real economy and increased the efforts to provide credit support for personal and small and micro enterprises. The proportion of operating income of retail banking business continued to increase.

(VII) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and International Financial Reporting Standards (“IFRS”)

1. *Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

As a financial institution incorporated in the People’s Republic of China, the Bank prepares consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People’s Republic of China, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as “Accounting Standards for Enterprises”).

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There are some differences between the financial statements in this report and the Group’s financial statements prepared in accordance with Accounting Standards for Enterprises. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	31 December 2022	31 December 2021	31 December 2020
In accordance with Chinese Accounting Standards	115,016.2	106,044.0	94,632.1
Differentiated items and amount – Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	115,456.3	106,484.1	95,072.2

2. *Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative (重慶市農村信用合作社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (“Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

(VIII) Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group’s management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, fair value of financial instruments, consolidation of structured entities, and deferred taxes. For changes in significant accounting policies during the Reporting Period, please refer to Note II. 1 to financial statements.

III. Discussion and Analysis of Main Business Operations

(1) Retail Business

Adhering to the development philosophy of “client-oriented” and based on the “obtaining and attracting customers”, “strengthening viscosity of flexible customers” and “excellent customer creating benefits”, the Bank strengthened product innovation, built a client value-added rights and interests system, and enriched clients’ rights and interests; the Bank strove to promote the business of merchants, optimized the card use environment, and accelerated the construction of BBC ecosystem. The Bank maintained its determination to transform and upgrade, further and deeper cultivated the retail market, and steadily pushed the retail business to a new level.

1. *Personal Deposit and Loan Business*

The increase in personal deposits reached a new high. The Bank continued to build a “functional, characteristic and scenario-based” product classification management system, optimized the deposit structure, tapped the deposit potential and contribution of key customer groups, and created characteristic deposit products and activities for merchant customers, mortgage loan customers and key festivals to enhance the customers’ sense of exclusivity and inject strong momentum into precision marketing. As at the end of 2022, the balance of personal deposits of the Group amounted to RMB677,351 million, representing an increase of RMB73,335 million or 12.14% over the end of the previous year. Total personal deposits and increment market share all ranked first in Chongqing. The interest payment rate of personal deposits was 2.11%, representing a year-on-year decrease of 4 basis points.

The scale of retail loans increased steadily. The Bank implemented differentiated credit services and took various measures to promote the professionalization, online operation and standardization of retail loan business, deeply tapped the existing customers, actively expanded the number of credit customers to 3.5 million, and continuously consolidated the dominant position in retail loan business. The Bank realized the function of “online contract signing” for consumer loans, and reduced the “physical distance” barrier for customers to apply for loans. The Bank focused on product innovation, issued the first second-hand house mortgage loan with “mortgage transfer” in Chongqing, and launched the “New Citizen Jiefang Loan” and “New Citizen Yukuai Loan”. The Bank successfully built a “10 billion-level” hit product, i.e. “Yukuai Loan”. The balance of the loan amounted to RMB11.13 billion, representing an increase of RMB4.614 billion over the end of the previous year. As at the end of 2022, the balance of the Group’s retail loan amounted to RMB282.769 billion, representing an increase of RMB7.215 billion over the end of the previous year. The Bank ranked the first in Chongqing in term of the stock market shares.

2. *Bank Card Business*

Debit card business grew steadily. The Bank has continuously improved the “Jiangyu” branded debit card product system, continuously improved the functions of products and innovatively launched the rural revitalization cards to boost the steady growth of debit card business. As at the end of 2022, the total number of debit cards issued by the Bank reached 27,662,500. Specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees reached an issued number of 12,872,500 and gained remote remittance funds of RMB47,438 million for the year.

The credit card business continued to improve. The Bank launched a series of marketing activities of “Yukuai Life”, created a brand of featured activities, continuously improved the experience of using cards, vigorously developed the installment business around the consumption scenario, continuously improved the functional construction of the ecological circle, and enhanced the comprehensive contribution of merchants. The number of new credit cards amounted to 206,400 and the number of new clients amounted to 172,300. The credit balance recorded a net increase of RMB3,309 million or 36.31%. The number of effective merchants amounted to 579,600, representing an increase of 44.36%.

3. *Wealth Management Business*

Improve the quality and efficiency of the wealth management business. The Bank strictly implemented the access standards, and preferentially selected cooperative institutions based on the customer-characteristic rights and interests system. The Bank strengthened customer tiered marketing, provided 16 value-added services in five categories for high-net-worth customers, and established an all-around comprehensive service capability. The Bank enriched the types of products, and launched special products such as “Rural Revitalization” and “Cheng Yu Bao” together the CQRC Wealth Management. The Bank gave full play to the advantages of a wide range of points and a good customer base, and continued to expand the coverage of customer groups of products. The Bank optimized the sales channels of wealth products and broke through the bottleneck of online marketing of insurance and trust products. The Bank enhanced external cooperation in the wealth management business, interconnected with the top brokerage companies, explored access to asset management products, and provided a powerful starting point for subsequent increase in intermediary business income. In 2022, the sales amount of agency insurance products amounted to RMB1,324 million, representing a year-on-year increase of 51.49%, the revenue from agency insurance business achieved RMB107 million, representing a year-on-year increase of 44.59%; there are newly added 6 external cooperation institution and 81 wealth products as well as an increase in revenue of RMB139 million from wealth management business. The non-deposit financial assets of clients recorded a net increase of RMB15,462 million.

4. *Electronic Distribution Pipelines*

Enrich and upgrade the intelligent call platform. The Bank deeply cultivated the ability of digital intelligence and continuously empowered the new development of customer service. In 2022, the Bank received 9.173 million calls from customers, representing a year-on-year increase of 33.91%, and the customer satisfaction rate was 99.52%, representing a year-on-year increase of 0.16 percentage point. There were 4,338,700 outbound calls, including 4,128,500 outbound calls from robots, accounting for 95.15%; the credit card installment and loan marketing output value amounted to RMB664 million, representing a year-on-year increase of 12.13%; the number of intelligent customer service conversations was 5,430,000, representing a year-on-year increase of 33.3%; and the problem solving ratio was 96.45%, representing a year-on-year increase of 31.38 percentage points. The customer value creativity continued to improve.

Continue to innovate and develop the mobile banking. The Bank newly added the functions such as “one-click” loan product application, “handle by code scanning”, digital RMB, tax fast loan, pledge loan, government bond business, and mobile banking to sell asset management products on a commission basis, thus boosting the digital transformation of the Bank. As of the end of 2022, the number of mobile banking users of the Group amounted to 13,524,800, representing a net increase of 1,026,800 for the year, and an increase of 8.22%. The transaction amount in the year amounted to RMB1,529.095 billion, and there were 83,486,600 financial transactions, representing a year-on-year increase of 8.20%.

(II) **Small and Micro Businesses**

In 2022, based on serving the real economy, the Bank devoted itself to building a multi-level financial service network, consolidating a long-term service mechanism, accelerating the pace of transformation and upgrading, continuously improving the quality and efficiency of finance serving the real economy, and fully expanding the service coverage. As of the end of 2022, the number of inclusive small and micro enterprise loans of the Bank amounted to 176,000, representing an increase of 23,600 as compared with the beginning of the year; the loan balance amounted to RMB113.038 billion, representing an increase of RMB16.867 billion as compared with the beginning of the year and growth rate of 17.54%, which was 14.03 percentage points higher than the growth rate of all loans of the Bank. The goal of “two increases”¹ was achieved. The Bank is the first bank in Chongqing with the balance of inclusive small and micro enterprise loans exceeding RMB100 billion and ranked the first in Chongqing in terms of the stock and increment market. The market share has been further consolidated. Under the circumstance that the increment of credit supply was expanded, the average interest rate of the inclusive loans newly issued to small and micro enterprise in 2022 was 5.35%, and the asset quality was controlled at a reasonable level. The Bank’s regulatory evaluation result of financial services for small and micro enterprises was the highest level “Level 1” for the year of 2021, and the Bank was consecutively selected as the advanced unit of financial services for small and micro enterprises for the year of 2021 by the regulatory institution.

¹ “Two Increases” means that the growth rate of inclusive small and micro enterprise loans with a total credit of less than RMB10 million per household is not lower than that of all loans at the beginning of the year, and the number of households with loan balance is not lower than that at the beginning of the year.

Focus on improving service capacities. At the level of the Head Office, the Bank established a professional committee of small and micro enterprises and inclusive finance, and set up the inclusive finance lines to lead the development of small and micro enterprise finance business. At the level of branches and sub-branches, the Bank established the Inclusive Finance Department or the Rural Revitalization Finance Department to manage the small and micro enterprise business. The Bank constructed the small and micro service network covering Chongqing. In addition to maintaining inherent advantages such as wide network coverage and many employees, the Bank vigorously promoted exclusivity of institutions and specialization of personnel, built 73 financial service harbors for small and micro enterprises and individual industrial and commercial households, established 17 specialized sub-branches for small and micro enterprises in the regional outlets where small and micro customers are concentrated, arranged professional personnel, increased its service focus, carried out “five access” actions and expanded customer source channels.

Strengthen the long-term management mechanism. The Bank formulated, 27 long-term working mechanisms of “daring to lend, being willing to lend, being able to lend, can lend” for financial services for small and micro enterprises in six aspects, and issued 26 inclusive finance service measures, covering such aspects as interconnecting financing needs, innovatively using special products, increasing credit supply, reducing fees and costs, benefiting enterprises and benefiting the people, and taking various measures to help enterprises out of difficulties. The Bank carried out special assessment on small and micro enterprises, enhanced the assessment on small and micro enterprises, timely introduced special incentive schemes, differentiated and adjusted the interest rate pricing of small and micro enterprise loans, gave preferential pricing for internal fund transfer to inclusive small and micro enterprise loans, and adjusted and increased the economic profits of operating institutions according to a certain proportion of loan interest income of small and micro enterprises, etc.

The transformation and upgrading achieved remarkable results. The Bank continued to strengthen technology empowerment. Relying on the big data, cloud computing, artificial intelligence and other technical means, personal operation loans could be handled online in the whole process except for on-site investigation. The Bank vigorously promoted the digital transformation of the business of small and micro enterprises, launched the online products and functions such as “Tax Fast Loan (Enterprise Edition)” and the “Cloud Signing (Enterprise Edition)” and launched QR code for loan application. The Bank customized the model of “Yukuai Revitalization Loan” according to different customer groups, enriching the online loan scenarios. In 2022, the amount of online loans for the small and micro enterprise business of the Bank exceeded RMB100 billion, the online payment substitution rate was over 90%, and the online loan renewal substitution rate was over 95%. At the same time, the Bank took the lead in realizing the automatic examination and approval of business start-up guarantee loans in Chongqing, and initiated the post-withholding mode of the guarantee fees for the “guarantee at sight” business of the national financing guarantee fund, further enhancing the depth of cooperation, and maintaining the first place in Chongqing in the banking guarantee cooperation business with major government financing guarantee institutions.

(III) Corporate Business

Focusing on major strategies such as national “the Belt and Road Initiative” and the Yangtze River Economic Belt, Development of the West Regions, the construction of a twin-city economic circle in Chengdu-Chongqing region, the Bank proactively carried out the construction of a green financial system, focused on advanced manufacturing, helped the real economy to become better and stronger, continuously increased its support for areas that benefit people’s livelihood such as medical care and education, resolutely implemented relevant requirements for stabilizing the economic market, gradually improved its international settlement and cross-border service capabilities, and steadily promoted high-quality development of the company’s business.

1. *Corporate Deposit and Loan Business*

As at the end of 2022, the balance of corporate deposit of the Group amounted to RMB141,082 million, representing a decrease of RMB9,130 million as compared to the end of previous year. The balance of corporate loans was RMB298,687 million, representing an increase of RMB18,402 million as compared to the end of previous year.

Steadily promote major strategies. The Bank laid out the large-scale infrastructure and provided “hard support”. The loan balance of infrastructure projects of the Bank was RMB56.011 billion, representing a net increase of RMB8.842 billion as compared with the end of last year. The Bank took the initiative to interconnect the construction plan of Chengdu-Chongqing Economic Circle, and granted loans of RMB104.027 billion in total to the key projects in Chengdu-Chongqing and related enterprises in Sichuan, with a loan balance exceeding RMB28.432 billion. The Bank served the rural revitalization, increased investments in agricultural loans, and made efforts in four aspects, i.e. ensuring food security, improving rural living environment, supporting rural green energy development and promoting the development of modern agriculture. The Company’s agricultural loans amounted to RMB64.843 billion, representing an increase of RMB3.363 billion as compared with the end of the previous year. The Bank strengthened financial support for people’s livelihood and made efforts on stock potential tapping of customers in people’s livelihood, with a loan balance of RMB26.845 billion in people’s livelihood. The Bank maintained the dominant position of the manufacturing industry to promote the high-quality development with the balance of manufacturing loans and the balance of manufacturing medium and long-term loans ranking first in Chongqing, representing a net increase of RMB3.961 billion and a net increase of RMB1.503 billion respectively as compared with the end of last year.

Solidly go deep into the real green road. The balance of green credit was RMB48.715 billion, representing an increase of RMB12.051 billion as compared to the end of the previous year, and a growth rate of 32.87%. The Bank was appointed by Chongqing People's Bank of China as the leader of Chongqing financial institutions' environmental information disclosure working group, taking the lead in the research of environmental information disclosure system, and became the first financial institution in Chongqing to disclose climate and environmental information of the previous year through "Yangtze River Green Trade Financing". The Bank built a green product system, innovatively introduced the clean and renewable energy income loan, the solid waste loan, the carbon quota mortgage (pledge) loan, and the equator principle project management method, and continued to push forward the reform and innovation of green finance to create the green financial products and services with rural and commercial characteristics.

Make a breakthrough in marketing battle. The Bank adhered to the initial intention of serving the real economy, adopted various measures such as preferential pricing, tilted resources and special incentives, and continuously increased its support for strategic emerging industries. The Bank's loan balance for supporting science and technology enterprises was RMB51.203 billion, representing a net increase of RMB858 million as compared with the end of the previous year, ranking top in Chongqing. The Bank increased the construction of new-generation strategic emerging industrial clusters such as information technology, new energy and intelligent networked vehicles, helped the loan balance of core enterprises in Chongqing's "33 key industrial chains" to reach RMB15.474 billion, cooperated with over 30% municipal "specialized, sophisticated, special and new" enterprises, and supported the loan balance of strategic emerging manufacturing industries to reach RMB13.199 billion, representing a net increase of RMB1.667 billion as compared with the end of the previous year. The Bank facilitated the resumption of work and production of major projects in Chongqing, covering 877 projects with credit amount of RMB85.2 billion.

Science and technology empower the development of channels. The Bank built a big data platform for corporate business, provided refined data analysis and customer insight, implanted comprehensive services into the customers' business ecology, and built an ecosystem of large companies. The Company's financial ecosystem platform was put into operation, driving the online transaction volume of joint operators to exceed RMB11 million, which improved the viscosity of the Company's exclusive customers, payroll credit customers, full-volume individual customers and other customer groups. The Bank built an omni-channel marketing model of accounts, corporate online banking, cards and cash management platform, and the number of omni-channel customers of the Company's business reached 28,900, representing a net increase of 12,300 customers. The Bank issued 22,600 Jiangyu industrial cards, representing a net increase of 13,300 cards. The number of corporate online banking customers reached 147,900, and the transaction amount this year was RMB1.43 trillion.

2. *Institutional Business*

Lay out and improve the institutional business. The Bank made full use of the institutional platform to deepen the communication mechanism with the municipal party committees, bureaus and offices and keep abreast of the latest policy trends, capital flows and information trends. The Bank made deep efforts to implement the linkage among governments, banks and enterprises, and provided personalized loans, wealth management and other products for white-listed customers of municipal bureaus and institutions. The Bank added 7 special financial accounts for endowment insurance funds for land-expropriated personnel, accounting for 36.58% of Chongqing. The Bank established institutional marketing centers in branches, refined the marketing mechanisms and working methods of the institutional business, built key breakthrough and personalized maintenance mechanisms, and built a three-level marketing system of “head office, center and outlets”. The Bank was shortlisted for the qualification of cooperative banks to set up the fund supervision system of existing houses, became the first bank to make the system online, and was designated by Chongqing Housing and Urban-Rural Development Committee as the first bank to open a supervision account and cooperate with the production environment test. The Bank became the first cooperative bank in Chongqing City to build a national medical insurance public service demonstration zone with Chongqing Municipal Medical Security Bureau, building a cooperative bank with “medical insurance + banking” service as a pilot.

3. *International Business*

In 2022, the Bank recorded the international settlement of USD5,386 million and foreign exchange settlement on behalf of customers of USD2,282 million. Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing, of which the transaction volume of interbank current foreign exchange settlements amounted to USD2,168 million. The transaction volume of inter-bank forward and swaps foreign exchange settlements amounted to USD9,368 million. In 2022, the Bank’s comprehensive evaluation of foreign exchange management was again rated as Class A by Chongqing Administration of Foreign Exchange, and the Bank was the only local legal person bank in Chongqing that maintained the highest level for seven consecutive years.

Implement five new businesses first. The Bank implemented the first foreign currency lending business with an overseas peers, and opened the cross-border interbank business transaction channel. The Bank implemented the first C-Lending interbank lending business of the legal person bank in Chongqing, which expanded the foreign currency liquidity management tools. The Bank implemented the first C-Swap foreign exchange settlement business of the legal person bank in Chongqing, which continuously improved the efficiency of capital transactions. The Bank implemented the first land-sea chain financing business, providing financing of USD546,000 for enterprises by participating in the land-sea chain financing scenario, expanding new financing channels for rail-sea intermodal trade for enterprises. The Bank implemented the first “Land-Sea New Channel Loan” in Chongqing, and provided financing of RMB1.80 million for an enterprise by adopting the model of “bank and guarantor bearing risks”.

Make a new breakthrough in the facilitation pilot of business of foreign exchange receipts and payments of goods trade. The Bank successfully obtained the qualification of pilot bank (establishment of the first legal person bank in Chongqing), supported the high-quality development of local open economy and promoted 12 enterprises to implement the policy of facilitating foreign exchange receipts and payments of goods trade, implementing 2,299 transactions with an amount of USD422 million.

Create a new brand of exchange rate hedging. The Bank launched the foreign exchange “Yu Yue Bao” brand, and through the convenience service of online spot settlement and sale of foreign exchange and forward settlement and sale of foreign exchange for corporate, enhanced the customer experience and enhanced the brand advantage of the Bank’s foreign exchange business. In 2022, the Bank had 414 foreign exchange settlement and sales customers, with a foreign exchange settlement and sales amount on behalf of customers of USD2.282 billion.

(IV) Financial Market Business

1. Financial Inter-bank Business

The Bank’s market influence and brand awareness was continuously improved, and the Bank obtained the first-class dealer qualification in open market business in 2022 again, and was the only corporate institution in Chongqing that was granted this qualification. In the inter-bank local currency market evaluation, the Bank won nine awards under the “Market Impact Award of the Year” and the “Market Innovation Award”, among which eight awards, including core dealer and money market dealer, entered the top ten in China, ranking first among financial institutions in the central and western regions, and the Bank was the only corporate financial institution in Chongqing that obtained awards. In terms of asset-liability allocation, the Bank gave consideration to liquidity and profitability on the premise of ensuring safety, reasonably arranged the speed of opening positions according to the trend of interest rates, made a good multi-level asset portfolio, properly used the policy advantages of various business varieties, and explored the investment opportunities in different markets. The Bank improved the utilization efficiency of debt resource indicators, stepped on the rhythm of debt absorption, optimized the debt maturity and product portfolio management, and broadened the financing channels. The Bank continuously improved the diversification of customer types and continuously reduced the costs of debts. In terms of transactions, the Bank continued to improve research methods and research systems, built a professional investment and research team, deeply focused on fundamentals, policies and technology, enhanced the farsightedness and autonomy of investment and research analysis, selected appropriate transaction strategies for implementation operations, continuously enriched transaction varieties, and continuously increased asset returns through transactions.

Management Discussion and Analysis

As of the end of 2022, the investment balance of the Group's bonds amounted to RMB468,689 million, of which government bonds, public institutions and quasi-government bonds amounted to RMB327,395 million in total, with an increase of RMB50,629 million as compared with the end of the previous year. The scale of other bonds showed an overall downward trend, among which, AAA¹ rated bonds were RMB98,466 million, representing a decrease of RMB6,363 million over the end of the previous year. Among other bonds, AA+ rated bonds were RMB20,935 million, representing a decrease of RMB4,102 million over the end of the previous year. Among other bonds, AA rated bonds were RMB19,283 million, representing a decrease of RMB5,752 million from the end of the previous year.

As of the end of 2022, the carrying value of the Group's financial bonds amounted to RMB227,738 million which consisted of debt securities issued by policy banks of RMB135,992 million, asset securitization products of RMB64,638 million, commercial banking debts of RMB24,766 million and bonds issued by other financial institutions of RMB2,342 million. The breakdown of the top ten financial bonds held is as follows:

Unit: RMB million

Name of debt securities	Nominal value	Annualised interest rate (%)	Maturity date
Debt securities issued by policy banks in 2021	10,000.0	3.48	2029/1/8
Debt securities issued by policy banks in 2021	9,510.0	3.66	2031/3/1
Debt securities issued by policy banks in 2021	8,790.0	2.96	2032/7/18
Debt securities issued by policy banks in 2019	7,940.0	2.77	2032/10/24
Debt securities issued by policy banks in 2020	6,720.0	2.98	2032/4/22
Debt securities issued by policy banks in 2018	6,220.0	2.73	2024/11/11
Debt securities issued by policy banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy banks in 2018	4,000.0	4.00	2025/11/12
Debt securities issued by policy banks in 2020	3,490.0	3.41	2031/6/7
Debt securities issued by policy banks in 2017	3,200.0	2.83	2026/9/10

2. Asset Management Business

Based on the positioning of the Group, the CQRC Wealth Management actively integrates into the overall situation of national development, adheres to the operating philosophy of "keeping integrity, innovating and striving for excellence", gives full play to their professional advantages, and are committed to creating long-term and stable financial returns for customers. As of the end of 2022, the balance of wealth management products of the Company was RMB139.135 billion, representing an increase of RMB17.206 billion or 14.11% as compared to the end of the previous year. The total number of customers amounted to 518,000, representing an increase of 90,100 or 21.62% as compared to the end of the previous year. The brand influence continued to improve.

¹ Bond rating: Debt rating is prioritized. If there is no debt rating, the subject rating is used.

The Company always adheres to the market orientation, constantly improves the talent assessment and incentive mechanism, successfully implements the product manager system, and enhances the talent attraction. The Company strengthened the comprehensive risk management, established a whole systematic process of pre-event, interim-event and post-event risk prevention and control, successfully launched the risk control engine, and initially realized the digitalization and automation of risk control monitoring. The Company attached importance to the construction of information technology, and built a framework system covering 13 types of systems centered on three core systems, i.e. asset management system, distribution system and valuation system. The Company actively promoted product innovation, researched and developed a series of indexes of Chengdu-Chongqing Economic Circle of CSI Chongqing Rural Commercial Wealth Management, and successfully issued the theme wealth management product “Cheng Yu Bao” linked to this index, so that investors can share the development dividend of Chengdu-Chongqing Economic Circle. The Company actively explored the equity market business, deeply participated in the investment of REITs assets, tested the dividend strategy, and created the mixed fixed income + special account of stocks and bonds, constantly enriching the connotation of “fixed income+”.

3. *Investment Banking Business*

In 2022, the Bank led underwriting of 16 debt financing instruments of non-financial corporations, with an aggregate underwriting share of RMB8.496 billion. The total underwriting amount of all kinds of interest rate bonds and credit bonds amounted to RMB85.795 billion. The Bank successfully completed the issuance of perpetual bonds of RMB2 billion, ordinary financial bonds of RMB5 billion and green financial bonds of RMB2 billion. Among them, the green financial bond was the first green financial bond of Chengnong Commercial Bank, which simultaneously benchmarks the China Catalogue of Projects Supported by Green Bonds and the China-EU IPSF Common Ground Taxonomy. At the same time, the prevention and control of internal risks continued to strengthen, and the quality of subsequent management remained stable.

4. *Asset Custodial Business*

In 2022, closely following the changes in market and customer demand, the Bank devoted itself to improving the customer service experience, optimizing the structure of the custody business, strengthening the system support, improving the institutional construction system and strengthening the Group’s linkage mechanism, thus realizing the steady development of the custody business.

(V) Financial Technology

Do a solid job in the coordinating management of financial technology. The Bank continued to play the role of the Bank's financial technology organizational structure of "one meeting one center and one department"¹, giving priority to ensuring the talent allocation and resource supply of science and technology lines. In 2022, the investment in science and technology maintained steady growth. The digital transformation of the Bank was constantly deepened, and the Bank continued to develop towards the goal of "digital rural commercial bank". In 2022, the Bank completed approval of 91 projects throughout the year and launched more than 10 online self-operated products, serving more than 10 million customers. As of the end of 2022, the total number of financial technology talents in the Bank amounted to 522 (accounting for 3.54%), including 5 doctors, forming a talent echelon that covers the financial capability map and has independent and controllable capabilities.

Expand the capability to explore data value. The Bank drove the construction of data middle office and promoted the data analysis platform to provide data processing and analysis support for data analysis scenarios such as pre-loan risk control strategy, model optimization, post-loan risk monitoring and operation management of online loan products. The Bank expanded external data use scenarios and gradually covered the whole process from online to offline and risk decision-making to operation management. The Bank optimized the intelligent data decision-making platform, strengthened the operational risk monitoring, and improved the security deployment capability of products online, with an average of 850,000 decisions per day and a decision-making success rate of 99.80%.

Comprehensively promote the construction of information systems. Wanzhou remote disaster recovery center was officially put into operation, realizing the balanced development of disaster recovery system. The Bank upgraded the new generation payment system in an all-round way, greatly improving the operating efficiency and achieving the goal of self-control. The Bank built a distributed credit card platform, realizing the first-stage business production, and greatly optimizing the maintenance difficulty and deployment efficiency. The Bank deepened the automated operation and maintenance, built a new operation and maintenance operating platform and a new monitoring platform, and strengthened the operating management of operation and maintenance and the application monitoring. The Bank promoted the application of the private cloud platform and the micro-service architecture, greatly reducing the complexity of application release and operation and maintenance.

¹ "One meeting one center and one department" includes the Financial Technology Management Committee under the senior management level, the Financial Technology Center composed of five first-level departments of the Head Office, namely the Financial Innovation Department, the E-banking Department, the Application R&D Center, the Data Management Department and the direct banking team, as well as the Information Department of Science and Technology.

Construct the core competitiveness of financial technology. As at the end of 2022, the Bank owned more than 120 patents of all kinds (including the acceptance and publicity stage) and obtained 8 software copyrights. The Bank developed internal and external standards around the application of financial technology. The Bank participated in the formulation of 6 financial industry standards, 4 of which have been published, participated in the formulation of 16 group standards, 7 of which have been published, and completed the formulation of 11 corporate standards. The Bank proactively participated in the activity of “leaders” of enterprise standards, and three enterprise standards were listed in the list of “leaders” of enterprise standards in the financial field in 2021, and relevant standardization construction experience has been selected for the China Financial Standardization Report (2021) by the China Financial Standardization Technical Committee.

(VI) Financial Business in County Area

County area is the principle base where the Group carries out financial services. The financial business in county area has been a long-term strategic focus of the Group, and also one of the Group’s major sources of revenue. By taking advantage of the flexible operation, wide distribution of outlets and taking root in county area, the Group promoted the application of new technologies such as cloud computing, big data and artificial intelligence, optimized the mechanism, upgraded products and innovated services, and increased the financial supply in county area through the online and offline two-way drive, so as to meet the needs of rural market subjects for diversified and multi-level financial products and services, and the financial business in county area achieved rapid development. As of the end of 2022, the loan balance of the Group in county area amounted to RMB317,302 million, accounting for 50.15% of the loan balance of the Group. The deposits balance in county area amounted to RMB592,285 million, accounting for 71.80% of the deposits balance of the Group. The balance of agricultural loans amounted to RMB215,625 million, representing an increase of RMB19,851 million as compared with the end of the previous year.

1. Pipeline Construction

As of the end of 2022, the Group had established 5 branches, 26 first-class sub-branches, 121 second-class sub-branches, 1,297 branch offices, 1 community branch and 12 village and township banks in county areas. In order to continuously deepen basic financial services in rural areas and support rural revitalization, the Group has established 2,544 CRSs, 400 ATMs, 59 multimedia inquiry machines and 1,828 smart integrated counters in county areas, and built and put into operation 448 rural convenience financial self-service points. At the same time, the Group continuously extended the cooperative network of people’s social services to the county, actively built a “nearby handling” service circle of social services and banks, so that people can fully enjoy the convenience brought by the “integrated” service of social services and banks. The Bank established 85 “nearby handling” networks and provided 232 pieces of business card-making equipment. The Group effectively strengthened the financial supply in rural areas and solved financial service problems for people in remote villages.

Management Discussion and Analysis

The Bank intensified the construction of county electronic pipelines and proactively marketed Jiangyu Card, Funong Card, Rural Revitalization Card, etc. As of the end of 2022, the Bank had issued a total of 21,732,700 debit cards in county areas, accounting for 78.56% of the debit cards issued by the Bank, of which 320,000 were rural revitalization cards; 1,449,500 credit cards were issued, accounting for 77.62% of the credit cards issued by the Bank, representing an increase of 163,700 as compared to the end of the previous year; 10,748,300 users opened mobile banking with the Bank, accounting for 79.77% of the users opening mobile banking with the Bank, representing an increase of 819,700 as compared to the end of the previous year. With the gradual optimization of electronic equipment and the increasing number of issued bank cards, the penetration rate of the Bank's financial business in county areas has been further improved.

2. *Business Support*

The Bank paid attention to tapping the regional value, and took customers as the center and the market as the guide to effectively help the development of county-level economy. As of the end of 2022, personal deposits in county-level areas were RMB527,518 million, representing a net increase of RMB56,588 million as compared with the end of last year, accounting for 77.88% of the Group's personal deposits balance. The Bank took multiple measures to promote "national debt to the countryside". The branches in county-level areas underwrote the net value of national debt of RMB1,360 million, accounting for 86.35% of the net sales value of the Bank. The Bank fully met the credit needs of rural customers, and the balance of retail loans in county-level areas was RMB199,511 million, accounting for 70.56% of the balance of the Group's retail loans. The Bank innovated the consumption assistance mode, strengthened the cooperation between the bank and the government, and continued to organize the live broadcast goods-bringing activities of "there are good things in rural areas, and Yukuai helps revitalization", which drove the sales of characteristic agricultural and sideline products in county-level areas to about RMB6.53 million, thus effectively empowering rural revitalization.

The Bank gave full play to the role of financial support to rural revitalization in key areas such as helping the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank increased the release of rural infrastructure loans and actively met the capital needs for construction of transportation, water supply, power supply and other fields in rural areas. As of the end of 2022, the balance of corporate agriculture loans was RMB64.843 billion, representing an increase of RMB3.363 billion as compared to the end of the previous year. The Bank sorted out regional characteristics, determined the direction of industrial development, gradually promoted the implementation of "one loan for one county", and continued to support projects such as infrastructure and public service facilities in poverty-stricken areas to consolidate and expand the fruits of poverty alleviation. The Bank focused on agriculture-related photovoltaic power generation projects, promoted economical construction and ecological civilization development during "14th Five-Year Plan" and marketed 14 agriculture-related photovoltaic projects in total, with a support amount of RMB500 million.

Increase the financial supply in county areas and strengthen the Group's coordination and linkage to meet the needs of rural market subjects for diversified financial products and services. CQRC Wealth Management has created the theme series wealth management products of "benefiting farmers" and "revitalizing the countryside" which are in line with the characteristics of rural areas, and created a new model of "wealth management + rural revitalization", providing rural investors with the optimal allocation of wealth, implementing the support for agriculture and benefiting farmers. CQRC Financial Leasing focused on supporting culture and tourism, ecological engineering, rural revitalization, modern agriculture and other projects and precisely connected with micro, small and medium-sized entity enterprises and Sannong customers. The balance of leased assets in Chongqing amounted to RMB15.032 billion with the proportion of 81.75% in county areas. In 2022, the amount of newly invested in rental projects in Chongqing amounted to RMB6.174 billion, with the proportion of 84.53% in county areas.

(VII) Principal Controlled and Investee Companies

1. *Information on Controlled Subsidiaries*

(1) Village and township banks

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB4,856 million, net assets amounting to RMB1,855 million, the respective balance of deposits and loans amounting to RMB2,079 million and RMB4,227 million, NPL ratio and provision coverage rate of 0.82% and 459.98%, respectively, and net profits amounting to RMB43 million. Overall, the scale of deposits and loans of the village and township banks continued to grow, the main regulatory indicators met the requirements, and the operations were stable and orderly.

Management Discussion and Analysis

(2) CQRC Financial Leasing

CQRC Financial Leasing is a controlling subsidiary of the Bank. It was established in December 2014 with a registered capital of RMB2.5 billion. It is mainly engaged in financial leasing business, assign and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. The Bank held 80% equity interests of CQRC Financial Leasing. As at the end of 2022, the total assets and net assets of CQRC Financial Leasing were RMB53.461 billion and RMB5.987 billion, respectively, recording net profit of RMB970 million in 2022.

(3) CQRC Wealth Management

CQRC Wealth Management is a wholly-owned subsidiary of the Bank. It was established in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a registered capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council. As at the end of 2022, the total assets and net assets of CQRC Wealth Management were RMB2.796 billion and RMB2.717 billion, respectively, recording net profit of RMB358 million in 2022.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Co., Ltd. is the second licensed consumer finance company in Chongqing. It was established in May 2020 and is mainly engaged in granting personal consumer loans. Its registered capital was RMB1.5 billion. The Bank held its 30% equity interests. As at the end of 2022, the total assets and net assets of Xiaomi Consumer Finance were RMB11.286 billion and RMB1.516 billion, respectively, recording net profit of RMB10.84 million in 2022. (Unaudited financial information)

IV. Key Issues of Operation Concerns

(i) About profitability

In 2022, the overall operating results of the Group remained sound. During the Reporting Period, the net profit amounted to RMB10,478 million, representing a year-on-year increase of RMB759 million or 7.81%.

During the Reporting Period, the Group proactively responded to the market changes, made great efforts to consolidate the business foundation, optimized the business mechanisms and processes, and further consolidated the foundation for long-term value creation. Firstly, the Group maintained a continuous improvement in the business scale and structure, and the asset scale of the Group increased by RMB86.010 billion as compared with the end of the previous year, representing a growth rate of 6.79%. The scale of loans increased by RMB50.511 billion as compared with the end of the previous year, and the proportion of loans increased by 0.81 percentage point as compared with the end of the previous year. The scale of deposits exceeded RMB820 billion, representing an increase of RMB65.587 billion as compared with the end of the previous year, and the proportion of deposits increased by 1.23 percentage points as compared with the end of the previous year. Secondly, the Group grasped the advantage of huge customer volume to continuously improve the comprehensive customer-centered service mechanism. The Group promoted to solve the difficult problem of asset business, strengthened the public-private linkage by relying on the construction of “BBC” ecosystem, and tapped the comprehensive value of customers. The Group accelerated the kinetic energy conversion of intermediary business, improved the whole process service of “pre-sale-during sale-after-sale” by deepening the operation management of customers’ life cycle, and tapped the growth potential. The Group continuously optimized the business model and innovated a marketing mechanism. Thirdly, the Group promoted the digital transformation in an orderly manner, accelerated the intelligent transformation and the construction of intelligent work platform, and significantly improved the online, automated and intelligent level of business handling.

Looking forward to 2023, the Group will seize the market opportunities to constantly consolidate its business foundation and steadily improve its operating efficiency. On the one hand, the Group will promote growth. Firstly, the Group will strengthen the management of asset-liability portfolio, continuously increase the proportions of loans and retail loans around the strategic orientation, and stabilize the loan income by making up the price by quantity and by making up the price by structure. Secondly, the Group will continue to stabilize the advantages of deposits, optimize the control of deposit volume and price, maintain a leading market share, and strongly support the development of asset business. Thirdly, the Group will maintain the steady growth of non-interest business income, adhere to the guidance of investment and research, continuously optimize the investment layout and flexibly grasp the investment rhythm. Fourthly, the Group will improve the product optimization mechanism and the customer hierarchical classification management, optimize the customer comprehensive

service plan, and lay a solid foundation for wealth management business. On the other hand, the Group will control expenditures. Firstly, the Group will optimize the allocation of financial resources, increase the inclination of resources in terms of customer comprehensive contribution mining, improvement of management efficiency, etc., and strengthen direction guidance. Secondly, the Group will refine the cost control, strengthen the daily expenditure benefit evaluation, strengthen the input-output efficiency evaluation of each subject, and continue to play the role of financial resources leverage. Thirdly, the Group will strengthen the control of the quality of assets, carry out risk screening and resolution in a forward-looking way, strengthen the off-balance sheet collection and disposal, and demand benefits from the non-performing assets.

(ii) About net interest margin

In 2022, the Group actively promoted the asset-liability portfolio management and continued to optimize its business structure, resulting in a decrease in the costs of liabilities. However, due to the continuous reduction of LPR and the response to fee reduction and surrendering of profits to the real economy, the return on assets declined and the net interest margin narrowed.

Looking forward to 2023, the Group will seize the market opportunities to ease the pressure of narrowing interest margin and keep the net interest margin at a reasonable level. On the liability side, the Group will continue to increase the proportion of deposits, reduce the liability costs, and stabilize the “moat” advantage. Firstly, the Group will continuously optimize the liability structure and increase the proportion of low-cost liabilities. The Group will grasp the advantages of customer volume and network layout, and continue to increase efforts to attract savings deposits. At the same time, the Group will strengthen the management of active liability cost, expand the diversified liabilities, and actively use the central bank’s monetary policy tools to keep the liability cost stable and declining. Secondly, the Group will continue to stabilize the volume and price advantages of deposits. The Group will continue to enhance the stickiness of retail customers, increase the cooperation with local corporate customers, improve the retention rate of customers’ funds and the business integration, grasp the market-oriented adjustment mechanism of interest rates, strengthen the quota control of high-interest deposits, and maintain the advantage of low interest rate of deposits. On the asset side, the Group will seize the consumption and investment demands released by the economic recovery, optimize the asset structure, and improve the overall income. Firstly, the Group will continue to increase the marketing efforts of consumer loans, credit cards, etc., actively guarantee the demands for rigid and improved mortgage loans, vigorously expand the financing needs of merchants, and at the same time accelerate the development and promotion of independent innovation products to achieve the expansion and increment of retail loans. Secondly, the Group will continue to strengthen the advantages of special products and services for small and micro businesses, make good use of the monetary policy tools, increase the credit support for individual industrial and commercial households, and at the same time launch the exclusive products in a timely manner around the agricultural

clusters and new agricultural operation subjects, and implement the innovative marketing mechanism to promote the release of small and micro credit. Thirdly, the Group will grasp the favorable policies of the Chengdu-Chongqing Economic Circle, focus on the opportunities such as infrastructure construction, interaction of advantageous industries and cooperation in scientific and technological innovation in Chengdu and Chongqing, increase the support for key enterprises and projects in Chengdu and Chongqing, and expand the important growth space. Fourthly, the Group will continue to properly allocate the large-type assets, flexibly manipulate the business varieties, grasp the timing and rhythm of asset delivery, optimize the term structure of assets, and improve the overall efficiency of the capital business.

(iii) About asset quality

In 2022, the Group strengthened supervision on and control over credit risks, prudently carried out classification management of loans and prospectively made impairment provisions. Major asset quality indicators maintained a stable and positive momentum.

Firstly, asset quality continued to improve. As at the end of 2022, the percentage of the latter four types of loans of the Group was 2.51%, representing a decrease of 0.66 percentage point over the end of the previous year, among which, the NPL ratio was 1.22%, representing a decrease of 0.03 percentage point over the end of the previous year; the percentage of loans of concern was 1.29%, representing a decrease of 0.63 percentage point over the end of the previous year. Various indicators maintained at an excellent level in the industry. Secondly, the downward pressure of asset quality eased. After the large-amount potential risks were resolved in an orderly manner in the early stage, the downward pressure of the Group's asset quality continued to ease. During the year, the non-performing loans formation ratio significantly decreased year-on-year, and downward migration ratios of normal loans and special-mentioned loans sharply declined year-on-year. Thirdly, the quality of corporate loans continued to improve. Due to the overall industry risk and other factors, individual corporate customers are exposed to risks. Nevertheless, as at the end of 2022, corporate non-performing loans of the Group achieved a "double decline" year-on-year, among which, the non-performing loan balance decreased by RMB1,069 million over the end of the previous year and the NPL ratio decreased by 0.48 percentage point over the end of the previous year. The overall asset quality maintained a positive trend. Fourthly, the overall risk of retail loans was controllable. Affected by slow macro-economic recovery and other factors, the income of certain individual customers declined and their debt repayment ability was weakened, therefore, the non-performing ratio of retail loans of the Group increased. However, according to the newly formed retail non-performing loans, the secondary repayment sources are sufficient. Among them, secured loans accounted for 85%, and mortgaged and pledged loans accounted for 79%. The value of the collateral covered 1.72 times of the principal of loans, so the overall risk was controllable.

Management Discussion and Analysis

Looking forward to 2023, the Group will continue to effectively carry out credit risk identification, early warning and disposal, strictly observe the bottom line of risks, and prospectively carry out asset quality monitoring and management and control. On the one hand, the Group will strictly control the access of incremental credit, comply with the national macro-policy orientation, continuously optimize the credit structure, promote the application of early warning system based on big data, and continuously improve its risk control capability. On the other hand, the Group will carry out in-depth collection and disposal of non-performing assets in stock to revitalize the non-performing assets in stock and improve the operating efficiency. At the same time, the Group will strengthen the implementation of the Measures for Classification of Financial Assets Risks recently issued by the regulatory authorities, rationally formulate a step-by-step disposal plan during the transition period, and smooth the impact of the implementation of the new regulations on the quality of the Group's assets. Generally speaking, it is expected that the credit risk of the Group will be generally controllable in 2023, and the main asset quality indicators will maintain a good level in the industry.

(iv) About impairment provision

The Group has always adhered to the principles of compliance, prudent and stable operation and the business philosophy of giving equal importance to efficiency and scale, quality and speed, and internal control and development. As at the end of 2022, the balance of credit risk loss provision of the Group amounted to RMB30,231 million, representing an increase of RMB2,882 million as compared to the end of the previous year. Among which, the balance of credit asset impairment provision amounted to RMB27,605 million. The provision coverage ratio was 357.74% and provision-to-loan ratio was 4.36%, representing an increase of 17.49 percentage points and 0.09 percentage point as compared with the end of the previous year, respectively. The Group's provision coverage ratio of loans overdue for more than 90 days was 489.57%, and that of loans overdue for more than 60 days was 457.58%. The Group continued to maintain the sufficient risk replenishment capability.

In 2022, the Group made provision for credit impairment loss of RMB7,840 million, representing a year-on-year decrease of 27.75%, among which, the provision of the company line amounted to RMB4.786 billion, representing a year-on-year decrease of 43.90%, which was mainly due to the fact that the Group made impairment provision for large-value risky loans in the previous years. During the year, the downward pressure of asset quality of corporate loans eased and the impairment losses declined significantly.

V. Risk Management

During the Reporting Period, facing the impact of multiple domestic and foreign factors beyond expectations on the economy, the Group continued to make efforts from the 5 aspects of “building a platform, strictly monitoring, re-evaluating, strengthening measurement and implementing”, and actively responded to the complicated external situation, tightening supervision situation and business transformation trend. The Bank resolutely implemented the spirit of the national conference on stabilizing the economic market and related policies, and strengthened risk prevention and strictly abided by the bottom line of risks while increasing efforts to help enterprises. Firstly, the asset quality improved steadily and the risk offset level was good. By strengthening the target management and control, and strengthening the effective linkage between risk classification, impairment provision and non-performing disposal, the risk was cleared out in an orderly manner, while maintaining the overall stability of asset quality and a good level of risk offset. Secondly, the policy mechanism became more perfect, helping the steady development of operations. The Bank formulated the annual risk preference and risk management opinions, and provided guidance for the Group’s risk management through integrating point and sphere assistance. The Bank completed the revision and issuance of 16 risk management systems, including the Measures for the Management of Impairment of Financial Instruments, and initiated the preparation of the risk management system for off-balance-sheet business, so as to ensure that the new regulatory regulations and requirements were implemented in time and the risk policy was more suitable for management practice. The Bank established a monitoring mechanism for key regulatory and operational indicators of important institutions of the ABC system, improving the comprehensiveness and foresight of risk identification. The Bank established a closed-loop risk control mechanism for online credit products from product innovation, model strategy review to post-operation evaluation. The Bank initiated the model risk management, and incorporated the model management and strategic effects of the online credit business into the assessment of the department. The Bank improved the incentive mechanism and guided its branches to consolidate the “basic management” and the “process management”. Thirdly, the system tools were optimized day by day, and the intelligent risk control was steadily advanced. The Bank further strengthened the functions of integration and display of the risk data mart, created a unified risk view of customers, and significantly improved the monthly average utilization rate of branches. The Bank completed the development of the new version of the non-zero internal evaluation model, and launched and put into production the retail loss given default model, and the risk cost parameters were more deeply applied to loan pricing. The Bank launched inquiry and early warning functions in the large-amount risk exposure system to provide strong support for the control of credit concentration. In the next step, the Group will make efforts to continuously improve the overall risk management level by “continuously optimizing the tools of risk management mechanism, strengthening the ability to timely identify and manage and control risks, practically improving the efficiency of risk assessment, and enhancing the support of risk quantitative analysis for decision-making”.

(1) Risk Management Structure

The Bank's risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the headquarters' risk management department, other relevant functional departments, the audit department and branches and subsidiaries. The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to perform responsibilities related to comprehensive risk management with the Board's authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, implementing Board resolutions, and set up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing overall risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarters' risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group's comprehensive risks and various major risks. Each department of the headquarters assumed direct responsibility for the risk management of the line and the department, and managed various risks of the Bank including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarters is responsible for performing internal audits on relevant performance. Each branch is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank's overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the nature, scale and complexity of its business.

(2) Credit Risk Management

Credit risk refers to the risk of losses of banking business arising from failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

In 2022, the Group thoroughly implemented the relevant policies of the State to stabilize the economic market and continuously strengthened credit risk management and control. Firstly, the Group continued to improve the credit risk management system. Based on the current macroeconomic situation and industry policy orientation, the Bank issued annual credit investment guidelines and optimized the credit structure. The Group continued to promote big data risk early warning and intelligent post-loan management tools to strengthen the investigation of doubtful data and early warning signals, and proactively carried out credit management. Secondly, the Group implemented the relevant policies of stabilizing the economic market, implemented the deferred repayment policy for eligible customers, strengthened the comprehensive evaluation and risk analysis of deferred loans, strictly grasped material risks and dynamically implemented classified management, and made

adequate provision for impairment. Thirdly, the Group continuously enhanced the technical support for risk measurement, completed the development and launch of a new version of non-zero internal evaluation model, and continuously conducted credit risk stress tests on a regular basis to quantitatively evaluate the credit risk level of the Group under stress scenarios. Fourthly, the Group strengthened the management and control of large-amount risk exposure, strictly prevented concentration risks, realized the online trial operation of large-amount risk exposure system, and further enhanced the management and control capability of concentration risks. As at the end of 2022, the relevant indicators of the Group's large-amount risk exposure are continuously performing better than regulatory standards.

(3) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group mainly include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through monitoring and other measures to the extent that the Group can bear and maximize risk-adjusted returns.

The Group proactively manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements of the Group and with reference to the relevant provisions in the New Capital Accord. The Group has also formulated a management system for market risk through regulations on authorization, credit extension and risk limit, and measures such as monitoring and reporting.

In 2022, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Group optimized relevant systems and revised the Market Risk Management Measures, the Market Risk Contingency Plan, the Detailed Rules for the Market Risk Limit Management, the Detailed Rules for Market Risk Stress Test and the Detailed Rules for the Division of Trading Account Book and Bank Account Book to establish the system framework of "one method, multiple rules" for the market risk management, so as to better regulate various standard management tasks to be conducted in an orderly way. Secondly, the Group formulated an annual market risk limit plan according to the business plan, covering the businesses of banking books and trading books, further improving the coverage of the limit and improving the process settings such as monitoring, adjustment and early warning. Thirdly, the Group strengthened risk monitoring, monitored the limit on a daily basis, analyzed the trends of interest rates and exchange rates on a weekly basis, and notified the implementation of limits and reported such implementation to the management on a monthly basis, thus continuously improving its market risk monitoring, analysis and reporting capabilities. Fourthly, the Group reasonably set up stress scenarios according to the macro policies and economic situation, conducted market risk stress tests quarterly, assessed the capital adequacy level under different stress scenarios, and successfully passed the annual stress test organized by the People's Bank of China. Fifthly, the Group started the construction of market risk management system to further improve the level of refined and intelligent management.

Management Discussion and Analysis

1. Interest Rate Risk Analysis

Interest rate risk is the major market risk faced by the Bank, covering trading books and banking books. The Group's trading book business mainly aims at trading, while the banking book business mainly aims at holding. In terms of banking books, the Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on economic value and net interest income in varied interest rate scenarios. The stress test results show that the interest rate risk of banking books is controllable. In terms of trading books, the Group monitors the valuation and quota implementation of the bond business on a daily basis. No limit was triggered in 2022. In the whole year of 2022, the liquidity of the banking system generally remained reasonably abundant. The monetary policy continued to be flexible and moderate throughout the year. The People's Bank of China lowered the medium-term lending convenience rate twice, and the 1-year LPR was lowered from 3.8% to 3.65% and the 5-year LPR was lowered from 4.65% to 4.3% in the first half of the year. The earnings rates of shibor and government bonds of each term showed a downward trend first and then upward. In 2023, the domestic economy gradually recovers, and the market interest rate is likely to rise further. The Group will pay close attention to the macro-monetary policies and economic development trends at home and abroad, strengthen the analysis, research and judgment of interest rates, and continuously strengthen interest rate risk management to ensure that the Group's income and market value will continue to improve.

The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

(Expressed in RMB million)	Within 3 months	3 months – 1 year	1-5 years	Over 5 years	Non- interest bearing	Total
Interest rate gap as of 31 December 2022	<u>(93,461.9)</u>	<u>(92,031.2)</u>	<u>30,914.2</u>	<u>233,888.4</u>	<u>26,119.0</u>	<u>105,428.5</u>
Interest rate gap as of 31 December 2021	<u>(104,059.6)</u>	<u>(181,413.7)</u>	<u>(732.6)</u>	<u>345,362.3</u>	<u>38,449.1</u>	<u>97,605.5</u>

As at the end of 2022, the Group's accumulated gaps of interest rate for all maturities amounted to RMB105.43 billion, representing an increase of RMB2.99 billion over the end of the previous year.

2. *Interest rate sensitivity analysis*

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

(Expressed in RMB million)	31 December 2022		31 December 2021	
	Change in interest rate basis points	Impact on net profit	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	492.6	(3,346.6)	505.6	355.2
Decrease in 100 basis points	(597.9)	3,634.0	(505.6)	(355.2)

3. *Exchange Rate Risk Analysis*

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars, Euro and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's self-operated and agency current business, self-operated and agency swaps business and agency forward business.

In 2022, due to the interest rate hike cycle of the USD and the spillover effect of the Russian-Ukrainian war, the value of the USD rose rapidly since April, and the exchange rate of the USD against RMB for the year rose by 9.05%. With the appreciation of the USD, the Bank appropriately increased its exposure to the USD as compared with the beginning of the year. As of the end of December, the total foreign exchange exposure was a positive exposure of RMB550 million, and the foreign exchange risk was generally controllable. Looking forward to 2023, USA will still face relatively high inflationary pressures, and there may be the possibility of raising interest rates in the first half of the year. At the same time, the spillover effect of geopolitical conflicts will be still going on, and the trend of RMB exchange rate against foreign exchange rate will be uncertain. The Group will continuously pay attention to global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group will strengthen its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It will also actively explore the usage of derivative financial instruments for exchange rate to hedge against exchange rate risk.

Management Discussion and Analysis

As at the end of 2022, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position as of 31 December 2022	<u>104,539.6</u>	<u>684.7</u>	<u>182.6</u>	<u>21.6</u>	<u>105,428.5</u>
Net position as of 31 December 2021	<u>96,801.8</u>	<u>551.4</u>	<u>267.8</u>	<u>(15.5)</u>	<u>97,605.5</u>

4. Exchange rate sensitivity analysis

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB spot and forward exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

(Expressed in RMB million) Exchange rate changes	31 December 2022 Impact on net profit	31 December 2021 Impact on net profit
RMB 5% appreciation	(25.7)	(20.7)
RMB 5% depreciation	<u>25.7</u>	<u>20.7</u>

(4) Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis, to maintain stable operation with overall security, to protect the interests of depositors, and to effectively balance fund profitability and overall security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

The Board of Directors of the Group is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Risk Management Department, the Capital Operation Department, the International Operations Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation. The Group ensured payment through continuous monitoring and management of positions across the Bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

The Group adhered to the prudent and compliant business philosophy to set the liquidity risk preference in 2022, evaluated and revised the annual liquidity risk limit control plan according to the Detailed Rules for the Management of Liquidity Risk Limits of Chongqing Rural Commercial Banks, and continuously carried out forward-looking liquidity risk indicator measurement with the limit control as the guidance; in addition, the Group made arrangements in advance and dynamically adjusted the liquidity risk management strategy according to the forward-looking measurement results, continuously monitored various liquidity risk indicators, and regularly conducted internal notification to help the liquidity risk indicators continuously meet the standards. The Group strengthened daytime liquidity risk management, ensured the security of payment and settlement, and continuously optimized the liquidity risk management information system, so as to promote the implementation of refined management. The Group organized bank-wide liquidity risk emergency exercises, and constantly reviewed and improved the emergency response mechanism. In 2022, due to the impact of various unexpected factors at home and abroad, the triple pressures continued

Management Discussion and Analysis

to evolve, and the uncertainty of the external environment increased. The People's Bank of China adhered to the principle of stability, strove for progress while maintaining stability, and comprehensively used various monetary policy tools such as reduction of the statutory deposit reserve and medium-term lending facilities to provide a suitable liquidity environment for economic operation to remain within a reasonable range. The Group strictly complied with the liquidity risk limit management mechanism and maintained satisfactory liquidity. As at the end of 2022, the key indicators reflecting the liquidity status of the Group met the supervision requirements.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As at the end of 2022, the liquidity gap analysis of the Group is as follows:

(Expressed in RMB million)	Undiscounted contractual cash flows categorised by contractual maturities							Total
	Overdue/ Undated	On demand	Within 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	
Net position of assets and liabilities as at 31 December 2022	<u>49,738.8</u>	<u>(224,999.6)</u>	<u>(55,398.6)</u>	<u>(118,162.8)</u>	<u>(85,096.9)</u>	<u>181,401.5</u>	<u>652,309.1</u>	<u>399,791.5</u>
Net position of assets and liabilities as at 31 December 2021	<u>53,387.6</u>	<u>(207,640.1)</u>	<u>(32,354.2)</u>	<u>(104,930.1)</u>	<u>(149,269.5)</u>	<u>237,057.3</u>	<u>578,588.3</u>	<u>374,839.3</u>

The Group measured and disclosed its liquidity ratio, net stable funding ratio and liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the CBIRC. As at the end of 2022, the liquidity ratio of the Group is as follows:

Liquidity ratio (%)	31 December 2022	31 December 2021	31 December 2020
Renminbi	<u>87.55</u>	79.86	57.06
Foreign currency	<u>236.85</u>	<u>92.89</u>	<u>98.87</u>

Liquidity ratio is calculated by dividing current assets by current liabilities.

As of the end of 2022, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million)	31 December 2022	30 September 2022
Available stable funding	912,333.65	903,919.25
Required stable funding	742,369.45	735,210.95
Net stable funding ratio (%)	<u>122.89</u>	<u>122.95</u>

Net stable funding ratio is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures.

As of the end of 2022, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million)	31 December 2022
Qualified and high-quality liquid assets	178,727.93
Net cash outflows in future 30 days	60,194.40
Liquidity coverage rate (%)	<u>296.92</u>

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio. The net cash outflow in future 30 days means the balance between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off-balance-sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off-balance-sheet contractual receivables and its expected inflow rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(5) Operational Risk Management

Operational risk refers to the risk of loss due to imperfections in internal procedures and scientific and technological information systems or errors in personnel, or external events. Through the principles of comprehensiveness and prudence, the Bank implements an operational risk management strategy that matches the Bank's asset size and business complexity, based on a comprehensive risk management system and in compliance with the overall risk appetite.

Management Discussion and Analysis

During the Reporting Period, the Bank continued to consolidate and improve its operational risk management system to strictly guard against major operational risk events and strive to achieve comprehensive identification and effective control of operational risks. Firstly, the Bank closely monitored and identified operational risks. The Bank updated and improved the monitoring system of key risk indicators, regularly collected index data and risk loss data, and consolidated the foundation of risk measurement. Secondly, the Bank comprehensively evaluated measures to improve risk control. The Bank identified and sorted out key risk links in the process of various operation and management activities, updated and optimized risk control measures and improved management capabilities through system evaluation. Thirdly, the Bank carried out a number of risk investigations. The Group organized and conducted the special screening on account risks, anti-money laundering and anti-terrorist financing, and employee behaviors and the “special rectification of violations of personal information rights and interests” to strengthen risk prevention in key areas. Fourthly, the Bank has consolidated the management of business continuity. The Bank coordinated and formulated an exercise plan, rationally utilized exercise resources, conducted business continuity exercises in the Bank in an orderly manner, deeply conducted comprehensive business impact analysis, sorted out important businesses of the Bank and its dependent key resources, and laid a solid foundation for business continuity management. Fifthly, the Bank improved the quality and effectiveness of outsource risk management. The Bank formulated risk investigation plans for outsource business lines and organized all levels of institutions throughout the Bank to investigate potential risks and control results in all links of the outsourcing business life cycle one by one. In addition, the Bank implemented the special risk assessment of information technology outsourcing, and strictly guard against the risks in key outsourcing areas.

(6) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group’s operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability.

During the Reporting Period, the Group established and improved the reputation risk management mechanism, and further strengthened the classified management of reputation risks, customer emergency and complaint handling, emergency handling of sudden public opinion, information release process management, and standardized management of publicity work, etc. At the same time, the Group continued to properly monitor and deal with the public opinion, actively and effectively prevented reputation risks and responded to negative public opinion events, and actively maintained the Bank’s good market image to achieve the overall goal of reputation risk management.

(7) Information Technology Risks

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Bank continued to improve the information technology risk management system and enhance the efficiency of information technology risk management, without any major information technology risk events. Firstly, optimize the institutional system. According to the regulatory requirements and the Bank's management practice, the Bank updated the relevant systems of information technology risk management and outsourcing risk management to enhance the comprehensiveness, validity and operability of the systems. Secondly, strengthen the construction of information technology infrastructure. The Bank launched a new disaster recovery center and enhanced the carrying capacity and support capacity of disaster recovery centers to support the long-term and steady development of scientific and technological activities. Thirdly, implement the operation and maintenance control of information technology. The Bank continuously optimized the emergency operation and maintenance mode, and properly kept the important information systems on duty 7×24 hours a day to effectively ensure the stable production and operation of the Bank. Fourthly, strengthen risk assessment and monitoring. The Bank established an expert group to implement the risk assessment links before the construction of important information system projects, regularly carry out information technology risk monitoring and analysis, and continuously improve the information technology risk management system of the Bank.

(8) Anti-Money Laundering Risks

The Bank fully implemented the regulatory requirements, continuously strengthened the active management, promoted the effective integration of anti-money laundering work and business operation and management, constructed a new development pattern of anti-money laundering work, further enhanced the validity of anti-money laundering work, and created a good environment for the steady development of the Bank.

During the Reporting Period, the Bank formulated the Opinions on Anti-Money Laundering in 2022, countersigned the formulation and revisions of business systems and business requirements, and continuously standardized the anti-money laundering operation process. The Bank built the anti-money laundering data quality monitoring platform, optimized the monitoring rules and models, and enhanced the anti-money laundering scientific and technological support. The Bank continued to carry out institutional risk assessments and special inspections, and implemented the investigation and rectification of anti-money laundering issues. The Bank held anti-money laundering joint meetings on a quarterly basis, organized special training and publicity, created anti-money laundering compliance culture, did a good job in team building, strengthened the security management of anti-money laundering information, carried out special anti-money laundering assessments, and effectively fulfilled the statutory anti-money laundering obligations.

(9) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The internal audit team works under the leadership of the Party Committee and the Board, and is responsible and reports to the Party Committee and the Board. The Articles of Association clearly stipulated that the Board was responsible for establishing and maintaining an effective internal audit system to ensure that internal audit had sufficient independence. The internal audit departments were equipped with designated audit personnel, which was in compliance with the regulatory requirements.

During the Reporting Period, the internal audit adhered to the goal of serving organizations, paid equal attention to post supervision and prevention in advance, strengthened risk research and judgment, highlighted the key points of audit, properly implemented the audit projects, and further improved the level of audit supervision. The Bank kept the integrity and made innovation, continuously improved the internal control evaluation system, formed objective and fair evaluation conclusions, played the encouraging and guiding role, and promoted the realization of internal control objectives. The Bank strengthened the application of audit results, established linkage rectification, audit and supervision, assessment and evaluation mechanisms, promoted the implementation of national policies, regulatory requirements and the strategy of the Head Office, and helped the Bank to develop with high quality.

(10) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listed banks, the Bank continued to improve its management of related party transaction. The Bank strengthened the system construction, and revised the Administrative Measures for Related Party Transactions of the Bank according to the new regulatory requirements and the actual situation of management of the related party transactions of the Bank. The Bank strengthened the management of the list of related parties. It communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, regularly collected information from related parties, conducted dynamic management and timely update of the list, strengthened identification of related parties, thereby laying a solid foundation for related party transaction management. The Bank strictly examined and approved related party transactions, controlled the compliance risks of related party transactions, standardized the implementation of the review and disclosure standards of related party transactions, and performed the obligation of filing or submitting transactions in a timely manner. The Bank strengthened the concentration management and control of related party transactions. It regularly monitored indicators of concentration for substantial shareholders and related parties of the Bank to prevent concentration risk. During the Reporting Period, all relevant indicators met the regulatory requirements.

1. *Related party transactions during the ordinary course of business*

During the Reporting Period, the Bank conducted related party transactions by following the regulatory requirements and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

(1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 11 significant related party transactions approved by the Board of Directors or general meetings.

1 The balance of credit-related significant related party transactions of the Bank approved during the Reporting Period was RMB12.746 billion, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) and related enterprises	Credit	695,772.97	5.94%
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and related enterprises	Credit	298,265.50	2.54%
3	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and related enterprises	Credit	158,637.64	1.35%
4	China Zheshang Bank Co., Ltd.	Credit	92,496.74	0.79%
5	Bank of Chongqing Co., Ltd.	Credit	29,408.56	0.25%
6	CQRC Wealth Management Co., Ltd. ¹	Credit	0.00	0.00%
7	Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)	Credit	0.00	0.00%

¹ During the year, the credit related party transactions of CQRC Wealth Management Co., Ltd. were considered for two times

Management Discussion and Analysis

- 2 The transaction amount of the non-credit significant related party transactions of the Bank approved during the Reporting Period was RMB2.8150 million, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Transaction amount	Business type
1	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Non-credit	281.50	Finance consulting services
2	Loncin Holdings Co., Ltd. (隆鑫控股有限公司), Chongqing USUM Recycling Resources Developments Co., Ltd. (重慶渝商再生資源開發有限公司), USUM Investment Group Limited (渝商投資集團股份有限公司), Loncin Group Co., Ltd. (隆鑫集團有限公司) ¹	Non-credit	0.00	Debt restructuring
3	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) ²	Non-credit	0.00	Capital increase

- (2) In accordance with the relevant regulations of the Shanghai Stock Exchange, during the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB17.1054 million. Related party transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange considered by the Board or general meetings are as follows:

¹ The matter regarding pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group Co., Ltd. (隆鑫集團有限公司) was considered and approved in 2022. Such matter is still in progress, and no business amount has actually been generated.

² The matter regarding the capital increase in CQRC Financial Leasing Co., Ltd. was considered and approved in 2022. Such matter is still in progress, and no business amount has actually been generated.

The sixth meeting of the fifth session of the Board of Directors and the 2022 first extraordinary general meeting of the Bank considered and approved the “resolution in relation to the pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group Co., Ltd. (隆鑫集團有限公司)” on 24 January 2022 and 12 April 2022 respectively, agreeing on the proposal in relation to the pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group Co., Ltd. (隆鑫集團有限公司). The Bank claimed total creditor’s rights of RMB7,262 million. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2022-013) published by the Bank on the website of the Shanghai Stock Exchange on 25 March 2022.

The 17th meeting of the fifth session of the Board of Directors and the 2022 second extraordinary general meeting of the Bank considered and approved the “resolution in relation to the related party transaction regarding to group credit limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)” and the “resolution in relation to the related party transaction regarding to group credit limits of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)” on 25 August 2022 and 16 September 2022 respectively, agreeing on the group comprehensive credit limit of RMB14,364.5820 million to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) with a credit period of 1 year and the group comprehensive credit limit of RMB15,998.50 million to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2022-034) published by the Bank on the website of the Shanghai Stock Exchange on 26 August 2022.

The 18th meeting of the fifth session of the Board of Directors of the Bank considered and approved the “resolution in relation to the related party transaction regarding to group credit limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)” on 15 September 2022, agreeing on the group comprehensive credit limit of RMB10,407.93 million to Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2022-039) published by the Bank on the website of the Shanghai Stock Exchange on 16 September 2022.

The 19th meeting of the fifth session of the Board of Directors of the Bank considered and approved the “resolution in relation to the related party transaction of Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司)” on 12 October 2022, agreeing on the inter-bank credit limit of RMB1.5 billion to Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司) with a credit period of 1 year. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” (Announcement No.: 2022-042) published by the Bank on the website of the Shanghai Stock Exchange on 13 October 2022.

Management Discussion and Analysis

2. *Related party transactions in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

3. *Related party transactions in connection with joint external investment*

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. *Claims, Debt Transactions with Related Parties*

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature.

5. *Business transactions with related finance companies*

During the Reporting Period, there was no finance company controlled by the Bank. The Bank was not involved in deposits, loans, credit or other financial business with related finance companies.

6. *Other significant related party transactions*

During the Reporting Period, apart from the transactions mentioned above, the Bank did not have any other significant related party transactions that met the requirements of the securities regulatory authorities.

VI. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In 2022, the Group continued to promote the refinement of capital management, implemented the capital planning for 2022-2024, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain continuous growth of capital, further consolidate capital strength of the Bank, and constantly enhance the service capability for real economy. The capital indicators throughout the year were good, providing a strong guarantee for the Group's stable business development and strategic implementation.

(I) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC and relevant provisions, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village and township banks, CQRC Financial Leasing and CQRC Wealth Management.

As at the end of 2022, the Group's capital adequacy ratio was 15.62%, representing an increase of 0.85 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 13.10% and 13.84%, respectively, representing an increase of 0.63 percentage point and 0.86 percentage point respectively from the end of the previous year. The increase in the Group's capital adequacy ratio from the end of the previous year was mainly due to that firstly the net profit for the year and the internal capital supplement increased year-on-year; secondly, exogenous capital replenishment was promoted as planned. The Group successfully issued RMB2 billion of capital bonds with no fixed term, and the raised funds were used to supplement other tier 1 capital according to the approval of applicable laws and regulatory authorities. Thirdly, the business structure continued to adjust towards the "light capital", the overall asset allocation was concentrated in low-weight assets, the growth rate of risk-weighted assets was much lower than that of total assets, and the capital consumption declined.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Management Discussion and Analysis

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	107,950.9	97,443.0	101,073.5	92,637.8
Net tier 1 capital	114,065.8	103,440.7	105,172.6	96,636.1
Net capital	128,708.3	117,221.9	119,665.7	110,410.3
Risk-weighted assets	824,181.2	768,312.2	810,234.5	764,783.2
Include: Credit risk weighted assets	762,042.6	711,276.4	752,599.5	710,707.3
Market risk weighted assets	7,126.9	5,995.9	4,098.9	3,722.2
Operational risk weighted assets	55,011.7	51,039.9	53,536.1	50,353.7
Core tier 1 capital adequacy ratio (%)	13.10	12.68	12.47	12.11
Tier 1 capital adequacy ratio (%)	13.84	13.46	12.98	12.64
Capital adequacy ratio (%)	15.62	15.26	14.77	14.44

Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	31 December 2022	31 December 2021
Core tier 1 capital	108,605.7	101,710.8
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,002.6	20,479.1
Surplus reserve and general risk reserve	31,690.7	28,812.1
Retained earnings	44,675.6	40,306.2
Non-controlling interests	879.8	756.4
Core tier 1 capital deductible items	(654.8)	(637.3)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(225.1)	(207.6)
Total of others that should be deducted from core tier 1 capital	10.4	10.4
Core tier 1 capital, net	107,950.9	101,073.5
Other tier 1 capital	6,114.9	4,099.1
Undated capital bonds	5,997.6	3,998.3
Non-controlling interests	117.3	100.8
Net tier 1 capital	114,065.8	105,172.6
Tier 2 capital	14,642.5	14,493.1
Tier 2 capital instruments and related premium that may be included	5,000.0	5,000.0
Excessive loan loss allowances	9,407.9	9,291.4
Non-controlling interests	234.6	201.7
Net capital	128,708.3	119,665.7
Total risk-weighted assets	824,181.2	810,234.5
Core tier 1 capital adequacy ratio (%)	13.10	12.47
Tier 1 capital adequacy ratio (%)	13.84	12.98
Capital adequacy ratio (%)	15.62	14.77

Management Discussion and Analysis

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2022		31 December 2021	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,325,576.4	1,264,821.3	1,256,478.3	1,226,975.3
Off-balance sheet credit risk	26,640.5	12,176.9	18,224.9	14,165.3
Counterparty credit risk	12,523.7	12,523.7	22,152.3	22,152.3
Total	<u>1,364,740.6</u>	<u>1,289,521.9</u>	<u>1,296,855.5</u>	<u>1,263,292.9</u>

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBIRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the “investor relations – capital supervision” column on the website of the Bank (www.cqrcb.com).

(II) Leverage Ratio

The Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

As at the end of 2022, the Group’s leverage ratio was 8.27%, an increase of 0.08 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital, was higher than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2022
Consolidated total assets	1,352,301.2
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	17.5
Securities financing transactions adjustments	196.3
Off-balance sheet item adjustments	26,832.3
Other adjustments	(654.8)
The balance of assets on and off-balance sheet after adjustments	<u>1,378,692.5</u>

Management Discussion and Analysis

The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2022
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,343,827.7
Less: tier 1 capital deduction	(654.8)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,343,172.9
Replacement cost of various types of derivatives (net of qualified margins)	16.3
Potential risk exposure in various derivatives	17.5
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivatives assets which can be deducted	–
The balance of derivatives assets	33.8
The balance of accounting assets for securities financing transactions	8,457.2
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	196.3
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
The balance of securities financing transactions assets	8,653.5
The balance of items off balance sheet	47,530.7
Less: the balance of items off balance sheet reduced due to credit conversion	(20,698.4)
The balance of items off balance sheet after adjustments	26,832.3
Tier 1 capital, net	114,065.8
The balance of assets on and off-balance sheet after adjustments	1,378,692.5
Leverage ratio (%)	8.27

VII. Outlook

(I) Industry pattern and trend

In 2022, China's economy moved forward under pressure and reached a new level. The GDP exceeded RMB120 trillion, and the growth rate was faster than that of major economies in the world. The per capita GDP remained above USD12,000, exceeding the global average. At present, China's macro-economic environment remains generally stable, and the foundation for economic recovery and upward development is constantly consolidated. Looking forward to 2023, the quality and efficiency of China's economic development are expected to be further improved, and the overall economic operation will be improved.

As far as Chongqing's regional economy is concerned, despite the multiple unexpected pressures such as power shortage and extreme weather in 2022, the economic and social development achieved certain results, and the economic market remained generally stable. In 2023, Chongqing's total output value is expected to increase by more than 6%, the industrial added value and the fixed-asset investment are expected to increase by 8% and 10% respectively, and the recovery and presentation of the high-quality development trend will be accelerated. In the next five years, Chongqing will comprehensively promote the construction of a socialist modern new Chongqing, and the development potential of the Chengdu-Chongqing Economic Circle and the western financial center will be accelerated. By 2027, Chongqing's total output value is expected to reach RMB4 trillion, and the per capita regional total output value is expected to reach RMB120,000, and the regional economic level and people's living standards will be significantly improved.

(II) Development strategy and operating plan of the Company

The Bank will continue to further promote the three-line strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, focus on building a development system of “all-in-one four-wheel drive”, and promote the “three changes” of the Bank through all-round digital transformation, so as to take the road of stable and high-quality development. Firstly, seize the consumer demand and consolidate and enhance the subject contribution of “large retail”. The Bank will make every effort to enhance the overall contribution of individual, credit card, small-micro finance, rural revitalization and direct banking businesses to the development of the Bank, and expand the development space of “large retail” to the maximum extent by properly making refined products, excellent services, ecological improvement, customers and brand, so as to take up the strategic mission and make every effort to make the subject contribution. Secondly, link the “four driving forces” and strengthen the kinetic energy support for transformation and development. The corporate financial business will focus on stabilizing the scale, optimizing the structure and promoting transformation, becoming the ballast stone for stabilizing the deposit and loan scale. The financial market business will focus on improving the investment and research ability and the trading ability, providing stable income support for the transformation and development of the Bank. The financial technology will focus on business and technology integration and innovation, and continuously enhance the level of technological empowerment and value creativity. The talent team will focus on building a “marketing iron army”, cultivating an excellent talent team that adapts to the frontier of financial development, the challenges of market competition and the characteristics of rural finance. Thirdly, take digital transformation as the most important breakthrough to reconstruct the Bank’s development potential and competitiveness, and further promote the “three changes” in the Bank’s business model, management process and organizational structure. The Bank will promote the change of business model through the construction of business middle office, the change of management process through the construction of management middle office, and the change of organizational structure through digital operation, and fully implement digital genetic transformation to promote better development of the Bank. Fourthly, strengthen the comprehensive risk management, strictly prevent and control the risks in key areas, focus on stabilizing the quality of assets, and serve the steady development of the Bank’s businesses. The Bank will improve the comprehensive risk management mechanism and enhance the capability of risk prevention and resolution. The Bank will optimize the management mode and process of non-performing assets, and seek benefits from non-performing assets. The Bank will strictly follow the principle of prudent operation, practice the concept of rule of law, master the latest changes and orientations of superior policies, and ensure that the system process is rigorous, authoritative and efficient.

Corporate Governance Report

I. Corporate Governance Structure

For details of the corporate governance structure of the Bank, please refer to the Appendix “Organization Chart” to this report.

II. Overview of Corporate Governance

During the Reporting Period, the Bank strengthened the system construction and improved the system mechanism in the areas of party leadership, shareholder governance, board governance, board of supervisors and senior management, stakeholder and social responsibility, incentive and restraint mechanism, information disclosure, risk management and internal control. The Board of Directors performed the function of inspection and evaluation of corporate governance, and carefully examined and evaluated the construction of corporate governance, so as to further enhance the scientificity, robustness and effectiveness of the governance system. The Bank continued to improve the transparency of corporate governance to ensure a high level of corporate governance, so as to protect shareholders’ rights and interests and enhance corporate value.

The Bank has strictly complied with the principles and code provisions of the CG Code in Appendix 14 to the Hong Kong Listing Rules and also complied with most of the recommended best practices therein. During the Reporting Period, the legal action which the directors of the Bank may face is basically covered in the internal risk management and control scope of the Bank. Meanwhile, the Bank purchased the “liability insurance for directors, supervisors and senior management” for all directors.

The Bank also strictly complied with the requirements under the relevant laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and that as required by the laws including the Company Law of the People’s Republic of China and administrative regulations and the relevant requirements to the corporate governance for listed company of the CSRC and Hong Kong Stock Exchange.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

III. Details of the General Meeting

The general meetings shall be an organ of power of the Bank and shall exercise relevant powers in accordance with the law. During the Reporting Period, the Bank convened and held the general meetings in strict accordance with relevant laws and regulations and the Articles of Association of the Bank. Details are as follows:

Session of meeting	Convening date	Resolutions of the meeting	Website to publish resolutions
2022 first extraordinary general meeting	12 April 2022	2 resolutions including the resolution in relation to consideration and approval on election of Ms. Hu Chun as a non-executive Director of Chongqing Rural Commercial Bank Co., Ltd.	Official website of the Bank (www.cqrcb.com) and website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
2021 annual general meeting	26 May 2022	7 resolutions and 3 reports including the 2021 work report of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.	The same as the above
2022 second extraordinary general meeting	16 September 2022	6 resolutions including the resolution in relation to the amendments to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.	The same as the above

IV. Information on Directors, Supervisors and Senior Management

(I) Basic information on Directors, Supervisors and senior management

1. Information on Existing Directors, Supervisors and senior management

Directors

Name	Position	Gender	Age	Term of office ¹
Xie Wenhui	Secretary to the Party Committee, Chairman, President Executive Director	Male	50	August 2014 –
Zhang Peizong	Member of the Party Committee, Vice President, Secretary to the Board Executive Director	Male	48	December 2018 –
Hu Chun	Non-executive Director	Female	50	October 2022 –
Zhang Peng	Non-executive Director	Male	47	August 2019 –
Yin Xianglin	Non-executive Director	Male	41	December 2020 –
Gu Xiaoxu	Non-executive Director	Female	52	December 2020 –
Song Qinghua	Independent Non-executive Director	Male	57	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	59	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	44	June 2019 –
Li Jiaming	Independent Non-executive Director	Male	57	December 2020 –
Bi Qian	Independent Non-executive Director	Female	54	December 2020 –

Supervisors

Name	Position	Gender	Age	Term of office
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	Male	59	February 2022 –
Huang Qingqing	Shareholder Representative Supervisor	Female	38	October 2020 –
Zhang Jinruo	External Supervisor	Male	42	October 2020 –
Hu Yuancong	External Supervisor	Male	48	October 2020 –
Zhang Yingyi	External Supervisor	Male	49	October 2020 –
Zheng Yi	Employee Representative Supervisor	Male	57	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	46	June 2019 –
Zhou Wei	Employee Representative Supervisor	Female	45	November 2021–

¹ The appointment date of directors shown in this table was the date of performance of duty upon approval by the CBIRC Chongqing Office.

Senior Management

Name	Position	Gender	Age	Term of office ¹
Xie Wenhui	Secretary to the Party Committee, Chairman, Executive Director President	Male	50	December 2013 –
Wang Min	Member of the Party Committee, Vice President	Male	59	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	47	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	50	October 2015 –
Zhang Peizong	Member of the Party Committee, Vice President	Male	48	September 2016 –
	Secretary to the Board Executive Director			September 2020 –
Gao Song	Member of the Party Committee, Vice President	Male	43	September 2016 –

2. Changes in Directors, Supervisors and Senior Management

(1) Engagement and resignation

Mr. Liu Jianzhong resigned from the secretary to the Party Committee, chairman and executive director and the positions of relevant special committees under the Board of the Bank since April 2022.

Mr. Xie Wenhui has served as the secretary to the Party Committee and chairman of the Bank since April 2022 and obtained the qualification approval for appointment as chairman from CBIRC Chongqing Office and officially performed his duty in August 2022.

Ms. Hu Chun has served as non-executive director of the Bank since October 2022 and held the positions of relevant special committees under the Board of the Bank since November 2022.

Mr. Yang Xiaotao has served as a member of the Party Committee, Head of Supervisor and the positions of relevant special committees of the Board of Supervisors of the Bank since February 2022.

¹ The term of office shown in this table was the time appointed or nominated by superior departments.

Corporate Governance Report

(2) Change in information

Mr. Yin Xianglin ceased to be the chairman and the general manager of Chongqing Cairong Housing Leasing Co., Ltd. (重慶財融住房租賃有限公司) in August 2022.

Ms. Gu Xiaoxu ceased to serve as the chairman of Fosun Financial Services Group (復星金融服務集團) in April 2022.

Mr. Song Qinghua served as the independent director of Hubei Bank Corporation Limited in November 2022 and ceased to be the supervisor of Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司).

Mr. Zhang Qiaoyun resigned as the independent director of Liangshan Rural Commercial Bank Co., Ltd. (涼山農村商業銀行股份有限公司) in June 2022. He was appointed as the independent director of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and ceased to be its external supervisor in October 2022.

3. Particulars of Changes in Shareholdings of Directors, Supervisors and Senior Management

Unit: share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/(Decrease)
Existing					
Xie Wenhui	Secretary to the Party Committee, Chairman, President, Executive Director	34,500	46,500	12,000	Share price stabilization measures for 2022
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	28,300	39,300	11,000	Share price stabilization measures for 2022
Zhang Peng	Non-executive Director	3,800	6,800	3,000	Share price stabilization measures for 2022
Yin Xianglin	Non-executive Director	0	2,900	2,900	Share price stabilization measures for 2022
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	25,700	25,700	-	-
Wang Min	Member of the Party Committee, Vice President	30,000	41,000	11,000	Share price stabilization measures for 2022
Dong Lu	Member of the Party Committee, Vice President	28,000	39,000	11,000	Share price stabilization measures for 2022
Shu Jing	Member of the Party Committee, Vice President	28,300	39,300	11,000	Share price stabilization measures for 2022
Gao Song	Member of the Party Committee, Vice President	27,700	38,700	11,000	Share price stabilization measures for 2022
Outgoing					
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	34,500	34,500	-	-

(II) Biographies of Existing Directors, Supervisors and Senior management

1. *Biographies of the Directors*

XIE Wenhui Secretary to the Party Committee, Chairman, President, Executive Director

Primary positions: he has been the president of the Bank since December 2013, an executive director of the Bank since August 2014 and secretary to the Party Committee and the chairman since April 2022.

Professional background: he is a senior economist and engineer and obtained a master's degree in engineering from Chongqing University in 1997.

Work experience: he served as the deputy secretary to the Party Committee, a member of the Party Committee and vice president of the Bank, the general manager and the deputy general manager (in charge of work) of the Technology Department of the Bank, and the deputy general manager and assistant to general manager at the Technology Department in Chongqing Rural Credit Cooperative Union.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Primary positions: he has served as a member of the Party Committee and vice president of the Bank since September 2016 and an executive director of the Bank since December 2018, as well as the Secretary to the Board since September 2020.

Professional background: he is a senior economist and obtained a master's degree in engineering from Chongqing University in 2008.

Work experience: he served as the secretary to the Party Committee and the chairman, deputy secretary to the party committee and the president of CQRC Financial Leasing Co., Ltd.; he assumed various positions in the Bank, including secretary to the party committee and the person in charge of Beibei Branch, secretary to the party committee, the person in charge, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch; he also served as the general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office of Chongqing Rural Credit Cooperative Union.

HU Chun Non-executive Director

Primary positions: she has served as a non-executive director since October 2022 and a member of the Party Committee and the chief financial officer of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) since October 2020.

Professional background: she is a senior accountant, obtained a master degree in accounting from Renmin University of China in 2013.

Work experience: she served as a member of the Party Committee, the chief financial officer and assistant to the general manager of Chongqing Airport Group Co., Ltd. (重慶機場集團有限公司), a member of the Party Committee and the chief financial officer of Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司), the manager of the finance department of Beijing Airport Ground Services Co., Ltd. (北京空港航空地面服務有限公司), the manager assistant of the finance department and the deputy manager of the finance department of Chongqing Airport Group Co., Ltd. (重慶機場集團有限公司) and deputy chief and the director of the accounting section of the finance department of the Civil Aviation Administration of China Chongqing Bureau (民航重慶市管理局).

ZHANG Peng Non-executive Director

Primary positions: he has served as a non-executive director of the Bank since August 2019. He also served as a director and the vice secretary of the Party Committee and general manager of Chongqing City Construction Investment Group Co., Ltd. (重慶市城市建設投資(集團)有限公司), the Shareholder of the Bank, since July 2016 and August 2019, respectively.

Other positions: he serves as the chairman of the board of directors of Chongqing City Investment Gold Card Information Industry (Group) Co., Ltd. (重慶市城投金卡信息產業(集團)股份有限公司).

Professional background: he is a senior accountant and obtained a bachelor's degree of economics from the Southwestern University of Finance and Economics in 1998.

Work experience: he concurrently served as the secretary of Party Branch of Chongqing City Investment Gold Card Information Industry (Group) Co., Ltd. (重慶市城投金卡信息產業(集團)股份有限公司), a director of Chongqing Gangjiu Co., Ltd. (重慶港九股份有限公司) (currently renamed as Chongqing Port Co., Ltd. (重慶港股份有限公司)), chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司). He also served as deputy general manager, deputy chief accountant, head of the finance department, the manager of the planning and finance department and the deputy manager of the finance department of Chongqing City Construction Investment Group Co., Ltd. (重慶市城市建設投資(集團)有限公司).

YIN Xianglin Non-executive Director

Primary positions: he has served as a non-executive director of the Bank since December 2020. He has been the general manager and the vice secretary of the party committee of Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), the Shareholder of the Bank, since April 2016 and August 2020, respectively.

Professional background: he is an engineer and obtained a master's degree in agricultural extension (land utilization) from Sichuan Agricultural University in 2009.

Work experience: he served as the chairman and the general manager of Chongqing Cairong Housing Leasing Co., Ltd. (重慶財融住房租賃有限公司), the general manager and the deputy general manager of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (currently renamed as Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), the deputy director of the Land Reserve and Renovation Division 2 of Chongqing Land Group and the chief of the Engineering Construction Division of the Administrative Committee of Chongqing Central Business (Southern) Development Zone.

GU Xiaoxu Non-executive Director

Primary positions: she served as the non-executive director of the Bank since December 2020. She has also served as the vice president of Fosun International, the Shareholder of the Bank, since July 2018.

Other positions: she serves as the chairman of Zhangxingbao (Shanghai) Network Technology Co. Ltd., non-executive director of Zhejiang E-commerce Bank Co., Ltd., non-executive director of Banco Comercial Português, the vice president of Shanghai Association of Women Entrepreneurs, and the executive vice president of the Women Entrepreneurs Association of the Zhejiang Chamber of Commerce in Shanghai.

Professional background: she is a middle-level economist and obtained a master's degree in business administration from the East China Normal University in 2000.

Work experience: she served as the chairman and the president of Fosun Financial Services Group and the senior assistant to president, the managing director of the financial group, deputy general manager of the financial service group banking business, the assistant to the general manager of the finance division of Fosun International. She also served as the managing director and general manager of marketing services division of Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司).

SONG Qinghua Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since September 2017. He has been a professor and a tutor of doctorate candidate of School of Finance of Zhongnan University of Economics and Law since November 2000 and September 2003, respectively.

Other positions: he serves as the external supervisor of China Zheshang Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601916), and the independent director of Hubei Bank Corporation Limited.

Professional background: he obtained a doctor's degree in economics from Zhongnan University of Economics and Law in 2000 and quit the Postdoctoral Research Station in applied economics from Renmin University of China in 2003. He was awarded the title of an expert entitled to special government subsidies granted by the State Council in 2016.

Work experience: he was a senior research scholar of University of Cincinnati in the United States, a visiting scholar of University of Rhode Island in the United States and a visiting scholar of Saint Mary's University in Canada. He served as the president of School of Finance of Zhongnan University of Economics and Law. He also served as the supervisor of Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司), an independent director of Hubei Financial Leasing Co., Ltd. (湖北金融租賃股份有限公司), Wuhan Keqian Biological Co., Ltd. (武漢科前生物股份有限公司), Hubei Huanggang Rural Commercial Bank (湖北黃岡農村商業銀行), Zhejiang Ningbo Yuyao Rural Cooperative Bank (浙江寧波餘姚農村合作銀行), Huangshi Commercial Bank (黃石市商業銀行) (currently renamed as Huangshi Bank (黃石銀行)) and Wuhan Urban Commercial Bank (武漢市商業銀行) and an external supervisor of Hankou Bank Co., Ltd. (漢口銀行股份有限公司).

ZHANG Qiaoyun Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2018 and a professor and doctoral advisor in School of Finance of Southwestern University of Finance and Economics since January 2017.

Other positions: he serves as committee member of the advisory committee of Sichuan Province, an independent director of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and an independent director of Sichuan Agricultural Credit Guarantee Company Limited (四川省農業信貸擔保有限公司), Chengdu Wisdom World Technology Co., Ltd. and HAUXI Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002926). He is the legal representative of Yangtze River Financial Research Institute of Southwestern University of Finance and Economics in Yibin.

Professional background: he obtained a doctor's degree in economics from Southwestern University of Finance and Economics in 2002.

Work experience: he was a visiting scholar of Duquesne University, University of California, San Diego in the United States and served as the executive dean of the School of Finance of Southwestern University of Finance and Economics, deputy director and director of the Graduate School of Southwestern University of Finance and Economics. He concurrently served as a member of the first and second session of the National Financial Professional Degree Steering Committee, the counselor of Chengdu Municipal People's Government, an external supervisor of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and independent director of Liangshan Rural Commercial Bank Co., Ltd. (涼山農村商業銀行股份有限公司), Luzhou Laojiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000568), Chengdu Xingrong Investment Co., Ltd. (currently renamed as Chengdu Xingrong Environmental Co., Ltd. (成都市興蓉環境股份有限公司) and a company listed on the Shenzhen Stock Exchange, stock code: 000598), Guangxi Beibu Gulf Bank and Yibin Tianyuan Group Co., Ltd.

LEE Ming Hau Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since June 2019 and a managing director of The Carlyle Group since July 2020.

Professional background: he obtained a master's degree in business administration from the Wharton School of the University of Pennsylvania in 2009.

Work experience: he served as an investment director of Clearwater Capital Partners and a project manager of The Boston Consulting Group.

LI Jiaming Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2020 and professor and doctoral tutor of School of Economics and Business Administration, Chongqing University since September 2014.

Other positions: he serves as the general manager of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司) and is a member of Chongqing Senior Accountant and Senior Auditor Qualification Evaluation Committee (重慶市高級會計師、高級審計師資格評審委員會), vice chairman of Chongqing Internal Audit Association (重慶市內部審計協會), executive director of Chongqing Audit Society (重慶市審計學會), executive director of China Education Audit Society (中國教育審計學會). He also serves as an independent director of Chongqing Jianshe Vehicle System Co., Ltd. (重慶建設汽車系統股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 200054) and Guangxi Liugong Machinery Company Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 000528).

Professional background: he obtained a doctoral degree in management from Chongqing University in 2006.

Work experience: he served as the chairman of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司), the chief and the deputy chief of the Audit Division of Chongqing University, the executive deputy dean and the chief of the Audit Division of City College of Science and Technology, Chongqing University, the general manager of Chongqing University Science and Technology Enterprise Group (重慶大學科技企業集團), and the officer of the Disciplinary Supervision and Review Office of Chongqing University.

BI Qian Independent Non-executive Director

Primary positions: she has served as an independent non-executive director of the Bank since December 2020. She has been a professor, and a doctoral tutor, and head of the accounting department of the College of Economics and Management, Southwest University since July 2018 and October 2018, respectively.

Other positions: she serves as an independent director of Senci Mechatronic Co., Ltd. (神馳機電股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603109).

Professional background: she obtained a doctoral degree in management from Southwest University in 2010.

Work experience: she served as an associate professor of the College of Economics and Management of Southwest University and was awarded a scholarship by the China Scholarship Council to visit and study in Oregon State University in the United States. She successively served as a lecturer at the College of Basic Science and Technology, a lecturer and associate professor at the College of Economics and Management, Southwest Agricultural University.

2. *Biographies of the Supervisors*

YANG Xiaotao Member of the Party Committee, Head of Supervisor

Primary positions: he served as a member of the Party Committee and head of Supervisor of the Bank since February 2022.

Professional background: he is a senior economist and obtained a degree of Executive Master of Business Administration from Xiamen University in 2013.

Work experience: he served as a member of the Party Committee and the chairman of the board of supervisors of Bank of Chongqing Co., Ltd., a member of the Party Committee and vice president of the Bank, the deputy general manager (temporary position) of the corporate business department of the head office of Agricultural Bank of China Limited, a member of the party committee and the deputy director of Chongqing Rural Credit Cooperative Union.

HUANG Qingqing Shareholder Representative Supervisor

Primary positions: she has served as the shareholder representative supervisor of the Bank since October 2020 and the investment director of Xiamen Huishanghong Equity Investment Co., Ltd., a shareholder of the Bank, since September 2014.

Other positions: she serves as a supervisor of Zhongshan Securities Co., Ltd. (中山證券有限責任公司).

Professional background: she is a middle-level economist and obtained a master's degree in Finance from Xiamen University in 2010.

Work experience: she served as the investment manager and a senior analyst of Xiamen Gaoxinhong Equity Investment Co., Ltd. (currently renamed as Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)).

ZHANG Jinruo External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the professor and head of accounting department of the School of Economics and Business Administration, Chongqing University since September 2014 and November 2018, respectively.

Other positions: he serves as the part-time professor of Center for Accounting Studies of Xiamen University, the consulting experts on accounting of Chongqing Finance Bureau and the external independent director of Chongqing Iron & Steel Company Limited.

Professional background: he is listed in the Excellent Talent – Outstanding Individual (accounting) (重慶市英才-名家名師(會計類)) and is an Academic Pioneer of Accounting of the Ministry of Finance and a Chinese certified public accountant. He obtained a doctoral degree in accounting from Xiamen University in 2008 and was a student of Professor Ge Jiashu, an accounting expert.

Work experience: he served as the doctoral tutor and associate professor at School of Economics and Business Administration, Chongqing University.

HU Yuancong External Supervisor

Primary positions: he has served as the external supervisor of the Bank since October 2020. He has been a master tutor of Southwest University of Political Science and Law since July 2009, and a professor at the Economic Law School, doctoral tutor and postdoctoral co-tutor since September 2013, July 2015 and July 2018, respectively.

Other positions: nil

Professional background: he obtained a doctoral degree in economic law from Southwest University of Political Science and Law in 2009.

Work experience: he served as a lecturer and associate professor at the Economic Law School of Southwest University of Political Science and Law.

ZHANG Yingyi External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the deputy director of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) since March 2012.

Other positions: he is a member of the Disciplinary Committee of the Chongqing Institute of Certified Public Accountants and an off-campus tutor for the master of accounting in Chongqing University of Technology.

Professional background: he is a Certified Public Accountant, lawyer and asset appraiser and obtained a bachelor' degree from Southwestern University of Finance and Economics in 1995.

Work experience: he served as the manager of the audit department of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司), a certified public accountant and manager of the audit department of Chongqing Yuzhong Certified Public Accountants (重慶渝中會計師事務所) and the chief accountant of Chongqing Automobile Standard Parts Factory (重慶汽車標準件廠).

ZHENG Yi Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since November 2011 and the credit approval senior specialist of the Bank since November 2022.

Professional background: he is an economist and graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999.

Work experience: he served as the chief credit officer, the chief credit approval officer, a general manager of the credit approval department, a general manager of the credit management department and a general manager of the compliance management department of the Bank. He also served as a general manager, a vice general manager of the operation management department, a vice general manager of the risk management department and a deputy director of the credit management division of Chongqing Rural Credit Cooperative Union.

LE Xiaoming Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since June 2019 and the Deputy Chief of the Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision stationed in the Bank since May 2020.

Professional background: he obtained a master's degree in agricultural extension from Southwest University in 2012.

Work experience: he served as the director of the party committee office, the director of the party-masses work department and the director of the security department of the Bank. He also served as the division chief of the Personnel Secretariat, deputy division chief of the Personnel Secretariat and deputy division chief of the General Division of the Research Office of Chongqing Municipal People's Government.

ZHOU Wei Employee Representative Supervisor

Primary positions: she has served as an employee representative supervisor of the Bank since November 2021; the director of office of the Board of Supervisors since October 2021 and the director of the training center of the Bank since October 2022.

Professional background: she obtained a bachelor's degree of arts from Sichuan International Studies University in 1999 and a bachelor's degree in economics from Southwestern University of Finance and Economics in 2008.

Work experience: she served as a deputy director of office of the Board of Supervisors (being responsible for overall work), a member of the Party Committee and a vice president of Beibei Branch, a vice general manager of the risk management department and a vice general manager of the credit management department of the Bank.

3. *Biographies of the Senior Management*

XIE Wenhui Secretary to the Party Committee, Chairman, President, Executive Director

Please refer to the section headed "Biographies of the Directors" of this annual report for biographic details of Mr. Xie Wenhui.

WANG Min Member of the Party Committee, Vice President

Primary positions: he has served as member of the Party Committee and vice president of the Bank since July 2015.

Professional background: he is a senior economist and librarian and obtained an MBA degree from Sichuan University in 2013.

Work experience: he served as a member of the Party Committee and the vice president of Bank of Chongqing Co., Ltd. He was a director of the second Customer Department, director of Audit Supervision Department, director of Discipline Inspection Office and director of Audit Department of Chongqing Branch of the National Development Bank, and the deputy director of the Second Audit Divisions of the Audit Appraisal Bureau and the deputy director of the Second Credit Approval Divisions of the Audit Bureau at headquarters of the National Development Bank.

DONG Lu Member of the Party Committee, Vice President

Primary positions: she has been the member of the Party Committee and vice president of the Bank since May 2011.

Professional background: she is an economist and obtained a master's degree in engineering from Chongqing University in 2011.

Work experience: she was the general manager of the Treasury Operation Department of the Bank and the general manager and deputy general manager of the Business Department and deputy head of the financial planning division of Chongqing Rural Credit Cooperative Union.

SHU Jing Member of the Party Committee, Vice President

Primary positions: she has served as member of the Party Committee and vice president of the Bank since October 2015.

Professional background: she is a senior economist and graduated from the Correspondence Academy of the CPC Chongqing Municipal Party School with major in Economics and Management in 1997.

Work experience: she served as general manager of the Credit Approval Department, general manager of the Corporate Business Department and deputy general manager and general manager of the Business Department of the Bank. She held various positions in High Technology Development Zone Sub-branch of Chongqing Branch of China Everbright Bank, including vice president (in charge of work), deputy president and assistant president.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Please refer to the section headed "Biographies of the Directors" of this annual report for biographic details of Mr. Zhang Peizong.

GAO Song Member of the Party Committee, Vice President

Primary positions: he has served as a member of the Party Committee and vice president of the Bank since September 2016.

Professional background: he is a senior economist and an administration engineer, and obtained a master's degree in law from Southwest University of Political Science and Law in 2005.

Work experience: he served as the deputy director of the Bureau of Policies, Laws and Regulations of SASAC (temporary position). He served as the general manager of the Human Resources Department, secretary to the Party Committee and president of Changshou Sub-branch, general manager of the Channel Management Department and deputy general manager of the Asset Preservation Department of the Bank. He also served as deputy president of Xinpaifang Sub-branch in Chongqing Branch of Bank of Communications.

(III) Remuneration of Directors, Supervisors and Senior Management in 2022

1. Remuneration

Unit: RMB0'000

Name	Position	Paid Remuneration (before tax)	Social Insurance, Housing Provident Fund, Supplementary Medical Insurance, Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2022	Whether to get paid from Associated Company
Existing							
Xie Wenhui	Secretary to the Party Committee, Chairman, President, Executive Director	40.48	12.31	-	-	52.79	No
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	32.38	12.31	3.84	-	48.53	No
Hu Chun	Non-executive Director	-	-	-	0.00	0.00	Yes
Zhang Peng	Non-executive Director	-	-	-	9.00	9.00	Yes
Yin Xianglin	Non-executive Director	-	-	-	9.00	9.00	Yes
Gu Xiaoxu	Non-executive Director	-	-	-	0.00	0.00	Yes
Song Qinghua	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Zhang Qiaoyun	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Lee Ming Hau	Independent Non-executive Director	-	-	-	18.00	18.00	Yes

Corporate Governance Report

Name	Position	Paid Remuneration (before tax)	Social Insurance, Housing Provident Fund, Supplementary Medical Insurance, Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2022	Whether to get paid from Associated Company
Li Jiaming	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Bi Qian	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	33.73	10.16	4.00	-	47.89	No
Huang Qingqing	Shareholder Representative Supervisor	-	-	-	7.50	7.50	Yes
Zhang Jinruo	External Supervisor	-	-	-	12.00	12.00	Yes
Hu Yuancong	External Supervisor	-	-	-	12.00	12.00	No
Zhang Yingyi	External Supervisor	-	-	-	12.00	12.00	Yes
Zheng Yi	Employee Representative Supervisor	-	-	-	-	-	No
Le Xiaoming	Employee Representative Supervisor	-	-	-	-	-	No
Zhou Wei	Employee Representative Supervisor	-	-	-	-	-	No
Wang Min	Member of the Party Committee, Vice President	32.38	12.31	3.84	-	48.53	No
Dong Lu	Member of the Party Committee, Vice President	32.38	12.31	3.84	-	48.53	No
Shu Jing	Member of the Party Committee, Vice President	32.38	12.31	3.84	-	48.53	No
Gao Song	Member of the Party Committee, Vice President	32.38	12.31	3.84	-	48.53	No
Outgoing							
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	13.49	4.91	-	-	18.40	No

Notes:

- (1) According to relevant regulations, from 1 January 2015, the remuneration of the Chairman, Head of Supervisors, President and other responsible persons of the Bank will be implemented in accordance with the opinions on the supervision of the remuneration system reform of the responsible persons of relevant enterprises.
- (2) The 2022 final assessment of remuneration for the Chairman, Head of Supervisors and senior management of the Bank are still in the process of confirming. The Bank will issue a separate announcement.
- (3) Paid remuneration refers to paid remuneration to directors, supervisors, and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for 2022 that was issued in accordance with external regulatory requirements.
- (4) Ms. Hu Chun performed her duty in October 2022. According to the Evaluation Method for the Performance of Duties by the Board, Senior Management and Members of Chongqing Rural Commercial Bank Co., Ltd., the director who has performed her duty for less than 6 months will not receive remuneration in 2022.
- (5) Ms. Gu Xiaoxu issued the written commitment, stating that she is voluntary to waive her allowance or remuneration as a director during her term of office as a director of the Bank.
- (6) The employee representative supervisors of the Bank do not receive remuneration as employee representative supervisors.
- (7) Other monetary income is the business transportation subsidy issued in the form of currency in accordance with the regulations of relevant authorities.

2. *Salary decision-making procedure and basis*

The Bank provides remuneration to non-executive directors, independent directors, shareholder representative supervisors and external supervisors according to the Proposal on Directors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd. and the Proposal on Supervisors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd., which were considered and adopted at the 2017 annual general meeting of shareholders, provides remuneration to executive directors and other senior management personnel according to the Management Measures for the Remuneration of the Heads of Chongqing Rural Commercial Bank, and provides remuneration to employee supervisors according to the Management Measures for Remuneration of Chongqing Rural Commercial Bank.

The Board of Directors of the Bank assesses the senior management personnel according to the Measures for Performance Evaluation of Financial Enterprises, the Interim Management Measures for Salaries of Responsible Persons of Municipal State-owned Key Enterprises, and the Management Measures for Salaries of Responsible Persons of Chongqing Rural Commercial Bank. The Board of Supervisors conducts daily supervision on the performance of duties by directors, supervisors and senior management according to the Evaluation Method for the Performance of Duties by Directors, Senior Management and Members of Chongqing Rural Commercial Bank Co., Ltd., and the Evaluation Method for the Performance of Duties by Supervisors of Chongqing Rural Commercial Bank Co., Ltd. At the same time, the Board of Supervisors evaluates the annual performance of duties by directors, supervisors and senior management by attending the meetings of the Board of Supervisors, attending the meetings of the Board of Directors as non-voting members, consulting the annual duty performance evaluation summary, and reviewing the information in the annual personal debriefing reports (including but not limited to attending meetings, participating in investigation and research, training and learning, expressing opinions and suggestions, working hours of performing duties in the company, etc.), and reports to the general meeting of shareholders and the regulatory authorities.

V. Board of Directors and Special Committees

(1) Responsibility and operation of the Board

The Board shall be responsible for the general meeting of shareholders, bear the ultimate responsibility for operation and management, and exercise its functions and powers within the scope of laws, regulations, regulatory requirements, the Articles of Association of the Bank and the powers granted by the general meeting of shareholders to safeguard the legitimate rights and interests of the Bank and its shareholders. The major responsibilities are as follows: convening the general meeting of shareholders and make a report on work to the meeting; implementing the resolutions adopted by the shareholders' general meeting; determining our business plans and development strategies and overseeing its implementation; formulating the Bank's profit distribution, financial budget and final accounts; determining such matters as the Bank's significant external investment, significant merger & acquisitions, significant acquisition of assets, significant assets disposal, significant assets cancellation after verification and significant external guarantee within the authorization limits of the general meeting of shareholders; formulating the proposal program for amending the Bank's Articles of Association, the Rules and Procedures of the General Meetings and the Rules and Procedures of the Meetings of the Board; and hearing the work report of the President.

Pursuant to the CG Code and the Articles of Association of the Bank, the Board Meetings are divided into regular meetings and interim meetings. The regular meetings of the Board shall be held for at least one time each quarter, and shall be convened by the chairman. A meeting notice should be delivered in writing to all directors and supervisors fourteen days before the meeting. At Board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the Board of Directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal. Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. According to relevant requirement, the minutes will be circulated to all directors in time as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time.

All directors maintain communication with the secretary to the Board of Directors so as to ensure the compliance with board procedures and all applicable rules and regulations. Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

The Board of Directors has set up a Board office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the Board of Directors, information disclosure and other daily work.

(2) The Board of Directors' Implementation of Resolutions of the General Meeting

In 2022, the Board of Directors strictly implemented the resolutions passed at the 2021 annual general meeting, 2022 first extraordinary general meeting and 2022 second extraordinary general meeting, earnestly implemented the resolutions regarding the 2021 profit distribution plan, the 2022 financial budget, the appointment of accounting firm for 2022, the pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group Co., Ltd. (隆鑫集團有限公司), the related party transactions regarding to group credit limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), amendment to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* and election of Ms. Hu Chun as the non-executive director of the Bank considered and passed at the general meetings.

(3) Composition of the Board of Directors

As of the date of this report, the Board of Directors comprised 11 directors, including 2 executive directors, namely, Mr. Xie Wenhui (chairman of the Board, president) and Mr. Zhang Peizong (vice president and secretary to the Board); 4 non-executive directors, namely, Ms. Hu Chun, Mr. Zhang Peng, Mr. Yin Xianglin and Ms. Gu Xiaoxu; 5 independent non-executive directors, namely, Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules. Directors shall be elected or replaced at the shareholders' general meeting and may be dismissed by the shareholders' general meeting prior to the expiration of their term of office. The term of office of a director shall be three years. Upon the expiry of the term, a director shall be eligible for re-election and re-appointment. The office term of a re-elected and re-appointed director is effective upon approval by the general meeting while the term of office of a new director is effective upon approval by the banking regulatory agency until expiration of the term of the current session of the Board of Directors.

The Board of Directors is responsible for the performance of the functions of corporate governance. During the year ended 31 December 2022, the Board of Directors performed the functions of corporate governance as set out in code provision A.2.1 in the CG Code.

(4) Board Meetings

During the Reporting Period, the 6th meeting (19 January), the 7th meeting (18 February), the 8th meeting (11 March), the 9th meeting (30 March), the 10th meeting (22 April), the 11th meeting (28 April), the 12th meeting (10 May), the 13th meeting (6 June), the 14th meeting (28 June), the 15th meeting (18 July), the 16th meeting (26 July), the 17th meeting (25 August), the 18th meeting (8 September), the 19th meeting (12 October), the 20th meeting (28 October), the 21st meeting (2 November), the 22nd meeting (28 November) and the 23rd meeting (16 December) of the fifth session of the Board of Directors of the Bank were convened. The Bank convened a total of 18 Board meetings including 7 on-site meetings and 11 meetings by communication means. 132 resolutions and reports were considered and reviewed at such meetings including those regarding 2021 annual report, 2022 interim report, 2021 corporate social responsibility report and 2021 work report of the Board of Directors. Special committees under the Board of Directors convened 49 meetings and 93 resolutions and reports were considered and reviewed at such meetings.

During the Reporting Period, the attendance of the directors of the Bank at the general meetings, Board meetings and meetings of the special committees under the Board of Directors (directors who are involved in connected transactions and required to be abstained from the meetings of the special committees under the Board of Directors are also deemed as present) are set out as follows:

Attendances in person/meetings required to attend during the term of office

Directors	Special Committees of the Board of Directors									
	General meeting	Board meeting	Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors										
Xie Wenhui	2/3	18/18	4/4	13/13		1/1	2/2	12/12	2/2	4/4
Zhang Peizong	3/3	18/18		13/13			1/1	14/14	2/2	1/1
Non-executive Directors										
Hu Chun	0/0	4/4	0/0			0/0			0/0	
Zhang Peng	2/3	18/18	4/4							5/5
Yin Xianglin	1/3	18/18						14/14		5/5
Gu Xiaoxu	2/3	18/18		13/13			3/3			
Independent Non-executive Directors										
Song Qinghua	2/3	18/18			7/7		3/3	14/14		5/5
Zhang Qiaoyun	2/3	18/18	4/4	13/13	7/7	1/1				5/5
Lee Ming Hau	2/3	18/18			7/7	1/1	3/3	2/2		
Li Jiaming	2/3	18/18			7/7	1/1	3/3		2/2	
Bi Qian	2/3	18/18	4/4	13/13	7/7			14/14	2/2	
Resigned Director										
Liu Jianzhong	0/0	4/4	3/3			1/1			1/1	

Notes:

- (1) “Attendances in person” refers to attending meetings in person or on telephone or by video conference.
- (2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.
- (3) For details of the change of directors, please refer to the section headed “Directors, Supervisors and Senior Management”.

(5) Independent Non-executive Directors

During the Reporting Period, the Bank has 5 independent non-executive directors, and the qualifications are in compliance with domestic and overseas regulatory requirements. The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank, so as to ensure their independence. The Bank has received from each of the independent non-executive directors an annual confirmation of his/her independence. The Bank considers that all of the independent non-executive directors are independent.

All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank’s independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years. For details of the duty performance of independent non-executive directors of the Bank during the Reporting Period, please refer to the 2022 Work Report of the Independent Non-executive Directors of Chongqing Rural Commercial Bank Co., Ltd. published on the website of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange.

The Bank has established relevant mechanism to ensure that the Board of Directors can obtain independent views and opinions, including but not limited to reviewing from time to time if the independent non-executive directors have appropriate qualifications and expertise and sufficient time devoted to the bank, and if the number of independent non-executive directors complies with the requirements of the Hong Kong Listing Rules. The Board of Directors will review the implementation and effectiveness of such mechanism annually. During the Reporting Period, the Board has reviewed this mechanism and considered such mechanism was effective.

(6) Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2022. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2022.

(7) Continuous Professional Development Programme for Directors

Each newly appointed director should be given official, comprehensive and tailor-made information for his/her respective appointment upon his/her first appointment for the assurance of his/her appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages all directors to participate in continuous professional development for developing and updating their knowledge and skills. During the Reporting Period, the Bank continued to improve directors' capabilities to perform their duties, and organized all directors to participate in diversified training. Independent directors participated in the follow-up training for independent directors organized by Shanghai Stock Exchange, the training on risk reporting, concern and tips for independent directors of listed companies in 2021 and the training on the analysis of the Rules for Independent Directors of Listed Companies; the secretary to the board participated in the follow-up training for the secretary to the board; all directors participated in the special training on corporate governance of the China Association for Public Companies, the summary training on the revision of the regulatory laws and regulations system of the China Association for Public Companies, the warning study on the illegal cases of securities, the special training on green finance, anti-money laundering and anti-terrorist financing, rural revitalization, "double carbon" and legal and compliance, etc. organized by the Bank.

The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their continuous contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

(8) Special Committees of the Board

There are eight special committees established under the Board of Directors of the Bank, namely the strategic development committee, risk management committee, audit committee, nomination committee, remuneration committee, related party transaction supervision committee, Sannong financial services committee and consumer rights protection committee. As at the disclosure date of this report, compositions of the special committees of the Board of Directors are set out as follows:

Directors	Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors								
Xie Wenhui	Chairman	Chairman		member			Chairman	
Zhang Peizong		member			member	member		Chairman
Non-executive Directors								
Hu Chun	member			member			member	
Zhang Peng	member							member
Yin Xianglin						member		member
Gu Xiaoxu		member			member			
Independent Non-executive Directors								
Song Qinghua			member		Chairman	member	member	member
Zhang Qiaoyun	member	member	member	Chairman				member
Lee Ming Hau			member	member	member	member		
Li Jiaming			Chairman	member	member		member	
Bi Qian	member	member	member			Chairman	member	

Notes:

- (1) Mr. Liu Jianzhong ceased to serve as a chairman of the Strategic Development Committee, a member of the Nomination Committee and a chairman of Sannong Financial Services Committee of the Bank, with effect from 22 April 2022.
- (2) Mr. Xie Wenhui ceased to serve as a member of the Remuneration Committee, the Related Party Transaction Supervision Committee and a chairman of the Consumer Rights Protection Committee and served as a chairman of the Strategic Development Committee and Sannong Financial Services Committee, with effect from 8 November 2022.
- (3) Mr. Zhang Peizong ceased to serve as a member of Sannong Financial Services Committee and served as a member of the Remuneration Committee and a chairman of the Consumer Rights Protection Committee, with effect from 8 November 2022.
- (4) Ms. Hu Chun has served as a member of the Strategic Development Committee, a member of the Nomination Committee and a member of Sannong Financial Services Committee, with effect from 8 November 2022.
- (5) Mr. Song Qinghua served as a member of Sannong Financial Services Committee, with effect from 8 November 2022
- (6) Mr. Lee Ming Hau served as a member of the Related Party Transaction Supervision Committee, with effect from 8 November 2022.

During the Reporting Period, the special committees of the Board of Directors agreed with various resolutions and gave advice and recommendations to our related work without objection in accordance with the regulatory regulations and the Articles of Association. The duty performance of the special committees are set out as follows:

1. *Strategic Development Committee*

The primary responsibilities of the strategic development committee include: formulating the strategies and development plans and annual operation plans of the Bank; reviewing the annual financial budgets; making a study on the significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries and make recommendations; reviewing significant investment, financing, acquisition and merger plans of the Bank; formulating the green finance development strategy, green finance goal of the Bank, and monitoring and evaluating the implementation of the green finance development strategy.

During the Reporting Period, the strategic development committee held four meetings on 4 January, 11 January, 14 March and 19 September, respectively, and considered and reviewed six proposals of the Bank, including the planning of institutional outlets in 2022, the work report of green credit in 2021, the medium-term capital plan for 2022-2024, and the financial budget for 2022.

2. *Risk Management Committee*

The primary responsibilities of the risk management committee include: reviewing the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank; guiding the construction of risk management and compliance management system; monitoring and evaluating the legal construction, risk management, risk resistance and anti-money laundering of the Bank; evaluating risks and compliance of the Bank on a regular basis; putting forward the overall requirements for risk prevention and making assessment on the effectiveness of risky cases management of the Bank; assessing and supervising the development of new products and major change to existing products; and supervising and evaluating the annual financial innovation plan and the performance.

During the Reporting Period, the risk management committee held 13 meetings on 4 January, 2 March, 11 March, 24 April, 7 May, 31 May, 13 June, 1 July, 8 August, 9 September, 21 November, 7 December and 23 December, respectively, and considered and reviewed 28 proposals and reports of the Bank, including the innovative product plan for 2022, the implementation report of innovative products for 2021, the compliance management evaluation report for 2021, the internal capital adequacy evaluation report for 2021, the anti-money laundering work report for 2021, the risk management evaluation report for 2021, the report on write-off of doubtful debts for 2021, the risk appetite statement for 2022 and the case prevention and control and security and safeguard work report for 2022.

3. *Audit Committee*

Members of the audit committee are independent non-executive directors and meet the requirements of Rule 3.21 of the Hong Kong Listing Rules. The primary responsibilities of the audit committee include: supervising the internal control of the Bank, and examining and evaluating the compliance of significant operating activities of the Bank; reviewing the major financial policies of the Bank and their implementation and supervising the financial operation; supervising and evaluating the internal audit work of the Bank; proposing to appoint or change the external auditor; reviewing the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other disclosable financial information prepared by the external auditor; reviewing important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans; coordinating between the internal audit department and the external auditor; ensuring that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procuring the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters; reviewing the financial information of the Bank and its disclosure; and supervising and evaluating the internal control of the Bank.

During the Reporting Period, the audit committee held 7 meetings on 4 January, 14 February, 14 March, 23 March, 22 April, 19 August and 21 October, respectively, and considered and reviewed 20 proposals and reports, including the internal audit work report for 2021, the internal audit work plan for 2022, the financial final accounts plan for 2021, the engagement of accounting firm for 2022, the annual report for 2021 and its summary and results announcement, the first quarter report proposal for 2022, the semi-annual report for 2022 and its summary and results announcement, and the third quarter report for 2022. According to the provisions of the CG Code, the Bank held two meetings between the audit committee and auditors during the Reporting Period.

The audit committee of the Board of Directors of the Bank considered the unaudited financial statements of the Bank for 2022 in the course of preparing its 2022 annual report. In the course of audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the audit committee listened to the report on the operation of the Bank for 2022, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit and reviewed the financial statements of the Bank. Before the convening of the annual meeting of the Board of Directors, the audit committee reviewed the Bank's 2022 annual report and agreed to submit the same to the Board of Directors for consideration and approval.

4. *Nomination Committee*

The primary responsibilities of the nomination committee include: assessing the structure, and composition of the Board of Directors; formulating the standard and procedures for the selection of directors and senior management members of the Bank; selecting and reviewing suitable candidates with relevant qualifications for directors and senior management members; formulating, reviewing and discussing the diversity policy of the Board of Directors and supervising the implementation of the diversity policy of the Board of Directors; and assessing the independence of independent directors.

During the Reporting Period, the nomination committee held 1 meeting on 24 January, and considered and reviewed 1 proposal in relation to nomination of Ms. Hu Chun as the candidate for non-executive director.

The Bank adopted the diversity policy of the Board of Directors. In determining the composition of members, the Board of Directors considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Board of Directors consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules. The nomination committee will evaluate the structure, size and composition of the Board of Directors from time to time to ensure the achievement of the objectives of diversity and the implementation of diversity policy. As of the date of this report, the Board of Directors of the Bank has 2 executive directors, 4 non-executive directors (including 2 female non-executive directors) and 5 independent non-executive directors (including 1 female independent non-executive director), and the independent non-executive directors account for more than one third of the total members of the Board of Directors.

Working procedures of the nomination committee: the nomination committee shall, in accordance with relevant laws, regulations, administrative rules, and provisions of the Articles of Association, and in consideration of the Bank's actual conditions, review the procedures and criteria for electing the Bank's directors and senior management members, and their terms of office; and shall submit to the Board of Directors the resolution thereof; and implement such resolution if it is considered by the Board of Directors.

Procedures for electing directors and senior management members: the nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior management members; the nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experiences and their part-time jobs, etc.; the nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior management members; the nomination committee shall call a meeting of the nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior management members according to their credentials, and make recommendation to the Board of Directors; the nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

During the Reporting Period, the nomination committee and the Board has reviewed the diversity policy of the Board and nomination policy of directors and considered such diversity policy of the Board and nomination policy of directors were effective.

5. *Remuneration Committee*

The primary responsibilities of the remuneration committee include: reviewing and considering the Bank's fundamental system and policy of remuneration management; studying and reviewing the remuneration policies and remuneration package for the directors and senior management; reviewing the appraisal of performance of duties of directors and senior management and making recommendation on remuneration allocation of directors and senior management.

During the Reporting Period, the remuneration committee held 3 meetings on 15 March, 13 June and 7 December respectively, and considered and reviewed 6 proposals and reports, including the report of the Board of Directors on the evaluation of directors, senior executives and mutual evaluation of independent directors in 2021, the completion of business objectives in 2021, and the tenure targets of the head of the Head Office in 2022.

Working procedures of the remuneration committee: the office of the Board of Directors shall be responsible for the preparation for the remuneration committee's decision-making, providing the key financial indicators and progress in reaching the business objectives of the Bank, the information about achievement of performance targets of directors and senior management and their business innovation ability and operation performance based on such ability and the basis of calculation in the formulation of the remuneration allocation plans and method in accordance with the performance of the Bank, studying, discussing and reviewing the information submitted by the office of the Board one by one, submitting to the Board of Directors for consideration the recommendation on the remuneration for the directors and senior management, and the rewarding method in accordance with the result of appraisal of performance of duties and the remuneration allocation policy, after it is passed by voting.

6. *Related Party Transaction Supervision Committee*

The primary responsibilities of the related party transaction supervision committee include: formulating the fundamental system of related transaction management; identifying the related parties of the Bank, reviewing the significant related party transactions of the Bank and reporting to the Board of Directors and the Board of Supervisors; and receiving filings of general related party transactions.

During the Reporting Period, the related party transaction supervision committee held 14 meetings on 4 January, 17 January, 7 March, 15 March, 21 March, 1 June, 11 July, 8 August, 15 August, 31 August, 19 September, 17 October, 21 November and 12 December, respectively, and considered and reviewed 23 proposals and reports, including the list of related parties of the Bank, the funds occupied by the controlling shareholders and other related parties in 2021, the related party transaction report in 2021, the pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group Co., Ltd. (隆鑫集團有限公司), the related party transaction of Chongqing Rural Commercial Finance Leasing Co., Ltd. (渝農商金融租賃有限責任公司), the related party transaction regarding to group credit limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), the related party transactions regarding to group credit limits of Chongqing City Construction Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司), the related party transaction regarding to group credit limits of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), the related transactions of leasing property to related parties, and the filing report of general related party transactions.

7. *Sannong Financial Services Committee*

The primary responsibilities of the Sannong financial services committee include: examining and approving the Bank's Sannong financial services development strategy planning and annual Sannong financial services development goal; examining and approving the Bank's Sannong financial services resource allocation plan; and supervising and evaluating the implementation situation of Sannong financial services by the Bank's operation and management layer.

During the Reporting Period, the Sannong financial services committee held 2 meetings on 9 March and 12 August respectively, and considered and reviewed 3 proposals and reports, including the Bank's opinions on the Bank's financial services for rural revitalization in 2022, 2021 work report on sannong financial services, and the report on rural revitalization in the first half of 2022.

8. *Consumer Rights Protection Committee*

The primary responsibilities of the consumer rights protection committee include: reviewing the administrative measures for the consumer rights protection of the Bank; reviewing and evaluating the Bank's plan on consumer rights protection; reviewing the report on the consumer rights protection, the audit of consumer rights protection and the rectification report on consumer rights protection problem.

During the Reporting Period, the consumer rights protection committee held 5 meetings on 11 January, 10 March, 23 June, 11 July and 19 December respectively, and considered and reviewed 6 proposals and reports, including the assessment results of consumer rights protection in 2021, the report on consumer rights protection in 2021, the special audit report on consumer rights protection in 2021, the opinions on financial consumer rights protection in 2022, the report on consumer rights protection in the first half of 2022, and the report on the issue rectification of consumer rights protection evaluation in 2021.

VI. Board of Supervisors and Special Committees

The Board of Supervisors as the internal supervisory body in the Bank, shall be responsible to the shareholders' general meeting, and exercise the following powers: supervising and checking the Bank's financial matters; supervising the Bank's directors, president and other senior managers when they perform their duties in the Bank; reviewing the periodic reports prepared by the Board of Directors and submitting written audit opinions; conducting an outgoing audit for directors and senior managers; supervising the Board of Directors in establishing sound operating philosophy, value criterion and setting development strategies that meet requirement of the practices of the Bank; supervising the Bank's business decision-making, risk management and internal control and urging its rectification; supervising the procedure of the election and appointment of directors; conducting a comprehensive evaluation for duty performance of directors, supervisors and senior management; and supervising the compensation management system and policy of the Bank and whether the compensation program for senior management is scientific and appropriate.

(1) Composition of the Board of Supervisors

As of the disclosure date of this report, the Board of Supervisors comprised 8 supervisors, including 1 head of supervisor, namely Mr. Yang Xiaotao, 1 shareholder representative supervisor, namely Ms. Huang Qingqing, 3 external supervisors, namely Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi; 3 employee representative supervisors, namely Mr. Zheng Yi, Mr. Le Xiaoming and Ms. Zhou Wei. Ms. Huang Qingqing was nominated by Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司).

Our supervisors are elected for a term of three years and may be subject to re-election upon expiration of their terms of office. Our external supervisors are elected for a term of three years and are eligible for re-election, provided that their terms of office shall not exceed six consecutive years.

(2) Special Committees of the Board of Supervisors

The Board of Supervisors may set up a nomination committee, an audit committee, a due diligence supervision committee, and an internal control and review committee. The Board of Supervisors may establish other special committees or adjust the existing committees based on its work needs. Each special committee under the Board of Supervisors shall be responsible to the Board of Supervisors and assist the Board of Supervisors in performing its duties.

Zhang Jinruo serves as the chairman of the nomination committee and Yang Xiaotao and Le Xiaoming serve as members. The nomination committee is primarily responsible for preparing the selection and appointment procedures and criteria of non-employee supervisors, making a preliminary review for qualification of candidates for non-employee supervisors and proposing suggestions to the Board of Supervisors.

Zhang Yingyi serves as the chairman of the audit committee and Huang Qingqing and Zheng Yi serves as members. The audit committee is primarily responsible to formulate inspection and supervision programs for the financial activities of the Bank; to formulate an audit program for the business decision-making, risk management and internal control of the Bank.

Yang Xiaotao serves as the chairman of the due diligence supervision committee and Hu Yuancong and Zhou Wei serve as members. The due diligence supervision committee is primarily responsible to supervise due diligence situations of the Board of Directors, the Board of Supervisors and senior management and their members, conducting a comprehensive evaluation and reporting to the Board of Supervisors.

Hu Yuancong serves as the chairman of the internal control and review committee and Zheng Yi and Zhou Wei serve as members. The internal control and review committee is primarily responsible for organizing the audit and assessment of the Bank's business decision-making, risk management and internal control.

(3) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors held 7 meetings at which 31 proposals mainly including annual conclusion of the Board of Supervisors, report on centralized supervision and inspection, special investigation reports on core business, financial budgets and accounts, profit distribution and report on internal control evaluation were considered and heard.

Attendance records of the supervisors at meetings of the Board of Supervisors during the Reporting Period are set out as follows:

Attendances in person/meetings required to attend during the term

Supervisors	General Meeting	Board of Supervisors	Special Committees of the Board of Supervisors			
			Due Diligence Supervision Committee	Internal Control and Review Committee	Audit Committee	Nomination Committee
Head of Supervisor						
Yang Xiaotao	3/3	6/6	1/1			
Shareholder Representative Supervisor						
Huang Qingqing	3/3	7/7			4/4	
External Supervisors						
Zhang Jinruo	2/3	7/7				1/1
Hu Yuancong	2/3	7/7	1/1	1/1		
Zhang Yingyi	2/3	7/7			4/4	
Employee Representative Supervisors						
Zheng Yi	3/3	6/7		1/1	4/4	
Le Xiaoming	3/3	5/7				1/1
Zhou Wei	3/3	7/7	1/1	1/1		

Notes:

- (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.
- (2) Supervisors who did not attend the meetings of the Board of Supervisors in person appointed other supervisors to attend the meetings and exercise the voting right on their behalf.
- (3) For the change of supervisors, please refer to the section headed "Directors, Supervisors and Senior Management".

VII. Senior Management

The senior management, as the executive body of the Bank, shall report to the Board of Directors and the Board of Supervisors the Bank's operating performance, important contracts, financial conditions, risk status and business prospects in a timely, accurate and complete manner as required.

The Bank implements the president responsibility system under the leadership of the Board of Directors. The president is appointed by the Board of Directors and is responsible to the Board of Directors. The president has the right to organize operating and management activities in accordance with laws and regulations, the Articles of Association of the Bank and the authorization of the Board of Directors. His/her main responsibilities include: presiding over the daily administrative, business and financial management of the Bank, and reporting to the Board of Directors; organizing and implementing the resolutions of the Board of Directors, the annual plan and investment plan of the Bank; formulating the internal management and organization establishment plans, basic management systems and specific regulations and rules of the Bank; establishing the accountability system of the president, and assessing the heads of business departments, functional departments and branches; authorizing the members of the senior management and the heads of internal functional departments and branches to engage in operating activities, etc.

VIII. Information on Employees and Institutes

(1) Employees

As of the end of 2022, the Group had 15,167 regular employees, among which, the Bank had 14,760 employees and subsidiaries had 407 employees.

Structure of regular employees of the Bank

Position Structure

Management	2,956
Business Personnel	8,815
Risk Control	1,038
General Management	1,221
Supporting	730

Age Structure

Below 30	1,711
31-40	7,098
41-50	3,365
Above 51	2,586

Academic Background Structure

Master's degree and above	965
Bachelor's degree	10,481
College's degree and below	3,314

Note: In addition, the Bank had 412 dispatch workers, 481 internally retired employees and 6,814 retired employees.

(2) Employee Remuneration Policy

The Bank adheres to the principle of linking total salaries to enterprise benefits to determine the unified remuneration level of the Bank. The basic remuneration consists of the basic salary and the position salary, in which the basic salary is determined as different grades according to working years, educational background, etc. to match the corresponding standards, and the position salary is linked to the position level. Employee positions are divided into management, professional technology, handling and operation sequences; for non-management sequences, different salary standards are determined according to different position levels. Performance remuneration is a floating remuneration that reflects the Bank's operating benefits and employees' performance. According to the principle of "give priority to benefits with due consideration to fairness", performance remuneration is linked to the annual operating performance. The Bank fully mobilizes the enthusiasm of employees at all levels by establishing and improving a market-oriented and profit-targeted incentive and restraint mechanism, so as to promote the business development and improve the operating efficiency of the Bank.

(3) Training Plan

Adhere to the systems of "bringing in + going out, online + offline, head office + lines + branches", and promote the induction training for managers, business backbones and new employees as a whole. Further optimize M-learning to accelerate the construction of live platform. The coverage of employee training reached 100%, realizing systematization of training contents, normalization of training methods and full participation of all employees.

(4) The Distribution of Branches

Operating outlets are the primary distribution channels of the Bank. By the end of 2022, the Bank had 1,755 branches, including the Head Office and the business department, 7 branches, 35 first-class sub-branches, 149 second-class sub-branches, 1 community sub-branch, and 1,561 branch offices. The network of sub-branches covers all the 38 administrative districts and counties with 1,448 distribution outlets in the county area of Chongqing and 305 outlets in the city's urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency.

The Bank provided customers with more convenient and efficient self-service financial service through establishment of self-service bank and supply of self-service equipment. By the end of 2022, the Bank established 136 24-hour self-service banking centers with 6,395 self-service equipment (including: 2,369 smart counters, 3,368 deposit and withdrawal machines, 599 self-service cash machines, and 59 self-service inquiry machines), and the proportion of machine to outlet was 3.61:1. The Bank continued to deepen the basic financial services in rural areas, promoted the service expansion and supported rural revitalization. 455 convenient rural financial service centers had been established and put into use, which effectively strengthened the provision of financial service in rural areas and solved financial service problems for people in remote villages.

Corporate Governance Report

Name	Address	Number of Outlet	Number of staff	Assets Size (RMB100 million)
The headquarter and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,656	3,307.53
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	142	179.89
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	162	126.59
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	28	295	280.35
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	29	293	265.19
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	40	326	288.44
Kexuecheng Branch	No. 28, Xiyong Avenue, High-tech Zone, Chongqing City	17	142	161.86
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	332	276.84
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	267	234.69
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	37	311	266.98
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	17	240	277.42
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	382	326.38
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	124	77.99
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	75	470	317.48
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	48	336	229.18
Jiangjin Branch	Annex 6, 7, No. 183, Xijiang Avenue, Shengquan Street, Jiangjin District, Chongqing City	83	508	456.49
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	601	499.88
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	369	288.34
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	289	183.57

Name	Address	Number of Outlet	Number of staff	Assets Size (RMB100 million)
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	320	195.69
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City	40	273	175.26
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City	50	359	239.07
Dazu Branch	Annex 2 No. 390 Wuxing Avenue, Tangxiang Street Office, Dazu District, Chongqing City	39	297	196.59
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street, Rongchang District, Chongqing City	36	276	188.55
Bishan Branch	No. 4 Bitong Road, Bicheng Street, Bishan District, Chongqing City	40	329	240.07
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	95	646	496.03
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City	46	354	251.20
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	158	70.20
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City	47	324	222.81
Dianjiang Branch	No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City	47	312	197.12
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	390	239.94
Kaizhou Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City	64	475	444.53
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing City	68	455	313.46
Fengjie Branch	No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City	46	339	210.15
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	240	115.91
Wuxi Branch	Unit 1-1, No. 7 Yanghe Garden, No. 25 Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	280	133.08
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	278	122.76
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City	35	275	148.74
Shizhu Branch	Annex 12 No. 36 Xinkai Road, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City	32	220	143.88

Corporate Governance Report

Name	Address	Number of Outlet	Number of staff	Assets Size (RMB100 million)
Xiushan Branch	No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	251	127.14
Youyang Branch	No. 6, Middle Section of Taohuayuan Avenue, Taohuayuan Street, Youyang Tujia and Miao Autonomous County, Chongqing City	46	302	162.50
Pengshui Branch	Annex 4, No. 2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	311	152.47
Qujing Branch	No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province	2	51	61.62
Total		1,755	14,760	12,893.83

IX. Profit and Dividends

(1) Formulation and implementation of the cash dividend policy

According to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., the Bank may distribute dividend in the form of cash, share, or a combination of cash and share. The profit distribution policy of the Bank shall be focused on generating reasonable return for investors. The profit distribution policy shall maintain its continuity and stability and, meanwhile, give consideration to the long-term interests of the Bank, the interests of the shareholders as a whole and the sustainable development of the Bank. Cash shall be the main form of dividend distributed by the Bank. If required under the regulatory requirements of the securities regulatory authorities at the places where the shares of the Bank are listed, the Bank shall provide online voting platform when the profit distribution plan is considered and deliberated. Except under special circumstances, the Bank shall distribute profit to shareholders of ordinary shares in the form of cash every year with an aggregate amount not less than 10% of the net profit attributed to shareholders of the Bank.

During the Reporting Period, the Bank's profit distribution plan for 2021 was strictly implemented in accordance with the relevant provisions of the Articles of Association of the Company, and the standard and proportion for dividend distribution were clear and distinct. According to the resolution passed at the 2021 Annual General Meeting of the Bank held on 26 May 2022, a cash dividend of RMB0.2525 per Share (tax inclusive) for 2021 will be distributed to all shareholders with a total of RMB2.868 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion Shares. Specifically: cash dividend of RMB2.233 billion (tax inclusive) will be distributed for A Shares on 29 June 2022; cash dividend of RMB635 million (tax inclusive) will be distributed for H shares in HKD on 8 July 2022.

The Bank's profit distribution plan for 2022 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of the Bank and will be submitted to the Bank's 2022 annual general meeting for consideration upon consideration and approval by the Bank's Board of Directors. The independent directors of the Bank have issued independent opinions on the profit distribution plans for 2021 and 2022, and the Bank has fully protected the legitimate rights and interests of small and medium-sized investors during the process of equity distribution plans and implementation of plans.

(2) 2022 Profit Distribution Plan

On the basis of the audited after tax profit of the Bank for 2022 in the amount of RMB9,111 million, 10% of such profit (being RMB911 million) was appropriated for statutory surplus reserve. On the basis of the remaining amount of risk assets, RMB1,124 million was provided for the general risk reserve. The Board of Directors recommended a distribution of cash dividends in an aggregate amount of RMB3,082 million (tax inclusive) for 2022 to all the Shareholders at a par value of RMB2.714 per 10 shares (tax inclusive), and the remaining profit after tax will transferred to unappropriated profit. The dividend distribution plan will be submitted to the annual general meeting of 2022 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2022, the A/H share dividend is expected to be paid on 29 June 2023. Such proposed dividends will be denominated in RMB. Dividends payable to holders of A shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration (including first date) of such dividends at the 2022 annual general meeting of the Bank as announced by the PBOC.

(3) Profit distribution in the past three years

RMB: in million	2022	2021	2020
Cash dividends	3,082	2,868	2,521
As a percentage of profit for the year	29.42%	29.51%	29.44%
As a percentage of net profit attributable to ordinary shareholders	30.00%	30.00%	30.01%

Note: Implementation of the 2022 profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting.

X. Incentive Measures

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

XI. Risk Management and Internal Control

The Bank formulated the Outline of Internal Control Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行內部控制管理大綱》) and Basic System of Risk Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行風險管理基本制度》). With a sound organizational structure and clear levels of responsibilities and reporting procedures, the Bank has established a risk management and internal control framework. Among them, the Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management and internal control system. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board of Directors and senior management. The senior management is responsible for the ordinary operation of risk management and internal control of the Bank. In addition, the Board of Directors established committees, such as Audit Committee, Risk Management Committee and Related Party Transaction Supervision Committee to assist the Board of Directors in performing its supervisory and corporate governance duties, covering the Group's compliance management, risk management, internal control, financial resources and internal audit functions.

During the Reporting Period, the Bank carried out the self-examination and self-assessment of internal control system, the activity of “Year of Internal Control and Compliance Management Promotion”, case risk investigation, employee abnormal behavior investigation, consumer protection special inspection, etc. according to the regulatory requirements and in combination with the Bank's actual situation, continuously improving the duty performance capabilities and effect of lines, continuously enhancing employees' compliance awareness, and further improving the compliance of business development and the effectiveness of internal control management.

During the Reporting Period, the Bank evaluated the internal control status of the whole bank in 2022, and no major defects were found in the internal control of the Bank after review by the Board of Directors of the Bank. For details, please refer to the 2022 Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. published on the websites of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange and the 2022 Internal Control Audit Report of Chongqing Rural Commercial Bank Co., Ltd. issued by KPMG Huazhen LLP with standard unqualified opinion.

The Bank has established a risk management system of “comprehensive, full-service, all-staff” to achieve full coverage management of all kinds of risks, all kinds of institutions and all kinds of product risks, and regularly conducts comprehensive evaluations on the risk management at the group level, the contents of which include the construction of risk management system, implementation of risk preference and limit, capital management, stress test, emergency response mechanism, consolidated management, credit/liquidity/market/operational risk/information technology risk/reputation risk/money laundering risk, etc., as well as information system and data quality, covering the management situation, development trend and next step plan, etc. The evaluation results shall be reported to the senior management and the Board of Directors of the Bank. Please refer to the “Chapter 3 Management Discussion and Analysis-V. Risk Management” of this report for information about the Group’s risk management in 2022.

During the Reporting Period, the Board of Directors of the Bank have completed overall assessment on the effectiveness of the risk management systems of the Bank for 2021 and the first half year of 2022. The Board of Directors believes that, the overall operation of the Bank’s risk management and internal control systems is sufficient and effective. No major issues should be specially concerned with during the year.

XII. Chairman and President

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In 2022, Mr. Liu Jianzhong and Mr. Xie Wenhui successively served as the chairman of the Bank, and Mr. Xie Wenhui served as the president of the Bank. Although the above arrangement deviates from the requirement of the code provision C.2.1 of the CG Code, the Board of Directors is the decision-making organ, and the senior management is the executive organ, the main body of governance featured clear responsibilities, and all major events are decided by collective decision-making at relevant meetings. Meanwhile, the duties of the chairman and the president of the Bank are clearly defined. The chairman is responsible for leading the Board of Directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner. The president is responsible for the operation and management of the Bank and discharges his duties in accordance with the Articles of Association and the authorization of the Board of Directors. Therefore, the Bank is of the view that the above arrangement will not affect the balance of the rights between the main body of the governance of the Bank, so as to ensure the effective operation of the Bank with a sound corporate governance structure. Meanwhile, the Bank will carry out relevant election work in accordance with legal procedures as soon as possible, so as to improve the internal corporate governance system of the Bank.

XIII. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors and supervisors, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2022.

XIV. External Auditors' and Auditors' Remuneration

Pursuant to the requirement of the Ministry of Finance of the PRC regarding the term of service for an auditing firm, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers shall cease to be the external auditors of the Bank since the date of the 2021 annual general meeting of the Bank due to attainment of the required maximum term of service. As considered and approved by the 2021 annual general meeting of the Bank, the Bank appointed KPMG Huazhen LLP and KPMG as external auditors of the Bank for 2022. Save as disclosed above, the Bank has not changed its auditors in the last three years.

The Bank's 2022 financial statements and internal control in 2022 prepared by the Bank in accordance with the Chinese Accounting Standards have been audited by KPMG Huazhen LLP, and signed by certified public accountants Shi Haiyun and Xue Chenjun. The 2022 financial statements prepared in accordance with the International Financial Reporting Standards have been audited by KPMG, and signed by accountant Chan Siu Tung, Thomas. The above three accountants acted in the capacity of undersigning accountant of the Bank for the first year.

The remuneration for the auditors of 2022 amounted to RMB5.769 million, including internal control audit expenses of RMB650,000.

XV. Company Secretary

The Bank appointed Mr. Leung Chi Kit of TMF Hong Kong Limited, an external service provider, as the company secretary of the Bank, and Mr. Zhang Peizong (Secretary to the Board of the Bank) was the chief contact person for the external company secretary. Mr. Leung Chi Kit complied with the requirements under Rule 3.29 of the Hong Kong Listing Rules by receiving relevant professional training for not less than 15 hours during the Reporting Period.

XVI. Rights of Shareholders

Rights of shareholders to request the convening of an extraordinary general meeting

Upon the requisition in writing of shareholders, individually or jointly, holding more than 10% of the Company's issued shares carrying the voting rights, the Bank shall convene an extraordinary general meeting within 2 months.

The Board of Directors shall make a written feedback within ten days from the date of receiving the request. Where the Board agrees to convene the meeting, it shall issue a notice regarding the convening within five days from the date of the resolution concerned. Where the Board disagrees with the convening, or makes no feedback, the Shareholders who propose to convening the meeting shall make a written request to the Board of Supervisors. Where the Board of Supervisors agrees with the convening, it shall release a notice regarding the convening within five days from the date of receiving the request. Where Board of Supervisors fails to issue such a notice, the shareholders individually or jointly having more than 10 percent of the Bank's shares carrying the voting rights for more than 90 consecutive days may convene and preside over an extraordinary general meeting.

Rights of shareholders to make provisional proposals for the general meeting

As for the general meeting in the Bank, the shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, shall all have the right to present new proposals in writing to the Bank, and the Bank shall place into the agenda of the meeting the matters in such proposals falling within the functions of the general meeting.

The shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, may make written provisional proposals to the Bank ten days before the meeting, and submit such proposals to the convener. The convener shall, within two days after receiving such proposals, issue a supplementary notice to the general meeting, stating such provisional proposals.

Shareholder's inquiry right

After a shareholder provides the Bank with written documents certifying the class and number of shares of the Bank he/she held and verifying his/her identity, he/she shall have the right to inspect the relevant information of the Bank in accordance with the Articles of Association of the Bank, including the Articles of Association, the minutes or resolutions of the general meeting, the resolutions of the Board of Directors, the resolutions of the Board of Supervisors, and the periodic reports announced by the Bank.

XVII. Information Disclosure and Investor Relations

(1) Information Disclosure

During the Reporting Period, the Bank strictly complied with relevant laws and regulations on information disclosure, and earnestly performed its obligation of information disclosure. The Bank continued to standardize the information disclosure acts of the Bank and relevant information disclosure obligors to ensure that information disclosure was true, accurate, complete and timely, and operated in accordance with the law, effectively safeguarding the legitimate rights and interests of the Bank, investors and other stakeholders.

At the same time, the Bank formulated the Management Measures for Registration of Insiders of Inside Information, and strictly implemented the management of confidentiality and registration of insiders of inside information according to such Measures. During the Reporting Period, no insider was found to use insider information to buy or sell the shares of the Bank.

(2) Investor Relations

The Bank strictly complied with relevant requirements of the "Shareholder Communication Policy" under the Hong Kong Listing Rules and formulated the shareholder communication policy of the Bank. During the Reporting Period, the Bank communicated with investors many times about the Bank's development strategy, business situation, financial conditions and other matters through performance briefing, analyst meeting, acceptance of investor research, SSE e-interaction, IR email, investor hotline, etc., keeping good information transparency and effectively meeting the communication needs of domestic and foreign investors. Based on the above, during the Reporting Period, the Bank has reviewed the implementation of the shareholder communication policy and considered such policy was effective.

(3) Amendments to the Articles of Association

On 16 September 2022, the resolution in relation to the proposed amendments to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd. was considered and approved at the 2022 second extraordinary general meeting. The general meeting authorized the Board to adjust the content of the Articles of Association correspondingly in accordance with the opinions from or requirements of the regulatory authorities, the stock exchanges where the Bank's share are listed and relevant departments. The Board authorized the senior management to deal with the approval of the amendments to the Articles of Association and the filing with the market supervision authorities and other matters. On 30 March 2023, the Board of the Bank made further minor amendments to the Articles of Association in accordance with the feedback from the regulatory authorities and upon authorization and approval at the general meeting. For details, please refer to the relevant announcement of the Company. The newly amended Articles of Association shall be effective upon approval by the regulatory authority of the banking and insurance industry of the PRC.

(4) Shareholders' Enquiries

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

A Shares:

Shanghai branch of China Securities Depository and Clearing Company Limited
No.188, Yanggao South Road, Pudong New District, Shanghai
Tel: 4008058058 (customer service center)

H Shares:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

(5) Investor Relations Contact Information

Shareholders and investors may send enquiries to the Board of Directors to the following:

Office of the Board of Directors of the Bank
Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (86) 23-6111 0637
Facsimile: (86) 23-6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:
31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

This report is available on the website of the Bank (www.cqrcb.com), the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of Shanghai Stock Exchange (www.see.com.cn).

XVIII. Other Information

The Bank holds a financial license number B0335H250000001 approved by the CBIRC, and was authorized by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and deposit-taking business in Hong Kong.

Environmental and Social Responsibilities

The Bank and its subsidiaries are not the key pollutant discharge units announced by the environmental protection department, and there was no environmental violation information during the Reporting Period. For details of the performance of social responsibilities of the Bank, please refer to the 2022 Report on Corporate Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd. published on the website of the Bank, the HKEXnews website of the Hong Kong Stock Exchange and the website of Shanghai Stock Exchange.

I. Green Finance

Since 2020, the Bank has adopted equator principle, became the 4th “Equator Bank” in China and the 1st “Equator Bank” in the Central and Western regions. The Bank actively transmitted the concept of energy conservation and environmental protection, carried out green environmental protection public welfare activities, implemented energy conservation and emission reduction measures, and created a green “paperless” office environment, helping Chongqing to speed up the construction of a “beautiful place with beautiful scenery”.

As of the end of 2022, the Bank’s green credit balance was RMB48.715 billion, representing a net increase of RMB12.051 billion or 32.87% as compared to the end of the previous year, which were mainly invested in rail transit, water resources treatment, wind power and other projects. The Bank adhered to the concept of ecological priority and green development, strengthened cooperation with frontier institutions in the field of green development, and made great efforts to improve the professional level of green finance. The Bank continued to optimize the green financial service model, participated in the formulation of green financial evaluation standards, and promoted the deep integration of developing green finance with serving local economic construction and social and people’s livelihood. The Bank strengthened the publicity of green culture, enriched the connotation of green culture, built a brand of green culture and strove to become a benchmark bank of green finance.

Gradually show the multi-point marketing effect of green projects. The Bank consolidated the marketing resources and continued to seize resource-endowed projects such as wind, electricity and photovoltaic. The Bank marketed 26 wind power projects in total, and completed the examination and approval of RMB5.545 billion, and the loan balance was RMB1.517 billion. The Bank marketed 14 photovoltaic projects in total, completed the examination and approval of RMB1.56 billion, and realized release of RMB500 million. Both the accumulated credit and the released amount of the wind and solar power projects ranked first in Chongqing. The Bank seized the opportunity of “carbon peaking and carbon neutrality”, actively explored a new mode of financial support for green development, and issued the first loan for photovoltaic power generation project, the first loan for pilot project of national eco-environment-oriented development (EOD) model and the loan for the eco-environment governance improvement project of “two rivers and four riversides”, thus realizing the cooperation of water ecological governance and pumped storage power station project construction in the main stream of the Yangtze River for the first time.

Further improve the construction of the “equator bank”. In view of the specific problems in the early operation of the determination of the applicability of the equator principles, the Bank revised the Measures for Management of the Projects of Equator Principles to further enhance the scientificity and operability of the management of the equator principles. The Bank standardized the process management of the equator principles, and conducted the applicability judgment and classified management of the equator principles for 128 projects with a total credit amount of RMB75.538 billion according to the Measures for Management of the Projects of Equator Principles, so as to effectively prevent and control the environmental and social risks and promote the green and sustainable development of businesses. The Bank accelerated the establishment of green banks, formulated the Implementation Plan of Green Banks, actively carried out green and low-carbon operation around “carbon emissions peak, carbon neutrality”, pushed forward the implementation of the establishment of green banks, guided branches to speed up the release of green credit and expand green financial services, and gave full play to the leading role of demonstration. At present, the Bank has established 3 green banks in Jiangbei, Yuzhong and Wanzhou, and build the first green branch in the Sichuan-Chongqing Gaozhu New District according to the standards for the establishment of green banks.

Basically establish a comprehensive service system for green finance. The Bank continued to innovate green credit products, completed the operation of the system for the clean and renewable energy income loan and the green electricity loan, and launched credit products such as solid waste loan, carbon quota mortgage (pledge) loan and green truck mortgage loan, thus broadening corporate financing channels. The Bank enriched green consumer products, issued green credit cards, and launched green car preferential installment activities. The Bank issued RMB2 billion of green financial bonds in the national inter-bank bond market to further enrich the sources of funds and optimize the maturity structure of liabilities, and all the funds raised will be used for the green industry projects specified in the Catalogue of Projects Supported by Green Bonds. The Bank built an integrated green financial service system covering green credit, green bonds, leasing, wealth management, consumption, investment and other products.

II. Rural Revitalization

In 2022, the Bank conscientiously implemented various decision-making arrangements of the CPC Central Committee, the State Council, the municipal party committee and the municipal government to comprehensively promote rural revitalization. The Bank also closely centered on the overall goal of guarding the “moat” of the rural market, focused on serving the main business of Sannong, optimized the system and mechanism, aggregated superior resources, persisted in innovation-driven, and fully supported rural revitalization.

Strengthen the system construction and deeply cultivate the “responsibility field” where finance serves rural revitalization. The Bank strengthened the service team, business processes, assessment and incentives and other special service mechanisms, and launched special support policies such as fee reduction and exemption, interest rate concessions, and delay in repayment of principal and interest around agriculture-related subjects, so as to tilt manpower, credit and financial resources to the important areas, key areas and weak links in rural revitalization. As of the end of 2022, the balance of agriculture loans of the Group was RMB215.625 billion, representing an increase of RMB19.851 billion as compared to the end of the previous year.

Environmental and Social Responsibilities

Properly make convergence and take a series of “combined actions” to consolidate and expand the achievements of poverty alleviation. The Bank, in conjunction with the Municipal Rural Revitalization Bureau and the Municipal Local Financial Supervision Bureau, launched the business of “Yukuai Assistance Agricultural Loan”, set up risk compensation, and issued mortgage-free and guarantee-free credit loans to farmers. The Bank promoted the “online loan-making” service of micro-credit for poverty-stricken people, and made good efforts to provide micro-credit for poverty-stricken people, ranking first in Chongqing in terms of the amount issued, net increase and loan balance in that year. The Bank sent 36 first secretaries and staff members to go deep into the countryside to help the poor and support the effective connection between the consolidation of achievements and the rural revitalization.

Promote innovation and create a “new benchmark” for rural financial services. The Bank enriched the financial product system and created special agricultural assistance products such as “Yukuai Village Loan”, “Rural Revitalization Kuaidan Loan” and “New Citizen Jiefang Loan” to meet the increasingly diversified and multi-level financial needs of rural market subjects. The Bank upgraded its financial service tools, built a number of comprehensive, digitizing and intelligent financial service systems for rural revitalization, and supported the promotion of rural credit system and the construction of digital villages. The Bank forged a “model for rural commercial banks” to serve rural revitalization, and the special issue “Firmly Promoting Rural Revitalization with Financial Services by Sticking to the Policy of Benefiting Farmers” was adopted by the Financial Briefing of the People’s Bank of China as typical experience of financial support for rural revitalization, which was promoted among relevant central ministries, commissions, offices and bureaus and national banking and insurance institutions. The case “‘Yukuai Village Loan’ Benefits Everyone, Dreams and Wealth” was selected by the China Banking Association as a “typical case of inclusive finance serving rural revitalization”, which is the only typical case selected by Chongqing banking industry.

Focus on key points and realize the “zero distance” of financial services for the convenience of the people. The Bank optimized the financial service environment, unblocked the offline service channels such as physical outlets, featured institutions, convenience service points and inclusive finance service bases, built online service platforms such as “dialect bank”, “air bank” and “mobile bank”, and built an “online + offline” comprehensive financial service system with full coverage, multi-channels, simplicity and quickness. The Bank innovated the mode of consumption assistance and caring assistance, strengthened the live broadcast goods-bringing brand of “there are good things in rural areas, and Yukuai helps revitalization”, and made excellent public welfare activities of “five walks”, “agricultural technology going to the countryside” and “consultation with Chinese medicine” to continuously improve the “warmth” of financial services.

III. Protection of Consumer Rights and Interests

In 2022, the Bank adhered to the people-oriented development concept, kept the initial intention of finance for the people, and created a new benign interactive ecology of responsibility for soil conservation by increasing the kinetic energy through innovation, strengthening the support through science and technology, benefiting the people's livelihood through service and supporting the chassis through stability, thus forming a new pattern of mutual promotion and joint management.

Strengthen management and build an ecological scenario for joint management. The Bank planted the genes for protecting consumers' rights and interests in its operation development strategy and corporate culture, promoted the operation of the "two committees" and guided the way. The Board of Directors and its special committees regularly reviewed the consumer protection work, and promoted the implementation of important decisions. The senior management coordinated the formulation of work plans, schemes and tasks, and held special meetings to guide the implementation of consumer protection measures. The Board of Supervisors evaluated the performance of duties by the Board of Directors and the senior management by reviewing reports and other forms, and the internal audit department conducted special audits on consumer protection at the same time, so as to build a solid foundation for common governance.

Keep the original heart and build a new matrix of financial propaganda and education. Relying on the propaganda brand of "Jiangyu Consumer Protection Micro Classroom" and the propaganda image of "Yu Xiaomei", the Bank focused on the key groups of "new people, young people, old people and rural people" and cared for the disabled and other special groups. The Bank used the official website, mobile banking APP, hall publishing system and "Weibo, WeChat and Tik Tok" to provide online resources and services such as risk warning, knowledge questions and answers and interactive games, organized financial knowledge to enter communities, campuses, villages, etc., and built a normal position for financial education. The Bank pushed a total of more than 70 financial education materials and carried out more than 5,000 special propaganda events.

Environmental and Social Responsibilities

Optimize governance and identify the entry point for dispute resolution. The Bank conducted multi-dimensional screening and analysis of complaint information data, found out the reasons from the aspects of system, process, employee operation and tripartite cooperation, and established a complete management endless cycle of “accepting complaints-investigating and handling-analyzing feedback-rectifying and advocating”. The Bank actively promoted the notarization system of creditor’s rights documents and online arbitration, participated in the online litigation and mediation interconnection of courts, and adopted non-litigation methods such as negotiation repayment, mediation and arbitration to solve disputes in a diversified way. In the whole year, the Bank accepted 1,541 consumer complaints, representing a year-on-year decrease of 35.22%, involving 12 business categories including RMB savings, loans, bank cards, payment and settlement, RMB management, foreign exchange business, personal financial information, bank agency business, other intermediary business, debt collection, other complaints, and legal person business, 6 complaint handling channels including on-site, self-service machine, electronic channels, third-party channel, other front-office business channels and middle-back office business channel, and 12 complaint reasons including service attitude and quality, business system and facilities, system and business rules and procedures, marketing methods and means, information disclosure, independent choice, pricing and charging, product income, contract terms, capital security, information security and debt collection methods and means. 43 branches and sub-branches (including the business department of the headquarter) of the Bank were involved, including 42 branches and sub-branches (including the business department of the headquarter) in Chongqing and 1 sub-branch in Yunnan. The timely conclusion rate of complaints and the customer satisfaction of complaint handling reached 99.42% and 97.58% respectively.

Major Events

I. Performances of Undertakings

During the Reporting Period, the Bank and its Shareholders, directors, supervisors and senior management strictly fulfilled various obligations and responsibilities undertaken in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Co., Ltd. (隆鑫控股有限公司) ¹	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> 1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of 36 months. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 	29 October 2019 – 29 April 2025

¹ The 433,221,289 restricted shares of the Bank held by Loncin Holdings Co., Ltd. were judicially transferred by Chongqing No. 5 Intermediate People's Court to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) on 22 December 2022. The transferee, Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) will continue to fulfill the above commitments regarding such transferred shares.

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
			<ol style="list-style-type: none"> 2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares. 	

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the expiry of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings in Chongqing Rural Commercial Bank. The total number of shares of the Chongqing Rural Commercial Bank transferred by me within 5 years from the expiry of the above 3-year lock-up period shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank. 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027
Undertakings in relation to the initial public offer	Share price stabilization	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of Chongqing Rural Commercial Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Bank and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022
Undertakings in relation to the initial public offer	Shareholding reduction	Domestic Shareholders holding over 1% of shares of the Bank ¹	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent

¹ Prior to the initial public offering of A Shares of the Bank, domestic Shareholders holding over 1% of shares of the Bank include Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Co., Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Development Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司) and Chongqing Jinyuan Times Shopping Mall Co., Ltd. (重慶金源時代購物廣場有限公司).

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	<ol style="list-style-type: none"> The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. Notwithstanding Articles 1 and 2 above, considering that the Company is a wholly state-owned company whose establishment has been approved by Chongqing Municipal People's Government and engaged in comprehensive investment and management of state-owned asset and carries out businesses including financial businesses such as investment in securities companies, banks and insurance companies, and manages relevant financial assets, the Company and the enterprises controlled by the Company may invest in enterprises engaged in commercial banking business, to the extent authorized by Chongqing Municipal People's Government, in any form permitted by laws and regulations (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect ownership of shares or other interests in other companies or enterprises). As at the date of giving the undertakings, the Company invested in Bank of Chongqing Co., Ltd. and held 13.02% of shares of the bank, in addition to investment in Chongqing Rural Commercial Bank Co., Ltd. 	20 September 2019 – permanent

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
			<p>4. The Company undertakes to fairly treat the commercial banks in which the company and the enterprises controlled by the Company invest, and will not grant or provide to any commercial banks, government approval, authorization, license or business opportunities obtained or possibly obtained by the Company and the enterprises controlled by the Company for carrying out commercial banking business, or use the status as a major shareholder of Chongqing Rural Commercial Bank or the information obtained with such status, to make any decision or judgment which is adverse to Chongqing Rural Commercial Bank but beneficial to other commercial banks in which the Company or the enterprises controlled by the Company invest, and will make efforts to avoid the occurrence of such event. In exercising the rights of a shareholder of Chongqing Rural Commercial Bank, the Company will act in the best interests of Chongqing Rural Commercial Bank as if the Chongqing Rural Commercial Bank is the sole commercial bank in which the Company invests, and the business judgment of the Company as a shareholder of Chongqing Rural Commercial Bank to seek the best interests for Chongqing Rural Commercial Bank will not be affected as a result of the investment of the Company and the enterprises controlled by the Company in other commercial banks.</p> <p>5. The Company warrants that it will strictly comply with relevant rules and regulations of CSRC and the stock exchange where Chongqing Rural Commercial Bank is listed, the Articles of Association of Chongqing Rural Commercial Bank, measures for management of related party transactions and other corporate management policies, exercise the rights of a shareholder and perform obligations of a shareholder equally with other shareholders, and will not use the status as a major shareholder to seek improper advantage, or damage the legitimate rights and interests of Chongqing Rural Commercial Bank and other shareholders.</p>	

II. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

III. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

IV. Material Legal Proceedings and Arbitrations

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Group.

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB2.3009 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

V. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank or its directors, supervisors and senior management was investigated or subject to compulsory measures in accordance with the law, subject to criminal penalties, investigated by the CSRC or subject to administrative penalties, significant administrative penalties by other competent authorities, subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties, subject to disciplinary punishment by the stock exchanges, or subject to compulsory measures by other competent authorities and affecting the performance of their duties.

VI. Integrity

During the Reporting Period, the Bank did not exist the situations neither of refusing the execution of effective court judgments nor unsettling significant due debts.

VII. Material Related Party Transactions

During the Reporting Period, for details of related party transactions of the Bank, please refer to the section headed "Chapter 3 Management Discussion and Analysis – V. Risk Management – (10) Related Party Transactions" of this report.

VIII. Material Contracts and their Performance

During the Reporting Period, the Bank did not have any major custody, contracting or leasing of the assets of other companies or other custody, contracting or leasing of the assets of the Bank. The guarantee business is the daily business of the Bank. During the Reporting Period, except for the financial guarantee business within the business scope approved by the regulatory authorities, the Bank had no other major guarantee matters that needed to be disclosed.

IX. Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

X. Others

This report was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital

(1) Changes in shares

1. Table of changes in shares

Unit: share

	31 December 2021		Change for the Reporting Period	31 December 2022	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares with selling restrictions	2,969,198,941	26.14	(15,810,695)	2,953,388,246	26.01
1. State-owned shares	-	-	-	-	-
2. Shares held by state-owned legal persons	2,374,171,611	20.90	433,221,289	2,807,392,900	24.72
3. Shares held by other domestic investors	595,027,330	5.24	(449,031,984)	145,995,346	1.29
Among which: Shares held by domestic non-state-owned legal persons	579,577,300	5.10	(442,674,489)	136,902,811	1.21
Shares held by domestic natural persons	15,450,030	0.14	(6,357,495)	9,092,535	0.08
4. Shares held by foreign investors	-	-	-	-	-
II. Tradable shares without selling restrictions	8,387,801,059	73.86	15,810,695	8,403,611,754	73.99
1. RMB-denominated ordinary shares	5,874,465,018	51.73	15,810,695	5,890,275,713	51.86
2. Domestic listed foreign shares	-	-	-	-	-
3. Overseas listed foreign share	2,513,336,041	22.13	-	2,513,336,041	22.13
4. Others	-	-	-	-	-
III. Total ordinary shares	11,357,000,000	100.00	-	11,357,000,000	100.00

2. Explanation of changes in shares

During the Reporting Period, there was no change in the total share capital of the Bank. The number of shares with selling restrictions decreased by 15,810,695 shares and number of shares without selling restrictions increased by 15,810,695 shares, which was due to the lawful releasing of the shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 October 2022 upon the expiration of the 36-month lock-up period.

II. Securities Issuance and Listing

(I) Securities issuance during the Reporting Period

During the Reporting Period, the Bank has not issued new ordinary shares or publicly issued any corporate bonds listed on the stock exchange.

On 26 April 2022, the Bank issued the capital bonds of Chongqing Rural Commercial Bank Co., Ltd. with no fixed term for 2022 (the bond referred to as “22 Chongqing Rural Commercial Perpetual Bond”, bond code: 2221017) through book-building process and filing. The duration of such bonds is consistent with the duration as a going concern of the issuer and it sets out the conditional redemption clause for the issuer. The final issuance scale is RMB2 billion and the coupon rate is 3.90%. The proceeds will be used to replenish other tier-one capital of the Bank.

On 5 July 2022, the Bank issued the financial bonds of Chongqing Rural Commercial Bank Co., Ltd. for 2022 (the bond referred to as “22 Chongqing Rural Commercial Financial Bond 01”, bond code: 092280013) through book-building process and filing, with a term of three years. The final issuance scale is RMB5 billion and the coupon rate is 2.93%. The proceeds will be used to replenish the working capital of the Bank.

On 6 December 2022, the Bank issued the green financial bonds of Chongqing Rural Commercial Bank Co., Ltd. for 2022 (the bond referred to as “22 Chongqing Rural Commercial Green Bond”, bond code: 2221041) through book-building process and filing, with a term of three years. The final issuance scale is RMB2 billion and the coupon rate is 3.00%. The proceeds will be used for green industry projects specified in the Green Bond Endorsed Project Catalogue (《綠色債券支持項目目錄》) formulated by the Green Finance Committee of China Society for Finance and Banking (中國金融學會綠色金融專業委員會).

(II) Existing internal employee shares

Existing A shares held by internal employees of the Bank are mainly obtained through the following methods: (1) at the time of the establishment of the Bank, shares obtained by the former 39 districts and counties' on-the-job full-time employees or short-term contract workers in the business category when participating in the establishment of the Bank as promoters and shareholders; (2) after the establishment of the Bank, the Bank's shares obtained through agreement transfer, inheritance and judicial judgments. On 30 October 2020, part of the restricted shares of the Bank have been released and issued and traded. It's unable to accurately verify the shareholdings after trading of the domestic employee shares.

III. Particulars of Shareholders

(I) Total number of shareholders

As at the end of the Reporting Period, the total number of shareholders of the Bank was 228,767 holders. Of which, 227,580 was the shareholders of A shares and 1,187 was the shareholders of H shares. As of 28 February 2023 (i.e. the end of the previous month on the publication date of the Bank's A-share annual report), the total number of shareholders of the Bank was 227,672 holders. Of which, 226,485 was the shareholders of A shares and 1,187 was the registered shareholders of H shares.

(II) Shareholdings of the Top Ten Shareholders

1. Particulars of shareholdings of the top ten shareholders and top ten shareholders without selling restrictions

Unit: share

Name of shareholder (Full name)	Increase/ (Decrease) during the Reporting Period	Particulars of shareholdings of the top ten shareholders			Pledged, marked or frozen		
		Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Condition of shares	Number of shares	Nature of shareholder
HKSCC Nominees Limited	0	2,513,336,041	22.13	0	-	-	Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	988,000,000	-	-	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	797,087,430	-	-	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	589,084,181	-	-	State-owned legal person
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	433,221,289	433,221,289	3.81	433,221,289	-	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	97,889,020	258,582,391	2.28	0	-	-	Overseas legal person
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	0	188,000,000	1.66	0	-	-	Domestic non-state-owned legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	0	160,000,000	1.41	0	Pledged	160,000,000	Domestic non-state-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	(433,221,289)	136,778,711	1.20	136,778,711	Pledged Judicial freezing	127,425,073 136,778,711	Domestic non-state-owned legal person
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	0	125,000,000	1.10	0	-	-	State-owned legal person

Changes in Shares and Particulars of Shareholders

Particulars of shareholdings of the top ten shareholders without selling restrictions			
Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	2,513,336,041	H shares	2,513,336,041
Hong Kong Securities Clearing Company Limited	258,582,391	A shares	258,582,391
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	188,000,000	A shares	188,000,000
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	160,000,000	A shares	160,000,000
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	A shares	125,000,000
Special securities account for agreed repurchase securities transactions of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	110,070,000	A shares	110,070,000
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	106,000,000	A shares	106,000,000
Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	100,000,000	A shares	100,000,000
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	90,400,631	A shares	90,400,631
Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	90,000,000	A shares	90,000,000
Statement on specific repurchase accounts of top ten shareholders	Nil		
Statement on aforesaid shareholder's entrusted voting rights, trusted voting rights and abandoned voting rights	Nil		
Statement on the related relations or concerted actions among the shareholders above	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) is the person acting-in-concert with Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司).		
Statement on preference shareholders with resumed voting right and their number of shares held	Nil		

Notes:

- (1) The number of shares held by HKSCC Nominees Limited refers to the total number of shares in the H shareholders' account of the Bank in the trading system represented by HKSCC Nominees Limited.
- (2) The number of shares held by Hong Kong Securities Clearing Company Limited represents the number of A Shares of the Bank (northbound shares under Shanghai-Hong Kong Stock Connect) held by it as a nominee designated by and on behalf of investors from Hong Kong and overseas.
- (3) 64,000,000 A shares of the Bank held by Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) were judicially frozen on 21 February 2023.

Changes in Shares and Particulars of Shareholders

2. Number of shares held by and selling restriction of the top ten shareholders with selling restrictions

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		Selling restrictions
			Time available for trading	Additional number of approved tradable shares	
1	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	988,000,000	April 2023	0	42 months from the date of the Bank's listing
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0	42 months from the date of the Bank's listing
3	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	April 2023	0	42 months from the date of the Bank's listing
4	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	433,221,289	April 2023	0	42 months from the date of the Bank's listing
5	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	136,778,711	April 2023	0	42 months from the date of the Bank's listing
6	Zhang Li	224,230	Release in batches: October 2023: 39,570 shares; October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares.	39,570	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
7	Chen Kaiming	200,090	Release in batches: October 2023: 35,310 shares; October 2024: 35,310 shares; October 2025: 11,770 shares; October 2027: 117,700 shares.	35,310	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
8	Xu Min	132,855	Release in batches: October 2023: 23,445 shares; October 2024: 23,445 shares; October 2025: 7,815 shares; October 2027: 78,150 shares.	23,445	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
9	Zhu Jingmei	116,875	Release in batches: October 2023: 20,625 shares; October 2024: 20,625 shares; October 2025: 6,875 shares; October 2027: 68,750 shares.	20,625	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
10	Wang Shaoji	112,370	Release in batches: October 2023: 19,830 shares; October 2024: 19,830 shares; October 2025: 6,610 shares; October 2027: 66,100 shares.	19,830	48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
Statement on the related relations or concerted actions among the shareholders above			Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) is the person acting-in-concert with Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司).		

(III) Explanation of the absence of controlling shareholders and actual controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact to resolutions approved on general meetings, no controlling shareholder of the Bank existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) was established in February 2004 with a registered capital of RMB10 billion. It is a state-owned assets operation company organized under the approval of Chongqing Municipal Government and mainly engaged in the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets under the authority of the municipal government.

As at the end of the Reporting Period, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) held 988,000,000 A shares of the Bank, representing 8.70% of the total share capital of the Bank, and Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司), Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司), all being the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), respectively held 13,246,000 H shares, 2,000,000 A shares, 10,000,000 A shares and 15,000,454 A shares of the Bank, respectively. Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties jointly hold 1,028,246,454 shares of the Bank, accounting for 9.05% of the total share capital of the Bank collectively.

Changes in Shares and Particulars of Shareholders

- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) was established in February 1993 with a registered capital of RMB20 billion. It is a large investment group with city infrastructure constructions as its major business, covering real estates, financial equity, intelligent traffic, medical and health service, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.

As at the end of the Reporting Period, Chongqing City Construction Investment (Group) Company Co., Ltd. (重慶市城市建設投資(集團)有限公司) held 797,087,430 A shares of the Bank, representing 7.02% of the total share capital of the Bank, and its related party Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) held 30,000,000 A shares of the Bank. Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related party jointly hold 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital of the Bank collectively.

- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)) was established in December 2002 with a registered capital of RMB5.287 billion. It is a wholly-owned controlling subsidiary of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司). It implemented a two-wheel drive strategy of “asset management + equity investment” and was engaged in commercial asset investment and operation management, as well as financial equity investment.

Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) was established in August 2018 with a registered capital of RMB20 billion. It is a solely state-owned enterprise established under the approval of the municipal government and the Finance Bureau of Chongqing City performed the duties of making capital contribution. The Company takes it as its responsibility to coordinate the proper use of capital and assets resources, fill the shortcomings of major infrastructure, promote the optimal layout of emerging formats and serve the economic and social development strategy, carry out the investment and management of funds, equity, creditor’s rights, manage, develop and operate the assets formed by the entrusted or included state-owned resources, assets and investments, and carry out capital operation management.

As at the end of the Reporting Period, Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) held 589,084,181 A shares of the Bank, representing 5.19% of the total share capital of the Bank, and its related party Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) held 433,221,289 A shares of the Bank, representing 3.81% of the total share capital of the Bank. Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and its related party jointly hold 1,022,305,470 A shares of the Bank, accounting for 9.00% of the total share capital of the Bank collectively.

Changes in Shares and Particulars of Shareholders

2. Other major shareholders under regulations

- (1) Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司), formerly known as "Xiamen Gaoxinhong Equity Investment Co., Ltd." (廈門市高鑫泓股權投資有限公司), was established in May 2001 with a registered capital of RMB0.1 billion, and is engaged in private fund equity investment, investment management, asset management and other activities.

As at the end of the Reporting Period, Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司) held 188,000,000 A shares of the Bank, representing 1.66% of the total share capital of the Bank, and its related parties Xiamen Septwolves Asset Management Co., Ltd. (廈門七匹狼資產管理有限公司) and Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) held 4,000,000 A shares and 6,564,000 H shares of the Bank respectively. Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司) and its related parties jointly hold 198,564,000 shares of the Bank, accounting for 1.75% of the total share capital of the Bank collectively. Xiamen Huishanghong Equity Investment Co., Ltd. is a major shareholder of the Bank who has assigned a supervisor to the Bank.

- (2) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established in November 1987 with a registered capital of RMB3,900 million. It is an A-share listed company. Its business segments include: jewellery and fashion, business management, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

As at the end of the Reporting Period, Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) held 150,549,000 H shares of the Bank, representing 1.33% of the total share capital of the Bank, and its related parties Fosun International Limited, Fidelidade-Companhia de Seguros, S.A., Shanghai Fosun High Technology (Group) Co., Ltd., Peak Reinsurance Company Limited, Foson Hani Securities Limited, Hong Kong Xinmao Investment Co., Limited (香港鑫茂投資有限公司) and Hainan Mining Co., Ltd. held 190,170,000 H shares of the Bank in total. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties jointly hold 340,719,000 H shares of the Bank, accounting for 3.00% of the total share capital of the Bank collectively. Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) and its related parties are major shareholders of the Bank who have assigned a director to the Bank.

Changes in Shares and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing SASAC	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing SASAC	Chongqing SASAC	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	The Finance Bureau of Chongqing City	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)
Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)	Xiamen Huishangcheng Trade Co., Ltd. (廈門匯尚成貿易有限責任公司)	Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming	Xiamen Huishanghong Equity Investment Co., Ltd. (廈門市匯尚泓股權投資有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海複星高科技(集團)有限公司)	Guo Guangchang	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)

Note:

- (1) As at the end of the Reporting Period, there were no major shareholders holding 10% or more of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

Changes in Shares and Particulars of Shareholders

(V) Substantial Interests and Short Positions

As at the end of December 2022, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the Securities and Futures Ordinance:

A Shares

Name of shareholder	Capacity	Number of shares held	Unit: share	
			Percentage of the A shares (%)	Percentage of the total share capital of the Bank (%)
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Beneficial Owner	433,221,289	4.90	3.81

H Shares

Name of shareholder	Capacity	Number of shares held ⁽³⁾	Unit: share	
			Percentage of the H shares (%)	Percentage of the total share capital of the Bank (%)
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Guo Guangchang ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) ⁽²⁾	Beneficial Owner	150,549,000 (L)	5.99	1.33

Changes in Shares and Particulars of Shareholders

Notes:

- (1) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (2) According to Notice of Disclosure of Corporate Substantial Shareholders' Interests filed by Guo Guangchang, Fosun International Holdings Ltd. and Fosun International Limited on 13 October 2020, the long position of 340,719,000 H shares of the Bank that they are deemed to hold, compose of a long position of 150,549,000 H shares of the Bank directly held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司). Fosun International Limited holds 100% equity interests in Shanghai Fosun High Technology (Group) Co., Ltd. and Shanghai Fosun High Technology (Group) Co., Ltd. directly and indirectly (through its subsidiary) holds 68.59% equity interests in Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) in total, therefore, Guo Guangchang, Fosun International Holdings Ltd., Fosun Holdings Limited and Fosun International Limited are all deemed to be interested in a long position in 150,549,000 H shares of the Bank held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司).
- (3) (L) – Long position.

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2022.

I. Principal Activities

The Group is principally engaged in a range of banking services and related financial services in mainland China.

II. Annual General Meeting and Closure of Register of Transfer of H Shares

The annual general meeting of the Bank for the year 2022 will be held on Thursday, 25 May 2023. In order to determine the holders of shares who are eligible to attend and vote at the annual general meeting, the register of transfers of H shares of the Bank will be closed from Tuesday, 25 April 2023 to Thursday, 25 May 2023, both days inclusive. For holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2022, all transfer documents and the relevant share certificates must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 April 2023.

III. Financial Information

(1) Summary of Financial Information

Please refer to the section headed "Chapter 2 Financial Summary" of this report for the summary of the operating results, assets and liabilities of the Group for the latest five years.

(2) Reserves

Please refer to the section headed "Consolidated Statement of Changes in Equity" of this report for details of the movements in the reserves available for distribution to shareholders of the Group during the Reporting Period.

(3) Donations

In 2022, the Bank dominated a total of RMB44.80 million in two donations. In particular, the Bank donated RMB40 million to Youyang County, Chongqing in April to support the pilot reform of Youyang Taohuayuan Tourism and Investment Group, helping comprehensive promotion of rural revitalization of Youyang County. In December, the Bank donated RMB4.8 million to Huatian Township, Youyang County, Chongqing to help consolidate and expand the achievements of poverty alleviation and comprehensively promote rural revitalization.

(4) Property and Equipment

Please refer to the section of “Consolidated Financial Statements and Notes – IV. Notes to the Consolidated Financial Statements – 19. Property and Equipment” of this report for details of movements in the property and equipment of the Group during the Reporting Period.

(5) Retirement Benefits

Please refer to the section of “Consolidated Financial Statements and Notes – IV. Notes to the Consolidated Financial Statements – 30. Accrued Staff Costs” of this report for details of the retirement benefits provided to employees of the Group.

(6) Ultimate Parent Company and Subsidiaries

As of the end of the Reporting Period, the Bank did not have any ultimate parent companies. For details, please refer to the “Consolidated Financial Statements and Notes – IV. Notes to the Consolidated Financial Statements – 18. Investments in Subsidiaries, Associates and Structured Entities” of this report.

IV. Shares and Shareholders

(1) Purchase, Sale and Redemption of Securities

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares and bonds of the Bank during the Reporting Period.

(2) Pre-emptive Rights

Neither the Articles of Association of the Bank nor the relevant PRC laws have such provisions under which the Bank’s shareholders have pre-emptive rights. In accordance with the provisions of the Articles of Association of the Bank, the Bank may increase its capital in the following ways: issue new shares to non-specified investors, place or allot new shares to existing shareholders, issue new shares to targeted investors, convert new shares from capital reserve, or through other means as permitted by laws or administrative regulations.

(3) Equity-linked Agreement

As of the end of the Reporting Period, the Bank has not entered into any equity-linked agreement.

(4) Sufficiency of Public Float

During the Reporting Period, the total share capital of the Bank remained unchanged. As of the end of the Reporting Period, the total share capital of ordinary shares of the Bank was 11,357,000,000 shares (including 8,843,663,959 A shares and 2,513,336,041 H shares). Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the end of the Reporting Period.

(5) Particulars of Shareholdings of the Top Ten Shareholders and Major Shareholders

For the details of shareholdings of the top ten shareholders and major shareholders of the Bank as of the end of the Reporting Period, please refer to the section headed “Chapter 7 Changes in Shares and Particulars of Shareholders” of this Report.

V. Directors, Supervisors and Senior Management

(1) Information on Directors, Supervisors and Senior Management

For details of directors, supervisors and senior management of the Bank, please refer to the section of “Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management” of this report.

(2) Directors’, Supervisors’ and the Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 31 December 2022, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Report of the Board of Directors

Name	Position	Capacity	Number of A shares held	% of the A shares (%)	% of the total share capital (%)
Xie Wenhui	Secretary to the Party Committee, Chairman, President and Executive Director	Beneficial Owner	46,500	0.00053	0.00041
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	Beneficial Owner	39,300	0.00044	0.00035
Zhang Peng	Non-executive Director	Beneficial Owner	6,800	0.00008	0.00006
Yin Xianglin	Non-executive Director	Beneficial Owner	2,900	0.00003	0.00003
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	Beneficial Owner	25,700	0.00029	0.00023

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as of 31 December 2022.

(3) Directors', Supervisors' and Senior Management's Financial, Business and Family Relationships

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

(4) Arrangements to Purchase Shares or Debentures

During the Reporting Period, neither the Bank nor its subsidiaries entered into any arrangements to enable the directors and supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

(5) Directors' and Supervisors' Interests in Material Transactions, Arrangements and Contracts

Save for those continuing connected transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director, supervisor or entity which is related to such persons of the Bank had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party at any time during the year (excluding service contracts).

(6) Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

(7) Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Bank (whether entered into by the Bank or otherwise) or any director of the associates of the Bank (if it is entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors of the Bank.

(8) Directors' and Supervisors' Interests in Competing Businesses

None of the directors and supervisors of the Bank had any interests in businesses that compete or may compete, directly or indirectly, with the business of the Bank.

(9) Remuneration Policy for the Directors, Supervisors and Senior Management

For details of the remuneration policy for directors, supervisors and senior management of the Bank, please refer to the section of "Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management – (III) Remuneration of Directors, Supervisors and Senior Management in 2022" of this report.

VI. Major Customer

During the Reporting Period, aggregate amount of interest income and other operating income from the top five customers of the Bank was less than 30% of the total amount of interest income and other operating income of the Group.

VII. Management Contracts

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities of the Bank being entered into by or existed in the Bank.

VIII. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. For details of the manner in which the principles and code provisions in the CG Code are applied and implemented by the Bank, please refer to the section of "Chapter 4 Corporate Governance Report" of this report.

IX. Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. The transactions set out in the section headed "Consolidated Financial Statements and Notes – IV. Notes to the Consolidated Financial Statements – 42. Related Party Relationships and Transactions" in this report did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

X. Tax

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation, and shall seek professional advice from their tax and legal advisors on specific payment matters. The following cited laws, regulations and stipulations are all relevant provisions issued as of 31 December 2022.

A Share Holders

Natural person shareholders and securities investment funds

In accordance with the provisions of the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued jointly by MOF, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings and the transfer market, where the holding period is less than 1 month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than 1 month and less than 1 year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds 1 year, the dividends and bonuses shall be exempted from individual income tax on a provisional basis. Individual income taxes on the aforesaid incomes shall be levied at the uniform rate of 20%. Individual income taxes levied on dividends and bonuses obtained by securities investment funds from listed companies are also calculated in accordance with the afore-mentioned rules. The individual shareholders of restricted shares shall calculate and levy individual income tax at the applicable tax rate of 20% after deducting 50% of the dividend income obtained before the lifting of the ban on shares, and implement differential tax policies on the dividend income obtained after the lifting of the ban on shares according to the shareholding time, which shall start from the lifting of the ban.

Shareholders of resident enterprises

In accordance with the provisions of Article 26(2) of the Enterprise Income Tax Law (《企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises are tax-exempt income. In accordance with Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26(2) of the Enterprise Income Tax Law mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises. Dividends, bonuses and other equity investment proceeds referred to in Article 26(2) of the Enterprise Income Tax Law exclude those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

QFII

In accordance with the provisions of the Notice of the State Administration of Taxation on Issues Concerning Withholding of Corporate Income Tax on the Dividends, Bonus and Interest paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009] No. 47), 10% of the enterprise income tax on the dividend income derived from the territory of China by QFII shall be paid in accordance with the provisions of the Enterprise Income Tax Law, and shall be withheld and paid by the enterprises that distribute dividends. Where QFII obtains dividend income and needs to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No. 35).

Investors in Hong Kong Market

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before the Hong Kong Securities Clearing Company Limited (“HKSCC”) meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the enterprises or individuals may by themselves apply to the governing tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties.

H Share Holders

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and related implementation rules, relevant requirements of the "Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises" (Guo Shui Han [2008] No. 897), the "Notice of State Administration of Taxation on the List of Agreed Dividend Tax Rates" (Guo Shui Han [2008] No. 112) and relevant regulations, the Bank withholds the enterprise income tax at the rate of 10% for dividends paid to non-resident enterprise shareholders.

Non-resident Individual Shareholders

According to Guo Shui Han [2011] No. 348 documents issued by the State Administration of Taxation, the Bank is required to withhold individual income tax for non-resident individual holders of H Shares, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank temporarily withholds individual income tax at the rate of 10%. Where non-resident individual holders of H shares need to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No. 35).
2. As for non-resident individual holders of H shares in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

Investors of Southbound Trading

Individual shareholders in the Mainland of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shareholders of mainland enterprises of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder) the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

XI. Business Review

(1) Examining the Company's business and revealing the possible future development of the Company's business

The Group is mainly engaged in banking and related financial services in mainland China, and the discussion and analysis of business review are detailed in the section of "Chapter 3 Management Discussion and Analysis — III. Discussion and Analysis of Main Business Operations" of this report. The main risks of the Group and the possible future development plan for the Group's business are detailed in the section of "Chapter 3 Management Discussion and Analysis – V. Risk Management and VII. Prospects" of this report.

(2) Compliance with Laws and Regulations

The Board of Directors paid close attention to the policies and regulations in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for mainland China and Hong Kong laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws and regulations from time to time. Laws and Regulations are the basis and foundation for the legal and compliant operation of the Bank, and also the guidance for the Bank to conduct operating and management activities within the regulatory framework. According to the requirements and changes of laws and regulations, the Bank evaluates the effect on operation and management and make necessary adjustments to ensure healthy business development with legal compliance.

(3) Relations with Employees, Customers and Suppliers

The Bank placed utmost emphasis on the corporate culture construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and most valuable assets and has been always cherishing the employees' contribution and support. The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career planning. By means of appropriate trainings and opportunities provided, the Bank has helped employees in career development and promotion.

The Bank has been always perfecting the financial services to the customers to win the clients' understanding, trust and support. The Bank insists on the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

The Bank attaches importance to the cooperation with suppliers, and adheres to the principle of fair competition when selecting suppliers. In view of the business nature of the Bank, the Bank did not have major suppliers.

(4) Environmental Protection Policy and Implementation of the Bank

For details of the Bank's compliance of laws and regulations that have a significant impact on environmental policies, please refer to the 2022 Corporate Social Responsibility Report of Chongqing Rural Commercial Bank Co., Ltd.

(5) Details of Major Events Subsequent to the End of Financial Year under Review with Significant Influence on the Company

The Bank conducted a comprehensive review on the financial performance of 2022 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2022. Save for the above, no major event or case with any significant influence has occurred after completion of annual financial review and up to the date of this report.

On behalf of the Board
Xie Wenhui
Chairman

30 March 2023

Report of the Board of Supervisors

The Board of Supervisors of the Bank conscientiously fulfilled the responsibility assigned by the Articles of Association. The Board of Supervisors was in line with the principles that were conducive to the sustainable and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to carry out work with emphasis on performance supervision, financial supervision, internal control and risk supervision, continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank and effectively playing a role of supervision and balance in corporate governance.

I. Major Work

(1) Supervision on Meetings

During the Reporting Period, the Board of Supervisors of the Bank convened 7 meetings in total, at which 31 resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The Board of Supervisors played its role as a special committee and convened 7 related meetings, at which the Audit Committee has 4 meetings, the Internal Control Review Committee has 1 meeting, the Performance Due Diligence Supervision Committee has 1 meeting, and the Nomination Committee has 1 meeting, and a total of 14 resolutions were considered. To ensure that the meetings were effective, before each meeting, the issues were submitted to the reviewers as required, opinions were fully discussed at the meetings and implementation of resolutions formed after the meetings. The Board of Supervisors attended 3 general meetings and 7 on-site conferences of the Board of Directors to supervise the meeting process and give supervisory opinions on related issues.

(2) Daily Supervision

In terms of the duty performance supervision, the Board of Supervisors continued to pay attention to the compliance of the Board of Directors, senior management and its members with the laws and regulations and the Articles of Association, strengthened the supervision of the implementation of the development strategies, and conducted remuneration post-strategy assessment. The Bank focused on the implementation of the Bank's strategy, and whether the salary system is conducive to promoting the high-quality development of the Bank. In view of the shortcomings existing in the actual implementation and in combination with the current business development priorities, constructive suggestions were put forward from the perspective of the Board of Supervisors. The Board of Supervisor paid attention to the supervision of the performance of duties, and collected relevant information on corporate governance, operation and management, risk management and control, and internal supervision, and deepened the supervision of the performance of duties through measures such as attending Board meetings, accessing information, conducting performance evaluations.

In terms of financial supervision, the Board of Supervisors focused on supervising the Bank's important financial decisions, profit distribution plan and financial budget control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The Board of Supervisors reviewed the annual report, interim report and quarterly report on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The Board of Supervisors paid attention to the communication with the external auditors, and regularly debriefed the auditing reports.

In terms of internal control and risk supervision, the Board of Supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations. The Board of Supervisors focused on the organizational structure of internal control, system construction and implementation, quality of internal control inspection, problem rectification and accountability, etc., listened to the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of supervision and revelation of issues, so as to promote the improvement of such rectification.

(3) Concentrated Supervision

The Board of Supervisors focused on the implementation of national policies, laws and regulations and the "Three Important and One Major" system, main business indicators, strategic sustainable development capabilities, and internal control management and risk prevention, through measures such as on-site inspections, investigations on grassroots operation institutions, meetings with auditors, and reviews on relevant archives, so as to organize and implement its concentrated supervision and inspection. In general, the Board of Supervisors believes that the Bank strictly implements all national policies and laws and regulations, maintains prudent risk appetite, establishes a good sense of compliance management, and upholds the principle of strict governance. The Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention level has been improved continuously.

(4) Special Inspection and Specified Reports

The Board of Supervisors actively carried out special inspection and submission of specified reports in accordance with the Bank's operating practices and fully performed its supervisory responsibilities. The Board of Supervisors carried out the inspection through consulting materials, department interviews and other means, and verify the rectification and implementation of the problems identified in the inspection. Judging from the verification, the Board of Directors and the management attach great importance to the rectification of the problems disclosed by the Board of Supervisors, urge relevant responsible departments to formulate effective rectification measures in terms of system process and system construction for the problems revealed in the special inspection, clarify the time limit for rectification and timely follow up the progress of rectification. Overall, the Board of Supervisors has formulated a detailed inspection plan, clarified their respective responsibilities and promoted the improvement of the Bank's comprehensive management level through special inspection.

(5) Self-establishment of the Board of Supervisors

Continuous efforts have been made to strengthen the construction of the Board of Supervisors in terms of system, personnel and knowledge. The Board of Supervisors improved its supervision groundwork to improve operational efficiency, through regularly collecting and analyzing the key operational data, financial indicators and asset quality data of the Bank as reference for the Board of Supervisors in making comments. For problems in relation to system construction and implementation, effectiveness of internal control, risk prevention and financial compliance, the Board of Supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the Board of Supervisors to conduct targeted interviews and track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

II. Independent Opinions on Relevant Matters of the Bank

(1) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the provisions of laws, regulations and the Articles of Association. The directors and senior management were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association; neither did they commit any acts detrimental to the interests of the Bank.

(2) Financial Reporting

KPMG Huazhen LLP and KPMG have audited the financial report for the year 2022 of the Bank prepared in accordance with the Chinese Accounting Standards and the International Accounting Standards respectively, and has issued unqualified audit report respectively. The Board of Supervisors considered the financial report of the Bank for 2022 gave a true, objective and accurate view of the financial position and operating results of the Bank.

(3) Acquisition and Disposal of Assets

During the Reporting Period, the Board of Supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a loss on the Bank's assets.

(4) Related Party Transactions

During the Reporting Period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the Board of Supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

Report of the Board of Supervisors

(5) Internal Control

The Board of Supervisors has reviewed the 2022 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

(6) Performance of Social Responsibility

During the Reporting Period, the Bank vigorously performed social responsibilities. The Board of Supervisors has no disagreement with the 2022 Report on Corporate Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd.

On behalf of the Board of Supervisors
YANG Xiaotao
Head of supervisors

30 March 2023

Independent Auditor's Report

To the Shareholders of Chongqing Rural Commercial Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 203 to 373, 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 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("the 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 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.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers</p> <p><i>Refer to Note IV 7 Credit impairment losses, Note IV 16 Loans and advances to customers and Note IV 46(1) Credit risk and the accounting policies in Note II 8.5 Impairment of financial instruments and Note III 1 Measurement of the expected credit loss allowance.</i></p> <p>The Group adopts an expected credit loss (“ECL”) model according to International Financial Reporting Standard 9, Financial instruments.</p> <p>The determination of ECL allowances is subject to the application of a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, as well as adjustments for forward-looking information and other adjustment factors. Significant management judgement is involved in the selection of those parameters and the application of the assumptions.</p>	<p>Our audit procedures to assess ECL allowances for loans and advances to customers included the following:</p> <ul style="list-style-type: none"> • 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, as well as the credit grading process and the measurement of ECL; • involving KPMG’s information technology specialists in understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, logics and compilation of the overdue information, operational process of the credit grading of corporate customers, inter-system data transmission, mapping of parameters of ECL model and system calculation logic of ECL allowances of loans and advances to customers;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers <i>(continued)</i></p> <p>In particular, the determination of ECL allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL allowances for corporate loans and advances to customers are derived from estimates whereby management takes into consideration the historical losses, internal and external credit grading and other factors. The ECL for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other factors.</p> <p>Management also exercises judgement in determining the quantum of loss given default and ECL allowances of stage 3 loans and advances to customers based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of any collateral, the seniority of the claim, the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.</p>	<ul style="list-style-type: none"> • involving KPMG's financial risk specialists in assessing the appropriateness of the ECL model used in determining ECL allowances, and assessing the reasonableness of the key parameters and assumptions in the ECL model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management overlays; • assessing the completeness and accuracy of data used in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the list of loans and advances to customers used by management to assess the ECL allowances with the general ledger to evaluate the completeness of the list, selecting samples and comparing individual information of the loans and advances to customers with the underlying agreements and other related documentation to evaluate the compilation accuracy of the list. For key parameters derived from external data, we assessed the accuracy by selecting samples comparing them with public resources;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers <i>(continued)</i></p> <p>We identified the measurement of ECL allowances for 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.</p>	<ul style="list-style-type: none"> • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the internal records including historical loss experience and type of collateral. As part of these procedures, we inquired the reasons for management's revisions to estimates and input parameters and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development and whether signs of management bias exist; • 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; • evaluating the reasonableness of management's assessment on whether the credit risk of loans and advances to customers has, or has not, increased significantly since initial recognition and whether loans and advances to customers are credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation and samples which met specific risk criteria. 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;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss allowances for loans and advances to customers <i>(continued)</i></p>	<ul style="list-style-type: none"> • for selected samples of loans and advances to customers that are credit-impaired, evaluating the appropriateness of ECL allowances and management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. 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 and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of ECL allowances for 12 months and lifetime credit losses using the ECL model based on the above parameters and assumptions for a sample of loans and advances to customers; • evaluating the reasonableness of disclosures regarding ECL allowances of loans and advances to customers against prevailing accounting standards.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Consolidation of structured entities</p> <p><i>Refer to Note IV 43 Structured entities and the accounting policies in Note II 2 Consolidation and Note III 4 Consolidation of structured entities.</i></p> <p>Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire an ownership interest in, or act as a sponsor to a structured entity, through issuing a fund, a trust plan, an asset-backed security, a wealth management product or an asset management plan.</p> <p>In determining whether the Group should consolidate a structured entity, management is required to consider the power that the Group is able to exercise, the variable returns that the Group receives and its ability to influence the variable returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls over consolidation of structured entities; • selecting samples on structured entities and performing the following audit procedures: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement that the Group has with the structured entity and assessing management's judgement over whether the Group has the ability to exercise power over the structured entity;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Consolidation of structured entities <i>(continued)</i></p> <p>We identified the 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 nature of each structured entity.</p>	<ul style="list-style-type: none"> <li data-bbox="869 539 1442 862">– 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 variable returns from the Group's involvement in such an entity; <li data-bbox="869 905 1442 1250">– evaluating 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 influence its own returns from the structured entity; <li data-bbox="869 1293 1442 1422">– assessing management's judgement over whether the structured entity should be consolidated or not. <li data-bbox="805 1466 1442 1578">• evaluating the reasonableness of disclosures regarding consolidation of structured entities against prevailing accounting standards.

Independent Auditor's Report (Continued)

Information Other Than the Consolidated Financial Statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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.

Independent Auditor's Report (Continued)

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 (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- 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 Chan Siu Tung.

KPMG

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 thousands of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2022	2021
Interest income		51,257,795	51,749,103
Interest expense		<u>(25,853,557)</u>	<u>(25,514,303)</u>
Net interest income	1	<u>25,404,238</u>	<u>26,234,800</u>
Fee and commission income		2,326,746	2,901,992
Fee and commission expense		<u>(413,542)</u>	<u>(177,789)</u>
Net fee and commission income	2	<u>1,913,204</u>	<u>2,724,203</u>
Net trading gains	3	687,446	1,239,062
Share of profits of associates		3,253	1,104
Other operating income, net	4	463,365	526,326
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		404,612	119,177
Net gains on derecognition of financial assets measured at amortised cost		<u>65,203</u>	<u>5,005</u>
Operating income		<u>28,941,321</u>	<u>30,849,677</u>
Operating expenses	5	(9,540,499)	(8,795,697)
Credit impairment losses	7	(7,840,491)	(10,852,136)
Impairment losses on other assets		<u>(333)</u>	<u>(1,209)</u>
Profit before tax		11,559,998	11,200,635
Income tax expense	8	<u>(1,082,154)</u>	<u>(1,482,281)</u>
Profit for the year		<u>10,477,844</u>	<u>9,718,354</u>
Attributable to:			
– Shareholders of the Bank		10,275,574	9,559,709
– Non-controlling interests		<u>202,270</u>	<u>158,645</u>
Earnings per share (Expressed in Renminbi (“RMB”) Yuan per share)			
Basic and diluted	9	<u>0.89</u>	<u>0.84</u>

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 thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Profit for the year	<u>10,477,844</u>	<u>9,718,354</u>
Other comprehensive income, after tax:		
Items that will not be reclassified to profit or loss:		
– Changes in remeasurement of defined benefit plans	65,009	(372,794)
– Changes in fair value of equity instruments measured at fair value through other comprehensive income	(123,829)	168,278
Items that may be reclassified:		
– Changes in fair value of debt instruments measured at fair value through other comprehensive income	(430,277)	450,208
– Credit impairment losses of debt instruments measured at fair value through other comprehensive income	<u>12,584</u>	<u>1,473</u>
Other comprehensive income for the year (net of tax)	<u>(476,513)</u>	<u>247,165</u>
Total comprehensive income for the year	<u><u>10,001,331</u></u>	<u><u>9,965,519</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	9,799,076	9,806,961
Non-controlling interests	<u>202,255</u>	<u>158,558</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	As at 31 December 2022	2021
Assets			
Cash and balances with central bank	11	52,894,028	61,349,640
Deposits with banks and other financial institutions	12	12,028,449	17,017,386
Placements with banks and other financial institutions	13	82,638,207	91,072,510
Derivative financial assets	14	16,314	32,221
Financial assets held under resale agreements	15	8,457,236	980,305
Loans and advances to customers	16	605,085,448	557,334,996
Financial investments:	17		
– Financial assets measured at fair value through profit or loss		65,835,694	48,347,564
– Financial assets measured at fair value through other comprehensive income		106,005,356	48,833,463
– Financial assets measured at amortised cost		401,141,674	424,417,885
Investments in associates	18	454,685	451,432
Property and equipment	19	4,738,478	4,956,161
Rights-of-use assets	20	157,986	158,897
Goodwill	21	440,129	440,129
Deferred tax assets	23	10,773,326	9,187,354
Other assets	24	<u>1,634,235</u>	<u>1,711,256</u>
Total assets		<u>1,352,301,245</u>	<u>1,266,291,199</u>
Liabilities			
Borrowings from central bank	25	86,393,367	80,539,791
Deposits from banks and other financial institutions	26	51,844,467	29,302,115
Placements from banks and other financial institutions	27	41,684,692	34,094,542
Financial liabilities measured at fair value through profit or loss		3,245,979	–
Derivative financial liabilities	14	12,450	12,447
Financial assets sold under repurchase agreements	28	42,465,622	19,088,452
Deposits from customers	29	824,946,754	759,360,236
Accrued staff costs	30	5,293,169	5,170,916
Debt securities issued	31	171,069,176	225,254,410
Income tax payable		654,438	348,818
Lease liabilities		135,385	138,487
Other liabilities	32	<u>9,099,465</u>	<u>6,496,841</u>
Total liabilities		<u>1,236,844,964</u>	<u>1,159,807,055</u>

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	As at 31 December 2022	2021
Equity			
Share capital	33	11,357,000	11,357,000
Other equity instruments	34	5,997,648	3,998,338
Capital reserve	35	20,924,618	20,924,618
Investment revaluation reserve	36	(345,762)	195,760
Actuarial changes reserve		(576,208)	(641,232)
Surplus reserve	37	13,841,815	12,930,678
General reserve	38	17,848,932	15,881,397
Retained earnings	39	44,675,479	40,306,220
		<u>113,723,522</u>	<u>104,952,779</u>
Equity attributable shareholders of the Bank		113,723,522	104,952,779
Non-controlling interests		<u>1,732,759</u>	<u>1,531,365</u>
Total equity		<u>115,456,281</u>	<u>106,484,144</u>
Total equity and liabilities		<u>1,352,301,245</u>	<u>1,266,291,199</u>

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

XIE WENHUI

CHAIRMAN AND PRESIDENT

GAO SONG

HEAD OF ACCOUNTING DEPARTMENT

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	Attributable to shareholders of the Bank							Subtotal	Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve				Retained earnings
As at 1 January 2022		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144
Profit for the year		-	-	-	-	-	-	-	10,275,574	10,275,574	202,270	10,477,844
Other comprehensive income		-	-	-	(541,522)	65,024	-	-	-	(476,498)	(15)	(476,513)
Total comprehensive income for the year		-	-	-	(541,522)	65,024	-	-	10,275,574	9,799,076	202,255	10,001,331
Capital contribution from other equity instrument holders	34	-	1,999,310	-	-	-	-	-	-	1,999,310	-	1,999,310
Appropriation to surplus reserve	37	-	-	-	-	-	911,137	-	(911,137)	-	-	-
Appropriation to general reserve	38	-	-	-	-	-	-	1,967,535	(1,967,535)	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	-	(2,867,643)	(2,867,643)	(861)	(2,868,504)
Dividends paid to other equity instrument holders	10	-	-	-	-	-	-	-	(160,000)	(160,000)	-	(160,000)
As at 31 December 2022		11,357,000	5,997,648	20,924,618	(345,762)	(576,208)	13,841,815	17,848,932	44,675,479	113,723,522	1,732,759	115,456,281

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	Attributable to shareholders of the Bank							Subtotal	Non-controlling interests	Total	
		Share capital	Other equity instrument	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve				Retained earnings
As at 1 January 2021		11,357,000	-	20,924,618	(417,958)	(268,525)	12,069,842	14,056,058	35,947,699	93,668,734	1,403,476	95,072,210
Profit for the year		-	-	-	-	-	-	-	9,559,709	9,559,709	158,645	9,718,354
Other comprehensive income		-	-	-	619,959	(372,707)	-	-	-	247,252	(87)	247,165
Total comprehensive income for the year		-	-	-	619,959	(372,707)	-	-	9,559,709	9,806,961	158,558	9,965,519
Capital contribution from other equity instrument holders	34	-	3,998,338	-	-	-	-	-	-	3,998,338	-	3,998,338
Appropriation to surplus reserve	37	-	-	-	-	-	860,836	-	(860,836)	-	-	-
Appropriation to general reserve	38	-	-	-	-	-	-	1,825,339	(1,825,339)	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	-	(2,521,254)	(2,521,254)	(30,669)	(2,551,923)
Transfer from investment revaluation reserve to retained earnings		-	-	-	(6,241)	-	-	-	6,241	-	-	-
As at 31 December 2021		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144

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 thousands of Renminbi, unless otherwise stated)

	As at 31 December 2022	2021
Operating activities		
Profit before tax	11,559,998	11,200,635
Adjustments for:		
Depreciation and amortisation	820,170	850,889
Credit impairment losses	7,840,491	10,852,136
Impairment losses on other assets	333	1,209
Interest income arising from investment securities	(17,578,907)	(16,886,635)
Interest expense arising from debt securities issued	4,643,861	6,079,005
Net gain on disposal of investment securities	(1,687,218)	(1,110,535)
Net gain on investments in associates	(3,253)	(1,104)
Dividend income from investment securities	(8,631)	(21,624)
Net gain on disposal of property, equipment and other assets	(31,942)	(55,109)
Fair value loss/(gain)	652,622	(235,265)
Foreign exchange gain	(96,085)	(9,680)
Operating cash flows before movements in working capital	<u>6,111,439</u>	<u>10,663,922</u>
Net change in operating assets and operating liabilities:		
Decrease in balances with central bank, deposits with banks and other financial institutions	7,955,059	18,091,601
Decrease in placements with banks and other financial institutions	1,298,149	31,938,759
Decrease/(increase) in financial assets held under resale agreements	386,776	(578,206)
Increase in financial assets held for trading purpose	(18,661,449)	(903,725)
Increase in loans and advances to customers	(54,098,491)	(81,091,565)
Increase in financial assets sold under repurchase agreements	23,253,052	12,694,392
Increase in borrowings from central bank	5,883,144	18,153,576
Increase in placements from banks and other financial institutions	7,472,767	7,387,709
Increase in deposits from customers, deposits from banks and other financial institutions	86,218,986	27,249,811
Increase in financial liabilities measured at fair value through profit or loss	3,245,031	–
(Increase)/decrease in other operating assets	(2,512,482)	130,208
Increase in other operating liabilities	<u>6,555,837</u>	<u>1,373,535</u>

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2022	2021
Cash from operating activities	73,107,818	45,110,017
Income tax paid	<u>(2,206,647)</u>	<u>(3,881,172)</u>
Net cash generated from operating activities	<u>70,901,171</u>	<u>41,228,845</u>
Investing activities		
Cash received from disposal and redemption of investment securities	288,457,752	207,479,022
Interest income received from investment securities	18,306,975	16,039,849
Cash received from disposal of property, equipment and other assets	102,305	85,598
Dividends income from investment securities	8,631	21,624
Cash paid for purchase of investment securities	(321,579,730)	(294,790,854)
Cash paid for purchase of property, equipment and other assets	<u>(610,866)</u>	<u>(880,675)</u>
Net cash used in investing activities	<u>(15,314,933)</u>	<u>(72,045,436)</u>
Financing activities		
Cash received from debt securities issued	226,369,005	289,601,353
Cash received from issuance of other equity instruments	1,999,310	4,000,000
Repayments of debt securities issued	(284,430,000)	(242,533,757)
Dividends paid to shareholders of the Bank	(3,028,730)	(2,521,845)
Dividends paid to shareholders of non-controlling interests	(861)	(30,669)
Interest paid on debt securities issued	(768,100)	(1,070,400)
Cash paid in other financing activities	<u>(73,025)</u>	<u>(73,611)</u>
Net cash (used in)/generated from financing activities	<u>(59,932,401)</u>	<u>47,371,071</u>

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	<i>Note IV</i>	As at 31 December 2022	2021
Net (decrease)/increase in cash and cash equivalents		(4,346,163)	16,554,480
Cash and cash equivalents as at 1 January		35,785,425	19,268,138
Effect of foreign exchange rate changes		<u>79,080</u>	<u>(37,193)</u>
Cash and cash equivalents as at 31 December	40	<u>31,518,342</u>	<u>35,785,425</u>
Net cash from operating activities include:			
Interest received		33,213,135	34,763,137
Interest paid		<u>(19,082,186)</u>	<u>(18,356,159)</u>
Net interest received from operating activities		<u>14,130,949</u>	<u>16,406,978</u>

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 thousands of Renminbi, unless otherwise stated)

I GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on the Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”. It was renamed as “CBIRC” in 2018, hereinafter referred to as “CBIRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise provision of banking services, which includes deposit taking, loan lending, payment and settlement services, wealth management, financial leasing and other services as approved by CBIRC.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

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.

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.

			<i>Notes</i>
(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)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.1 Other amendments to the standards effective in 2022 relevant to and adopted by the Group (Continued)

(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 recognise contingent assets, as defined in IAS 37, at the acquisition date. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(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 recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than merely on assets dedicated to that contract. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(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 (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 provides an optional relief for the measurement of cumulative translation differences to certain first-time adopters, clarifies the types of fees to be included when assessing the derecognition of financial liability, amends an illustrative example accompanying IFRS 16, 'Leases', and removes the requirement to exclude taxation cash flows when measuring fair value. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

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)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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)

			Effective for annual periods beginning on or after	Notes
(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 (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 recognise 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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)

(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 recognise 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.

(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 recognised separately from the host liability as an equity component under IAS 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (Continued)*

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 have no 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 recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Goodwill (Continued)

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 profit or loss and other comprehensive income 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate and joint venture (Continued)

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.

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 expenses of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as "interest income" and "interest expenses" 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 custodial fee, etc.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 Foreign currency translation

The functional currency of the 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:

- 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation

Income tax comprises current and deferred income 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax (Continued)

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 the consolidated statement of 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.

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.

7.1 Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowance 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.2 Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution plans

Defined contribution retirement schemes

The Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes monthly at the applicable rates based on the amounts stipulated by the local government organisations. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees. During the accounting period in which the employees provide services, the amount payable in accordance with the above regulations are recognised as a liability and charged to the profit or loss.

Annuity plan

In addition to the statutory provision contributions, the Group's employees retired after 1 January 2019 have voluntarily joined the annuity scheme set up in accordance with state enterprise annuity regulations. The Group contributes to the annuity plan in proportion to the total wages of employees in the previous year. For employees who would soon retire after participating in the annuity scheme, the Group will make compensatory contributions during the transition period in accordance with the policies of the relevant national authorities. After employees' retirement, the enterprise annuity pays pensions to retired employees. During the accounting period in which services are rendered, the Group recognises the calculated payable amount as a liability, and charged to the profit or loss or the cost of relevant assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.2 Post-employment benefits (Continued)

Defined benefit plans

The Group pays supplementary retirement benefits for its retired employees, consisting of supplementary pension for employees retired on or before 31 December 2018 and supplementary medical benefits for all retired employees. Such supplementary retirement benefits are defined benefit plans. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income which will not be reclassified to profit or loss in subsequent accounting periods.

7.3 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 estimates of the present value of the liabilities are recognized in the consolidated statement of profit or loss when incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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 asset 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 asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Debt instruments (Continued)

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 amortized cost or FVOCI as described above are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective 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 at FVOCI.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(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.

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 did 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) *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 expenses” using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses (“ECL”) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired (“POCI”) financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in “interest income”, except for:

- (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 provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(2) *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 and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(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 the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- (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.

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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 46(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 46(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 46(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.5 Impairment of financial instruments (Continued)

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 credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

8.6 Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.7 Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met:

- (1) the Group's contractual rights to the cash flows from the financial asset expire;
- (2) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- (3) 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 debt 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 (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (1) and (2) below are met: (1) 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 (2) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.10 Derivative financial instruments

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 the consolidated statement of profit or loss.

8.11 Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (1) Their economic characteristics and risks are not closely related to those of the host contract;
- (2) A separate instrument with the same terms would meet the definition of a derivative; and
- (3) The hybrid contract is not measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8.11 Embedded derivative financial instruments (Continued)

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 provisions of 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.

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 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 44 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 financial statements (Note IV 44 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated statement of profit or loss in the period in which they are 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	20 years	3%	4.85%
Electronic equipment	4, 5 years	3%	19.40%, 24.25%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 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 15 Impairment of non-financial assets other than goodwill.

10 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

11 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12 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 the consolidated statement of profit or loss in the period in which they are incurred.

The accounting policies of impairment of investment property are included in Note II 15 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 had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of 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 the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13 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.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14 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.

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.

15 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 the consolidated statement of 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 had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

16 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 banks and other financial institutions and financial assets held under resale agreements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17 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 ordinary equity holders in the annual general meeting of the Bank.

18 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.

19 Fiduciary activities

The Group acts as an asset manager, trustee and custodian in fiduciary service. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the 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 taken to the consolidated statement of 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.

21 Related parties

The Group determines the Group's related parties in accordance with IFRSs and other relevant provisions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 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 46(1) Credit risk.

2 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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.

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 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2022	2021
Interest income		
Loans and advances to customers	29,496,150	28,893,438
Including: Corporate loans and advances	13,605,714	14,116,935
Personal loans and advances	15,068,915	14,331,193
Discounted bills	821,521	445,310
Financial investments	17,578,907	16,886,635
Including: Financial assets measured at amortised cost	15,393,893	16,150,454
Financial assets measured at fair value through other comprehensive income	2,185,014	736,181
Placements with banks and other financial institutions	2,548,739	3,951,159
Balances with central bank	824,429	895,796
Financial assets held under resale agreements	626,101	664,119
Deposits with banks and other financial institutions	183,469	457,956
Subtotal	<u>51,257,795</u>	<u>51,749,103</u>
Interest expense		
Deposits from customers	(15,814,726)	(14,755,959)
Debt securities issued	(4,643,861)	(6,079,005)
Borrowings from central bank	(2,172,392)	(1,808,848)
Placements from banks and other financial institutions	(1,336,225)	(1,244,323)
Financial assets sold under repurchase agreements	(1,081,935)	(839,246)
Deposits from banks and other financial institutions	(799,675)	(781,310)
Lease liabilities	(4,743)	(5,612)
Subtotal	<u>(25,853,557)</u>	<u>(25,514,303)</u>
Net interest income	<u>25,404,238</u>	<u>26,234,800</u>
Included in interest income		
Interest income on listed investments	16,439,894	15,256,094
Interest income on unlisted investments	1,139,013	1,630,541
Total	<u>17,578,907</u>	<u>16,886,635</u>

Listed investments mainly include securities traded in the interbank bond market in Mainland China and securities listed on the stock exchange.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2022	2021
Fee and commission income		
Agency and fiduciary service fees	700,288	454,255
Wealth management fees	462,017	1,638,479
Bank card fees	423,945	194,271
Settlement and clearing fees	134,001	132,223
Others	606,495	482,764
Subtotal	2,326,746	2,901,992
Fee and commission expense		
Bank card fees	(312,659)	(101,957)
Settlement and clearing fees	(37,294)	(24,907)
Others	(63,589)	(50,925)
Subtotal	(413,542)	(177,789)
Total	1,913,204	2,724,203

3 NET TRADING GAINS

	Year ended 31 December	
	2022	2021
Net gains on financial assets measured at fair value through profit or loss	709,881	1,263,107
Net losses on financial liabilities measured at fair value through profit or loss	(4,341)	(4,738)
Net losses on derivative financial instruments	(18,094)	(19,307)
Total	687,446	1,239,062

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2022	2021
Government grants	310,730	387,293
Foreign exchange gains	96,085	9,680
Rental income	61,849	50,635
Net gain on disposal of property, equipment and other assets	34,912	53,963
Net (loss)/gain on disposal of foreclosed assets	(2,970)	1,146
Penalty and compensation income	6,851	8,364
Donation	(44,800)	–
Others, net	708	15,245
Total	463,365	526,326

5 OPERATING EXPENSES

		Year ended 31 December	
	Notes	2022	2021
Staff costs	(1)	5,640,156	5,499,093
General operating and administrative expenses		2,593,817	2,004,681
Depreciation and amortisation		785,669	829,842
Tax and surcharges		274,239	286,754
Costs of operating lease business		34,501	21,047
Others	(2)	212,117	154,280
Total		9,540,499	8,795,697

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OPERATING EXPENSES (Continued)

(1) Staff costs

	<i>Note IV</i>	Year ended 31 December	
		2022	2021
Salaries, bonuses and allowances		3,792,354	3,621,710
Social insurance		808,145	778,369
Housing funds		392,048	375,549
Enterprise annuity		189,227	176,159
Staff welfare		180,261	185,203
Supplementary retirement benefits	30(1)	136,180	205,420
Labour union fees and staff education expenses		130,961	125,010
Early retirement benefits	30(2)	<u>10,980</u>	<u>31,673</u>
Total		<u><u>5,640,156</u></u>	<u><u>5,499,093</u></u>

- (2) The principal auditor's remuneration of RMB5.8 million for the year ended 31 December 2022 is included in other expenses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows:

Name	Notes	Year ended 31 December 2022				Total
		Part-time Fee	Paid Remuneration (before tax)	Contribution to Pension Schemes	Other Monetary Income	
Executive directors						
Liu Jianzhong	(1)	–	135	49	–	184
Xie Wenhui		–	405	123	–	528
Zhang Peizong		–	324	123	38	485
Non-executive directors						
Hu Chun	(2)	–	–	–	–	–
Zhang Peng		90	–	–	–	90
Yin Xianglin		90	–	–	–	90
Gu Xiaoxu		–	–	–	–	–
Independent non-executive directors						
Song Qinghua		180	–	–	–	180
Zhang Qiaoyun		180	–	–	–	180
Lee Ming Hau		180	–	–	–	180
Li Jiaming		180	–	–	–	180
Bi qian		180	–	–	–	180
Supervisors						
Yang Xiaotao		–	337	102	40	479
Huang Qingqing		75	–	–	–	75
Zhang Jinruo		120	–	–	–	120
Hu Yuancong		120	–	–	–	120
Zhang Yingyi		120	–	–	–	120
Zheng Yi	(3)	–	–	–	–	–
Le Xiaoming	(3)	–	–	–	–	–
Zhou Wei	(3)	–	–	–	–	–
Total		1,515	1,201	397	78	3,191

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	Notes	Year ended 31 December 2021				Total
		Part-time Fee	Paid Remuneration (before tax)	Contribution to Pension Schemes	Other Monetary Income	
Executive directors						
Liu Jianzhong		–	394	127	–	521
Xie Wenhui		–	394	127	–	521
Zhang Peizong		–	315	127	38	480
Non-executive directors						
Zhang Peng		90	–	–	–	90
Yin Xianglin		90	–	–	–	90
Gu Xiaoxu		–	–	–	–	–
Luo YuXing		–	–	–	–	–
Wen Honghai		68	–	–	–	68
Independent non-executive directors						
Song Qinghua		180	–	–	–	180
Zhang Qiaoyun		180	–	–	–	180
Lee Ming Hau		180	–	–	–	180
Li Jiaming		180	–	–	–	180
Bi qian		180	–	–	–	180
Supervisors						
Huang Qingqing		75	–	–	–	75
Zhang Jinruo		120	–	–	–	120
Hu Yuancong		120	–	–	–	120
Zhang Yingyi		120	–	–	–	120
Zheng Yi	(3)	–	–	–	–	–
Le Xiaoming	(3)	–	–	–	–	–
Zhou Wei	(3)	–	–	–	–	–
Zuo Ruilan		38	–	–	–	38
Zhu Yuzhou	(3)	–	–	–	–	–
Total		1,621	1,103	381	38	3,143

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

- (1) Mr. Liu Jianzhong resigned from the secretary to the Party Committee, chairman and executive director and the positions of relevant special committees under the Board since April 2022.
- (2) Ms. Hu Chun started her performance of duties in October 2022. According to related regulations, directors would not receive remuneration when performance of duties is less than 6 months.
- (3) During the years ended 31 December 2022 and 2021, the Bank's employee representatives in the Board of Supervisors did not receive remuneration as the employee representative supervisors.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

On account of certain regulations of relevant state authorities, the total remuneration for certain directors, supervisors and senior management members in 2022 has not been finalized, but the management of the Group expects the difference between the current estimate and the final remuneration shall not have a significant impact on the 2022 consolidated financial statements. The 2022 remuneration disclosed herein includes only the basic annual salaries approved for the current year and the proposed performance-based salaries, and the actual total remuneration shall be further disclosed when the determination is finalized by the Bank and duly approved.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors. The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	Notes	Year ended 31 December	
		2022	2021
Salaries and other emoluments	(1)	6,880	7,692
Contribution to pension schemes		679	602
Total		7,559	8,294

- (1) Salaries and other emoluments include basic salaries, discretionary bonuses and other allowances and benefits.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Five highest paid individuals (Continued)

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2022	2021
HKD0 – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	5	2
HKD2,000,001 – HKD2,500,000	–	3

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Ms. Gu Xiaoxu, none of the directors or supervisors waived any emoluments during the year ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Loans and advances to customers:		
Measured at amortised cost	7,712,979	11,049,602
Measured at fair value through other comprehensive income	6,128	1,434
Financial investments:		
Financial assets measured at amortised cost	49,820	(218,918)
Financial assets measured at fair value through other comprehensive income	10,550	530
Other assets	75,138	6,567
Financial assets held under resale agreements	7,238	(947)
Placements with banks and other financial institutions measured at fair value through other comprehensive income	100	–
Deposits with banks and other financial institutions	(5,071)	(8,607)
Placements with banks and other financial institutions measured at amortised cost	(6,257)	(19,477)
Loan commitments	(10,134)	41,952
Total	7,840,491	10,852,136

8 INCOME TAX EXPENSE

(1) *Income tax expense*

	Note IV	Year ended 31 December	
		2022	2021
Income tax expense comprises:			
Current income tax			
– PRC Enterprise Income Tax		2,509,299	3,211,367
Deferred tax	23(2)	(1,427,145)	(1,729,086)
Total		1,082,154	1,482,281

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 INCOME TAX EXPENSE (Continued)

- (2) Reconciliation between income tax expense and profit before tax per the consolidated income statement:

The tax charges for 2022 and 2021 can be reconciled to the profit per the consolidated income statement as follows:

	Notes	Year ended 31 December	
		2022	2021
Profit before tax		11,559,998	11,200,635
Tax calculated at applicable statutory tax rate of 25%		2,890,000	2,800,159
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(116,169)	(92,842)
Tax effect of non-taxable income and tax reduction	(a)	(1,806,577)	(1,304,909)
Tax effect of expenses not deductible for tax purpose	(b)	113,993	85,277
Others		907	(5,404)
Income tax expense		<u>1,082,154</u>	<u>1,482,281</u>

- (a) Interest income from government bonds and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.
- (b) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 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 shareholders of the Bank	10,275,574	9,559,709
Less: profit for the year attributable to other equity instrument holders of the Bank	(160,000)	–
Profit for the year attributable to ordinary equity holders of the Bank	<u>10,115,574</u>	<u>9,559,709</u>
Number of shares:		
Weighted average number of shares in issue (thousand)	<u>11,357,000</u>	<u>11,357,000</u>
Basic and diluted earnings per share (RMB Yuan)	<u>0.89</u>	<u>0.84</u>

There was no potential dilutive ordinary share outstanding for 2022 and 2021. Accordingly, diluted earnings per share was the same as basic earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS

	Notes	Year ended 31 December	
		2022	2021
Dividends on ordinary shares declared			
Cash dividend related to 2021	(1)	2,867,643	–
Cash dividend related to 2020	(2)	–	2,521,254
		<u>2,867,643</u>	<u>2,521,254</u>
Interest on perpetual bonds declared and paid	(3)	<u>160,000</u>	–

A dividend of RMB27.14 cents per share (tax inclusive) in respect of the year ended 31 December 2022 with a total of RMB3,082 million has been proposed by the Board of Directors on 30 March 2023 and to be approved by the shareholders in the 2022 annual general meeting.

- (1) A dividend of RMB25.25 cents per share (tax inclusive) in respect of the year ended 31 December 2021 with a total of RMB2,868 million has been proposed by the Board of Directors on 30 March 2022 and was approved by the shareholders in the 2021 annual general meeting on 26 May 2022.
- (2) A dividend of RMB22.20 cents per share (tax inclusive) in respect of the year ended 31 December 2020 with a total of RMB2,521 million has been proposed by the Board of Directors on 30 March 2021 and was approved by the shareholders in the 2020 annual general meeting on 28 May 2021.
- (3) As at 24 August 2022, the Bank distributed the interest of perpetual bonds amounting to RMB160 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 CASH AND BALANCES WITH CENTRAL BANK

	Notes	As at 31 December	
		2022	2021
Cash		3,093,479	2,908,109
Statutory reserve deposits with central bank	(1)	47,048,579	48,865,948
Surplus reserve deposits with central bank	(2)	2,671,483	8,893,289
Other deposits with central bank	(3)	80,487	682,294
Total		52,894,028	61,349,640

- (1) The Group places statutory reserve deposits with The People's Bank of China ("PBOC"). These statutory reserve deposits are not available for the Group's daily operations.

The Bank's statutory reserve deposits rates as at the balance sheet date are as follows:

	As at 31 December	
	2022	2021
– RMB statutory reserve deposits rates	5.75%	6.5%
– Foreign currency statutory reserve deposits rates	<u>6.0%</u>	<u>9.0%</u>

Statutory reserve deposits rates of the Bank's subsidiaries are subject to relevant PBOC requirements.

- (2) The surplus reserve deposits are maintained with PBOC for clearing purposes.
- (3) The majority of other deposits with central bank are fiscal deposits placed with PBOC. Fiscal deposits refer to funds from fiscal institutions and deposited with PBOC in accordance with regulations, which cannot be used for daily business operations. Fiscal deposits placed with PBOC are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits with:		
Domestic banks	9,530,499	14,199,456
Other domestic financial institutions	2,033,781	2,091,228
Overseas banks	473,873	741,477
Gross amount	12,038,153	17,032,161
Expected credit loss (“ECL”) allowances	(9,704)	(14,775)
Carrying amount	12,028,449	17,017,386

As at 31 December 2022, deposits with other financial institutions in mainland China of the Group and the Bank included RMB0.96 million security deposits. There were restrictions on the Group and the Bank’s ability to use these deposits (As at 31 December 2021: RMB0.69 million security deposits for the Group and the Bank).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements with banks and other financial institutions measured at amortised cost		
Placements with:		
Domestic banks	–	2,016,526
Other domestic financial institutions	82,253,986	89,090,367
Subtotal	82,253,986	91,106,893
ECL allowances	(28,126)	(34,383)
Carrying amount of placements with banks and other financial institutions measured at amortised cost	82,225,860	91,072,510
Placements with banks and other financial institutions measured at fair value through other comprehensive income		
Placements with:		
Other domestic financial institutions	412,347	–
Carrying amount of placements with banks and other financial institutions measured at fair value through other comprehensive income	412,347	–
Carrying amount	82,638,207	91,072,510

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	31 December 2022			31 December 2021		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives						
Currency forward	787,618	13,130	(10,739)	1,042,898	9,009	(8,488)
Foreign exchange swap	–	–	–	386,006	2,568	(1,374)
Interest derivatives						
Interest swap	5,670,710	1,711	(1,711)	9,554,480	2,585	(2,585)
Others	190,000	1,473	–	1,060,000	18,059	–
Total	6,648,328	16,314	(12,450)	12,043,384	32,221	(12,447)

The nominal amount of derivative financial instruments only provides a basis for comparison with the fair value of the assets or liabilities recognized in the balance sheet, and does not represent the future cash flow or current fair value, and therefore does not reflect the credit risk or market risk faced by the Group.

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2022	2021
Analysed by collateral type:		
Debt securities	8,464,706	980,537
ECL allowances	(7,470)	(232)
Carrying amount	8,457,236	980,305

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	Notes	As at 31 December	
		2022	2021
Gross amount of loans and advances to customers measured at amortised cost		581,456,814	555,839,998
ECL allowances		(27,591,636)	(24,831,502)
Carrying amount of loans and advances measured at amortised cost	(a)	553,865,178	531,008,496
Carrying amount of loans and advances measured at fair value through other comprehensive income		51,220,270	26,326,500
Total		605,085,448	557,334,996

As at the balance sheet date, certain discounted bills were pledged as collaterals in repurchase agreement transactions.

(a) Carrying amount of loans and advances measured at amortised cost

	As at 31 December	
	2022	2021
Corporate loans and advances	295,665,920	277,523,086
Trade financing	3,021,462	2,762,078
Subtotal	298,687,382	280,285,164
Personal loans and advances		
– Mortgages	96,965,182	100,979,782
– Loans to private business	101,879,780	89,795,531
– Credit cards	12,463,940	9,142,553
– Others	71,460,530	75,636,968
Subtotal	282,769,432	275,554,834
ECL allowances	(27,591,636)	(24,831,502)
Carrying amount of loans and advances measured at amortised cost	553,865,178	531,008,496

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Loans and advances to customers analysed by security type

	As at 31 December	
	2022	2021
Unsecured loans	110,725,271	98,461,768
Guaranteed loans	171,484,835	177,919,361
Collateralised and other secured loans		
Including: Collateralised loans	252,180,788	239,851,713
Pledged loans	98,286,190	65,933,656
Total	632,677,084	582,166,498

(3) Loans and advances to customers analysed by industry

	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Leasing and commercial services	72,536,209	11.46	64,121,895	11.01
Water conservancy, environment and public facilities management	71,087,656	11.24	66,641,968	11.45
Manufacturing	65,147,896	10.30	62,423,748	10.72
Financial business	31,762,868	5.02	11,173,647	1.92
Retail and wholesale	31,349,584	4.96	25,995,352	4.47
Transportation, logistics and postal services	25,723,822	4.07	22,374,762	3.84
Production and supply of electricity, heating, gas and water	22,268,907	3.52	23,727,004	4.08
Construction	8,562,214	1.35	7,333,769	1.26
Sanitation and social work	6,834,180	1.08	6,819,325	1.17
Real estate	4,403,721	0.70	4,686,973	0.81
Education	2,285,138	0.36	2,279,045	0.39
Culture, sports and entertainment	2,098,958	0.33	2,696,871	0.46
Others	5,846,499	0.92	6,337,305	1.09
Subtotal of corporate loans and advances	349,907,652	55.31	306,611,664	52.67
Personal loans and advances	282,769,432	44.69	275,554,834	47.33
Total	632,677,084	100.00	582,166,498	100.00

As at 31 December 2022, corporate loans and advances include RMB51,220 million discounted bills (31 December 2021: RMB26,327 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Overdue loans analysed by security type and overdue period

	As at 31 December 2022				
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	Total
Unsecured loans	477,414	437,295	221,825	47,954	1,184,488
Guaranteed loans	973,792	428,928	896,687	525,435	2,824,842
Collateralised loans	1,263,749	2,494,693	485,247	45,740	4,289,429
Pledged loans	64,105	–	51,219	1,000	116,324
Total	2,779,060	3,360,916	1,654,978	620,129	8,415,083

	As at 31 December 2021				
	Overdue within three months (including three months)	Overdue between three months and one year (including one year)	Overdue between one year and three years (including three years)	Overdue over three years	Total
Unsecured loans	458,035	354,993	50,684	7,150	870,862
Guaranteed loans	1,169,189	1,228,687	997,637	96,749	3,492,262
Collateralised loans	940,029	1,036,823	405,251	82,156	2,464,259
Pledged loans	49,641	12,020	2,695	–	64,356
Total	2,616,894	2,632,523	1,456,267	186,055	6,891,739

Overdue loans refer to all or part of the principal or interest overdue for more than one day.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers

(a) Movements of ECL allowances on loans and advances to customers measured at amortised cost

	Year ended 31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL – Not credit impaired	Stage 3 Lifetime ECL – Credit impaired	
As at 1 January 2022	12,704,188	4,212,745	7,914,569	24,831,502
Transfer:				
to stage 1	997,610	(951,037)	(46,573)	–
to stage 2	(635,650)	672,246	(36,596)	–
to stage 3	(105,531)	(1,598,263)	1,703,794	–
Additions during the year	1,215,239	3,910,878	2,586,862	7,712,979
Written-off and transfers out during the year	–	–	(7,064,831)	(7,064,831)
Recoveries during the year	–	–	2,111,986	2,111,986
As at 31 December 2022	<u>14,175,856</u>	<u>6,246,569</u>	<u>7,169,211</u>	<u>27,591,636</u>
	Year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL – Not credit impaired	Stage 3 Lifetime ECL – Credit impaired	
As at 1 January 2021	10,549,072	4,246,604	6,126,791	20,922,467
Transfer:				
to stage 1	436,246	(382,261)	(53,985)	–
to stage 2	(2,486,497)	2,516,331	(29,834)	–
to stage 3	(388,051)	(3,162,754)	3,550,805	–
Additions during the year	4,593,418	994,825	5,461,359	11,049,602
Written-off and transfers out during the year	–	–	(8,137,567)	(8,137,567)
Recoveries during the year	–	–	997,000	997,000
As at 31 December 2021	<u>12,704,188</u>	<u>4,212,745</u>	<u>7,914,569</u>	<u>24,831,502</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers (Continued)

(b) Movements of ECL allowances on loans and advances to customers measured at fair value through other comprehensive income

	Year ended 31 December 2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL – Not credit impaired	Stage 3 Lifetime ECL – Credit impaired	
As at 1 January 2022	6,404	–	1,000	7,404
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the year	6,128	–	–	6,128
As at 31 December 2022	<u>12,532</u>	<u>–</u>	<u>1,000</u>	<u>13,532</u>
	Year ended 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL – Not credit impaired	Stage 3 Lifetime ECL – Credit impaired	
As at 1 January 2021	4,970	–	1,000	5,970
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Additions during the year	1,434	–	–	1,434
As at 31 December 2021	<u>6,404</u>	<u>–</u>	<u>1,000</u>	<u>7,404</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) *Movements of ECL allowances on loans and advances to customers (Continued)*

(b) Movements of ECL allowances on loans and advances to customers measured at fair value through other comprehensive income (Continued)

ECL allowances on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on loans and advances to customers measured at fair value through other comprehensive income held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note IV 46(1).

17 FINANCIAL INVESTMENTS

	Notes	As at 31 December	
		2022	2021
Financial assets measured at fair value through profit or loss	(1)	65,835,694	48,347,564
Financial assets measured at amortised cost	(2)	401,141,674	424,417,885
Financial assets measured at fair value through other comprehensive income	(3)	106,005,356	48,833,463
– Debt instruments		105,372,759	48,035,760
– Equity instruments		632,597	797,703
Total		572,982,724	521,598,912

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS

- (1) Financial assets measured at fair value through profit or loss

By nature

	Notes	As at 31 December	
		2022	2021
Funds		30,206,133	31,626,966
Interbank deposit certificates		16,047,570	1,273,177
Debt securities	(a)	10,990,099	4,488,534
Asset management plans		7,346,424	8,640,699
Trust plans		970,824	1,478,720
Investment in wealth management products ("WMPs")		262,014	826,838
Others		12,630	12,630
Total		65,835,694	48,347,564
Analysed as:			
Listed outside Hong Kong		27,037,669	5,761,711
Unlisted		38,798,025	42,585,853
Total		65,835,694	48,347,564

- (a) Debt securities analysed by type of issuers

	As at 31 December	
	2022	2021
Debt securities issued by:		
Financial institutions	7,924,928	3,192,034
Public sector and quasi-governments	1,592,041	144,923
Corporations	745,518	556,181
Government	727,612	595,396
Total	10,990,099	4,488,534

Bond investments in financial assets measured at fair value through profit or loss are all traded in bond market in mainland China.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS

(2) Financial assets measured at amortised cost

	As at 31 December	
	2022	2021
Debt securities (by type of issuers):		
Government bonds	175,704,316	162,934,520
Financial institutions bonds	68,597,139	77,721,946
Public sector and quasi-government bonds	65,122,341	66,096,458
Corporate bonds	<u>45,365,814</u>	<u>60,675,912</u>
Subtotal	354,789,610	367,428,836
Interbank deposit certificates	30,833,976	27,198,087
Debt financing plans	13,811,167	25,616,208
Trust plans	<u>4,022,227</u>	<u>6,440,240</u>
Gross balances	403,456,980	426,683,371
ECL Allowances	<u>(2,315,306)</u>	<u>(2,265,486)</u>
Net balances	<u>401,141,674</u>	<u>424,417,885</u>
Analysed as:		
Listed outside Hong Kong	385,322,573	394,436,139
Listed in Hong Kong	141,651	–
Unlisted	<u>15,677,450</u>	<u>29,981,746</u>
Total	<u>401,141,674</u>	<u>424,417,885</u>

As at the balance sheet date, certain financial assets measured at amortised cost were pledged as collaterals in repurchase and other transactions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS

(2) Financial assets measured at amortised cost (Continued)

Movements of ECL allowances on financial assets measured at amortised cost

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
As at 1 January 2022	1,188,701	8,948	1,067,837	2,265,486
Transfer:				
to stage 1	7,582	(7,582)	–	–
to stage 2	(995)	995	–	–
to stage 3	(31,567)	–	31,567	–
(Reverse)/Charge	<u>(477,387)</u>	<u>4,308</u>	<u>522,899</u>	<u>49,820</u>
As at 31 December 2022	<u>686,334</u>	<u>6,669</u>	<u>1,622,303</u>	<u>2,315,306</u>
	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
As at 1 January 2021	1,062,189	437,574	2,725,889	4,225,652
Transfer:				
to stage 1	–	–	–	–
to stage 2	(7,993)	7,993	–	–
to stage 3	–	(437,574)	437,574	–
Charge/(Reverse)	134,505	955	(354,379)	(218,919)
Written-offs and transfer out and other movements	<u>–</u>	<u>–</u>	<u>(1,741,247)</u>	<u>(1,741,247)</u>
As at 31 December 2021	<u>1,188,701</u>	<u>8,948</u>	<u>1,067,837</u>	<u>2,265,486</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS

(3) Financial assets measured at fair value through other comprehensive income

	Notes	As at 31 December	
		2022	2021
Debt instruments:			
Public sector and quasi-government bonds		72,155,976	31,598,570
Financial institutions bonds		14,330,377	1,008,953
Government bonds		12,128,610	15,428,237
Corporate bonds		4,446,120	–
Interbank deposit certificates		2,311,676	–
Subtotal	(a)	<u>105,372,759</u>	<u>48,035,760</u>
Equity instruments:			
Corporations		568,378	715,905
Banks and other financial institutions		64,219	81,798
Subtotal		<u>632,597</u>	<u>797,703</u>
Total		<u>106,005,356</u>	<u>48,833,463</u>
Analysed as:			
Listed outside Hong Kong	(b)	105,997,356	48,751,665
Listed in Hong Kong		–	73,798
Unlisted		8,000	8,000
Total		<u>106,005,356</u>	<u>48,833,463</u>

(a) As at balance sheet date, part of the financial assets measured at fair value through other comprehensive income were pledged as collaterals for repurchase and other transactions.

(b) Debt instruments measured at fair value through other comprehensive income presented as “Listed outside Hong Kong” are traded in bond market in mainland China; equity instruments presented as “Listed outside Hong Kong” are all listed in mainland China.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 FINANCIAL INVESTMENTS

(3) Financial assets measured at fair value through other comprehensive income (Continued)

Movements of ECL allowances on financial assets measured at fair value through other comprehensive income

	Year ended 31 December 2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January 2022	610	–	–	610
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	10,550	–	–	10,550
As at 31 December 2022	<u>11,160</u>	<u>–</u>	<u>–</u>	<u>11,160</u>
	Year ended 31 December 2021			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
As at 1 January 2021	80	–	–	80
Transfer:				
to stage 1	–	–	–	–
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Charge	530	–	–	530
As at 31 December 2021	<u>610</u>	<u>–</u>	<u>–</u>	<u>610</u>

ECL allowances on debt instruments measured at fair value through other comprehensive income is recognised in other comprehensive income. Impairment losses is recognised in profit or loss for the current period and does not influence the carrying amount of the financial asset in the balance sheet.

For the ECL allowances on debt instruments measured at fair value through other comprehensive income held by the Group and the basis for evaluating whether the credit risk has increased significantly, see Note IV 46(1).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investments in subsidiaries

As at 31 December 2022, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Joint stock company	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Joint stock company	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Limited liability company	Yunan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Limited liability company	Yunan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Yunan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Limited liability company	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Limited liability company	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Limited liability company	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Limited liability company	Yunan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Limited liability company	Fujian	100	59.00	59.00	Banking Financial
CQRC Financial Leasing Co., Ltd.	19/12/2014	Limited liability company	Chongqing	2,500	80.00	80.00	Leasing
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Limited liability company	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Limited liability company	Yunan	200	90.00	90.00	Banking
CQRC Wealth Management Co., Ltd.	28/06/2020	Limited liability company	Chongqing	2,000	100.00	100.00	Wealth Management

For the year ended 31 December 2022, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 31 December 2022 and 31 December 2021, the amount of non-controlling interests of each subsidiary of the Bank, individually or collectively, was insignificant to the Group and hence not disclosed further.

There was no significant restriction on the Bank's or its subsidiaries' ability to access or use its assets and settle its liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investments in associates

Name of entity	Date of incorporation	Nature of entity	Place of incorporation/ Principal place of operation	Paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting rights in the general meeting (%)	Principal activities
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Limited liability company	Chongqing	1,500	30.00	30.00	Consumer Finance

Details of the Group's interests in associates are as follows:

	As at 31 December	
	2022	2021
Investment cost:		
Non-listed	451,432	450,328
Proportion of the Group in consolidated income and other comprehensive income after deducting profit distribution	3,253	1,104
	<u>454,685</u>	<u>451,432</u>

The key financial information of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December	
	2022	2021
Total assets	<u>11,285,657</u>	<u>6,315,845</u>

	Year ended 31 December	
	2022	2021
Profit for the year	<u>10,842</u>	<u>3,680</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investments in associates (Continued)

Investment income enjoyed by the Group is recognized according to the financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December	
	2022	2021
Net assets of associates	1,515,616	1,504,774
Share of entity interest	<u>30.00%</u>	<u>30.00%</u>
Shares of net assets of the Group in associates	<u>454,685</u>	<u>451,432</u>

There was no significant restriction on the associate's ability to remit funds to the Group in the form of cash dividends, or to repay loans or prepayments to the Group.

- (3) The Group also consolidated structured entities as disclosed in Note IV 43 Structured Entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and Fixtures	Construction in progress	Total
Cost						
As at 1 January 2021	7,273,271	1,431,222	96,759	1,011,632	431,754	10,244,638
Additions	28,078	163,667	–	216,724	411,235	819,704
Transferred in/(out)	318,952	1,413	10,532	17,339	(393,972)	(45,736)
Reductions	<u>(71,551)</u>	<u>(62,637)</u>	<u>(12,987)</u>	<u>(58,797)</u>	<u>–</u>	<u>(205,972)</u>
As at 31 December 2021	7,548,750	1,533,665	94,304	1,186,898	449,017	10,812,634
Additions	29,406	87,689	–	89,617	335,698	542,410
Transferred in/(out)	219,168	3,903	1,541	5,210	(271,905)	(42,083)
Reductions	<u>(84,749)</u>	<u>(49,689)</u>	<u>(10,793)</u>	<u>(58,247)</u>	<u>–</u>	<u>(203,478)</u>
As at 31 December 2022	<u>7,712,575</u>	<u>1,575,568</u>	<u>85,052</u>	<u>1,223,478</u>	<u>512,810</u>	<u>11,109,483</u>
Accumulated depreciation						
As at 1 January 2021	(3,567,783)	(976,577)	(90,827)	(689,133)	–	(5,324,320)
Charge for the year	(458,982)	(169,577)	(1,977)	(89,513)	–	(720,049)
Reductions	<u>60,865</u>	<u>59,329</u>	<u>12,597</u>	<u>55,105</u>	<u>–</u>	<u>187,896</u>
As at 31 December 2021	(3,965,900)	(1,086,825)	(80,207)	(723,541)	–	(5,856,473)
Charge for the year	(412,499)	(177,700)	(3,063)	(97,080)	–	(690,342)
Reductions	<u>61,014</u>	<u>48,078</u>	<u>10,469</u>	<u>56,249</u>	<u>–</u>	<u>175,810</u>
As at 31 December 2022	<u>(4,317,385)</u>	<u>(1,216,447)</u>	<u>(72,801)</u>	<u>(764,372)</u>	<u>–</u>	<u>(6,371,005)</u>
Carrying amount						
As at 31 December 2022	<u>3,395,190</u>	<u>359,121</u>	<u>12,251</u>	<u>459,106</u>	<u>512,810</u>	<u>4,738,478</u>
As at 31 December 2021	<u>3,582,850</u>	<u>446,840</u>	<u>14,097</u>	<u>463,357</u>	<u>449,017</u>	<u>4,956,161</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 PROPERTY AND EQUIPMENT (Continued)

As at 31 December 2022, the Group had no significant amount of temporarily idle assets. (As at 31 December 2021: Nil)

According to relevant laws and regulations, the legal title of fixed assets previously held by the predecessor entity are to be transferred to the Bank, subsequent to the Bank's transformation into a joint stock company. As at 31 December 2022, the registration transfer process of certain properties have not been completed. Management believes that the incomplete registration transfer process does not affect the Bank's right to inherit these assets or adversely affect the Bank's operations.

As at 31 December 2022, the carrying amount of fixed assets leased out through operating leases in the course of the Group's leasing business was RMB302 million (As at 31 December 2021: RMB282 million).

20 RIGHT-OF-USE ASSETS

As at 31 December 2022, the right-of-use assets recognized by the Group mainly include operation buildings, and are mainly used for daily business. Depreciation expense for the year ended 31 December 2022 amounted to RMB62 million (For the year ended 31 December 2021: RMB71 million), and the accumulated depreciation as at 31 December 2022 amounted to RMB123 million (As at 31 December 2021: RMB117 million).

21 GOODWILL

	As at 31 December	
	2022	2021
Cost and carrying amount	440,129	440,129

As at 31 December 2022, based on assessment performed by the Bank, there was no impairment for the goodwill (As at 31 December 2021: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note IV 21 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2022 and 31 December 2021 allocated to these units are as follows:

	As at 31 December	
	2022	2021
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	97,176	97,176
Total	440,129	440,129

During the years ended 31 December 2022 and 31 December 2021, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The future cash flow used is free cash flow to equity (FCFE), discounted by the cost of equity capital of 9.93% (31 December 2021: free cash flow to firm (FCFF), discounted by the weighted average cost of capital of 9.99%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2022				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	40,026,438	9,731,170	–	–	9,731,170
Accrued and unpaid staff costs	2,766,914	685,041	–	–	685,041
Retirement benefits	878,784	219,602	–	–	219,602
Changes in fair value of financial instruments	536,148	134,037	–	–	134,037
Provision	304,144	76,036	–	–	76,036
Government grants	73,052	18,263	–	–	18,263
Adjustments of book value of assets and liabilities on the date of establishment	73,332	18,333	(155,916)	(38,979)	(20,646)
Depreciation expense and others	180,616	45,154	(461,324)	(115,331)	(70,177)
Total	44,839,428	10,927,636	(617,240)	(154,310)	10,773,326

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION (Continued)

(1) Recognised deferred tax assets and liabilities which have not been offset: (Continued)

	As at 31 December 2021				
	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
ECL allowances	33,983,160	8,495,790	–	–	8,495,790
Accrued and unpaid staff costs	2,529,523	632,381	–	–	632,381
Retirement benefits	979,749	244,937	–	–	244,937
Changes in fair value of financial instruments	–	–	(740,726)	(185,182)	(185,182)
Provision	305,460	76,365	–	–	76,365
Government grants	75,649	18,912	–	–	18,912
Adjustment of book value of assets and liabilities on the date of establishment	106,525	26,631	(169,210)	(42,302)	(15,671)
Depreciation expense and others	180,273	45,068	(500,985)	(125,246)	(80,178)
Total	<u>38,160,339</u>	<u>9,540,084</u>	<u>(1,410,921)</u>	<u>(352,730)</u>	<u>9,187,354</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION (Continued)

(2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Year ended 31 December 2022			
	1 January 2022	Recognised in profit or loss	Recognised in equity	31 December 2022
Deferred tax				
– ECL allowances	8,495,790	1,239,574	(4,194)	9,731,170
– Accrued and unpaid staff costs	632,381	52,660	–	685,041
– Retirement benefits	244,937	(3,654)	(21,681)	219,602
– Changes in fair value of financial instruments	(185,182)	134,517	184,702	134,037
– Provision	76,365	(329)	–	76,036
– Government grants	18,912	(649)	–	18,263
– Adjustment of book value of assets and liabilities on the date of establishment	(15,671)	(4,975)	–	(20,646)
– Depreciation expense and others	(80,178)	10,001	–	(70,177)
Total	9,187,354	1,427,145	158,827	10,773,326

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 DEFERRED TAXATION (Continued)

(2) The followings are the major deferred tax assets and liabilities recognised and movements thereon: (Continued)

	Year ended 31 December 2021			
	1 January 2021	Recognised in profit or loss	Recognised in equity	31 December 2021
Deferred tax				
– ECL allowances	6,728,456	1,767,795	(461)	8,495,790
– Accrued and unpaid staff costs	612,908	19,473	–	632,381
– Retirement benefits	129,663	(8,922)	124,196	244,937
– Changes in fair value of financial instruments	76,495	(57,566)	(204,111)	(185,182)
– Provision	62,897	13,468	–	76,365
– Government grants	19,562	(650)	–	18,912
– Adjustment of book value of assets and liabilities on the date of establishment	(15,896)	225	–	(15,671)
– Depreciation expense and others	(75,441)	(4,737)	–	(80,178)
Total	7,538,644	1,729,086	(80,376)	9,187,354

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 OTHER ASSETS

	Notes	As at 31 December	
		2022	2021
Other receivables	(1)	894,476	842,138
Land use rights		354,825	369,050
Intangible assets	(2)	225,113	207,608
Pre-paid tax		76,822	187,912
Interest receivable	(3)	26,576	27,904
Foreclosed assets	(4)	35,057	39,042
Others		21,366	37,602
Total		1,634,235	1,711,256

- (1) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.
- (2) Intangible assets are mainly computer software which are amortised over 10 years.
- (3) Interest receivable

As at 31 December 2022 and 31 December 2021, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received as at the balance sheet date in interest receivable under other assets.

- (4) Foreclosed assets

Analysed by type

	As at 31 December	
	2022	2021
Land use rights and buildings	38,970	45,028
Allowance for impairment losses	(3,913)	(5,986)
Total	35,057	39,042

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 BORROWINGS FROM CENTRAL BANK

As at 31 December 2022, borrowings from central bank mainly contain the medium-term lending facilities from PBOC, PBOC special refinancing and refinancing for supporting agricultural and small companies. As at 31 December 2022, the principal of the Bank's medium-term lending facilities from PBOC amounted to RMB42,100 million (As at 31 December 2021: RMB46,000 million).

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits from domestic banks	3,045,425	3,193,688
Deposits from other domestic financial institutions	48,799,042	26,108,427
Total	51,844,467	29,302,115

Deposits from banks and other financial institutions are interest bearing at prevailing market rate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Placements from domestic banks	37,754,479	28,549,300
Placements from other domestic financial institutions	<u>3,930,213</u>	<u>5,545,242</u>
Total	<u>41,684,692</u>	<u>34,094,542</u>

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2022	2021
Analysed by collateral type:		
– Bill	24,469,606	11,487,963
– Debt securities	<u>17,996,016</u>	<u>7,600,489</u>
Total	<u>42,465,622</u>	<u>19,088,452</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 DEPOSITS FROM CUSTOMERS

	Notes	As at 31 December	
		2022	2021
Demand deposits			
Corporate customers		104,856,775	104,825,500
Individual customers		145,893,555	126,626,678
Time deposits			
Corporate customers		36,225,155	45,386,145
Individual customers		531,457,655	477,389,399
Pledged deposits	(1)	6,504,592	5,115,204
Others (Including outward remittance and remittance outstanding)		9,022	17,310
Total		824,946,754	759,360,236

(1) Analysed by products for which pledged deposits are required:

	As at 31 December	
	2022	2021
Bank acceptances	4,611,922	2,733,200
Loans and receivables	1,223,568	1,419,182
Letters of credit	308,601	254,320
Letters of guarantee	67,428	61,236
Others	293,073	647,266
Total	6,504,592	5,115,204

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 ACCRUED STAFF COSTS

	Notes	As at 31 December	
		2022	2021
Supplementary retirement benefits	(1)	2,384,904	2,426,844
Salaries, bonuses and allowances		2,368,178	2,212,437
Labor union fees and staff education expenses		336,067	295,815
Early retirement benefits	(2)	103,960	135,760
Enterprise annuity	(3)	100,060	100,060
Total		5,293,169	5,170,916

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits. Supplemental retirement benefits include supplemental pensions and medical benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: Present value of the defined benefit plan liability is calculated with reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: Present value of the defined benefit plan liabilities are calculated with reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of actuarial valuation for supplementary retirement benefits were as follows:

	As at 31 December	
	2022	2021
Discount rate-supplementary retirement benefits	3.25%	3.25%
Discount rate-early retirement benefits	2.50%	2.50%
Annual growth rate of enterprise annuity payment	6.00%	6.00%
Annual average medical expense inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	Notes	As at 31 December	
		2022	2021
Service cost:			
– Current service cost		56,840	49,010
– Past service cost	(a)	1,740	73,630
Net interest expense		<u>77,600</u>	<u>82,780</u>
Components of supplementary retirement benefit costs recognised in profit or loss		<u>136,180</u>	<u>205,420</u>
Remeasurement of the net defined benefit liability:			
– Actuarial (gain)/loss resulting from experience adjustments	(a)	(86,690)	357,150
– Actuarial loss arising from changes in financial assumptions		<u>–</u>	<u>139,840</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income		<u>(86,690)</u>	<u>496,990</u>
Total		<u><u>49,490</u></u>	<u><u>702,410</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movements in present value of the supplementary retirement benefits in the current year were as follows:

	Notes	As at 31 December	
		2022	2021
Defined benefit obligation at the beginning of the year		2,426,844	1,818,630
Interest cost		77,600	82,780
(Gain)/loss arising from remeasurement of the defined benefit liability			
– Actuarial (gain)/loss resulting from experience adjustments	(a)	(86,690)	357,150
– Actuarial loss arising from changes in actuarial assumptions		–	139,840
Current service cost		56,840	49,010
Past service cost	(a)	1,740	73,630
Benefits paid		(91,430)	(94,196)
Defined benefit obligation at the end of the year		<u>2,384,904</u>	<u>2,426,844</u>

- (a) The changes resulting from the plan amendments recognised in profit or loss in past service cost and the remeasurement of the net liabilities of the defined benefit plans are mainly caused by the actuarial difference of insurance premium.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Internal retirement benefits include basic salary and allowances paid monthly/annually, social insurance premiums and housing funds, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the year ended 31 December 2022, the Group incurred RMB11 million (year ended 31 December 2021: RMB32 million) and paid RMB43 million (year ended 31 December 2021: RMB46 million) in respect of the early retirement benefits plan.

(3) Enterprise annuity

According to the laws, regulations and rules, such as the Notice of Chongqing Human Resources and Social Security Bureau, Chongqing Finance Bureau on 'the implementation of the enterprise annuity measures' (Yurenshefa (2018) No. 133), the Opinions of Chongqing State-owned Assets Supervision and Administration Commission on the establishment of enterprise annuity by municipal key state-owned enterprises (Yuguozi [2018] No. 597), the Bank launched enterprise annuity in 2019, which applies to on-the-job contract employees, internally retired employees and regular employees of subsidiaries who retire on or after 1 January 2019 and voluntarily join the enterprise annuity plan.

There was no forfeited contribution available to reduce the contribution payable by the Group under the above plan.

31 DEBT SECURITIES ISSUED

(1) Debt securities issued analysed by type:

	As at 31 December	
	2022	2021
Interbank certificates of deposit issued	143,558,606	202,866,702
Bonds issued	27,510,570	22,387,708
Total	171,069,176	225,254,410

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued:

	Notes	Year ended 31 December 2022				
		Beginning Balance	Issued during the year	Paid during the year	Interest and Amortisation	Ending Balance
Interbank certificates of deposit issued	(a)	202,866,702	219,371,099	(282,530,000)	3,850,805	143,558,606
Bonds issued	(b)	22,387,708	6,997,906	(2,668,100)	793,056	27,510,570
Total		225,254,410	226,369,005	(285,198,100)	4,643,861	171,069,176

	Notes	Year ended 31 December 2021				
		Beginning Balance	Issued during the year	Paid during the year	Interest and Amortisation	Ending Balance
Interbank certificates of deposit issued	(a)	143,748,381	286,539,057	(232,470,000)	5,049,264	202,866,702
Bonds issued	(b)	29,429,828	2,998,538	(11,070,399)	1,029,741	22,387,708
Total		173,178,209	289,537,595	(243,540,399)	6,079,005	225,254,410

- (a) As at 31 December 2022, there were 162 outstanding interbank deposit certificates issued by the Group and Bank with maximum maturity of 365 days. (As at 31 December 2021: there were 198 outstanding interbank deposit certificates issued by the Group and Bank with maximum maturity of 365 days.)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued: (Continued)

(b) As at the balance sheet date, details of bonds issued by the Group are shown as follows:

	Notes	As at 31 December	
		2022	2021
Fixed rate financial bond matured in April 2022	(i)	–	1,953,507
Fixed rate financial bond for “agriculture, rural areas and farmers” maturing in January 2023	(ii)	2,061,884	2,061,337
Fixed rate financial bond maturing in March 2023	(iii)	8,184,089	8,182,966
Fixed rate green financial bond maturing in November 2023	(iv)	2,010,055	2,009,602
Fixed rate green financial bond maturing in June 2024	(v)	3,055,391	3,055,002
Fixed rate financial bond maturing in July 2025	(vi)	5,069,842	–
Fixed rate green financial bond maturing in December 2025	(vii)	2,003,730	–
Tier-two capital fixed rate bond maturing in June 2029	(viii)	5,125,579	5,125,294
Total		27,510,570	22,387,708

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 DEBT SECURITIES ISSUED (Continued)

(2) Movements of debt securities issued: (Continued)

(b) As at the balance sheet date, details of debts securities issued by the Group are shown as follows: (Continued)

- (i) On 1 April 2019, CQRC Financial Leasing Co., Ltd., a subsidiary of the Bank issued a three-year fixed rate financial bond with a coupon rate of 3.80%, payable annually.
- (ii) On 9 January 2020, the Bank issued a three-year fixed rate financial bond for “agriculture, rural areas and farmers”, with a coupon rate of 3.20%, payable annually.
- (iii) On 12 March 2020, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.89%, payable annually.
- (iv) On 5 November 2020, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.60%, payable annually.
- (v) On 3 June 2021, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.29%, payable annually.
- (vi) On 5 July 2022, the Bank issued a three-year fixed rate financial bond, with a coupon rate of 2.93%, payable annually.
- (vii) On 6 December 2022, the Bank issued a three-year fixed rate green financial bond, with a coupon rate of 3.00%, payable annually.
- (viii) On 13 June 2019, the Bank issued a 10-year tier-two capital fixed rate bonds with a coupon rate of 4.60%, payable annually. The Bank has an option to redeem all of the bond at face value on 14 June 2024 if specified redemption conditions stipulated in the offering documents are met, subject to regulatory approval.

The tier-two capital bond has the write-down feature, which allows the Bank to write down the entire principals of the bond when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 OTHER LIABILITIES

	Notes	As at 31 December	
		2022	2021
Other payables	(1)	7,250,668	4,998,525
Deferred income	(2)	519,945	574,786
Notes payable		490,353	–
Tax payable (excluding corporate income tax payable)	(3)	466,533	538,843
Dividends payable		43,073	44,160
Provision	(4)	304,144	305,460
Contract liabilities		24,749	35,067
Total		9,099,465	6,496,841

(1) Other payables

	Notes	As at 31 December	
		2022	2021
Leasing business related payables		3,709,211	3,144,633
Payables from providing agency services		2,354,433	1,045,837
Items in process of clearing and settlement		322,196	124,482
Long term loans	(a)	32,898	34,401
Others		831,930	649,172
Total		7,250,668	4,998,525

- (a) The amount represents special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support petty loans in the PRC.

As at 31 December 2022 and 31 December 2021, the loans bear a fixed interest rate of 0.75% per annum. As at 31 December 2022, these loans have 21 years to maturity with similar terms with related loans granted to customers.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 OTHER LIABILITIES (Continued)

(2) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December	
	2022	2021
Deferred leasing income	448,165	500,394
Government grants	71,780	74,392
Total	519,945	574,786

(3) Tax payable (excluding corporate income tax payable)

	As at 31 December	
	2022	2021
Value added tax	414,246	479,905
Urban maintenance and construction tax	24,086	28,863
Individual income tax	7,320	7,626
Others	20,881	22,449
Total	466,533	538,843

(4) Provision

Provision mainly contains ECL allowances for loan commitments. As at 31 December 2022 and 31 December 2021, the provisions for the Group's guarantees and commitments are mainly in stage 1.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 SHARE CAPITAL

	As at 31 December	
	2022	2021
Listed domestically (A shares), with par value of RMB1.00 per share	8,843,664	8,843,664
Listed overseas (H shares), with par value of RMB1.00 per share	2,513,336	2,513,336
Share capital	<u>11,357,000</u>	<u>11,357,000</u>

34 OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2022	2021
Perpetual bonds	<u>5,997,648</u>	<u>3,998,338</u>

(1) Perpetual bonds outstanding at the end of the year:

Financial instruments issued	Issue date	Accounting classification	Original interest	Issue price (Yuan)	Amount in shares (in millions)	In RMB (in millions)	Maturity	Conversion conditions	Conversion status
2021 Perpetual bond in RMB	24/08/2021	Equity	4.00%	100	40	4,000	No fixed maturity date	N/A	N/A
2022 Perpetual bond in RMB	28/04/2022	Equity	3.90%	100	20	2,000	No fixed maturity date	N/A	N/A
Less: Issuance costs						(2)			
Carrying amount						<u>5,998</u>			

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 OTHER EQUITY INSTRUMENTS (Continued)

(2) Main clauses

The Bank issued perpetual bond with the amount of RMB2 billion in the national interbank bond market on 28 April 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 3.90%.

The Bank issued perpetual bond with the amount of RMB4 billion in the national interbank bond market on 24 August 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 4.00%.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-one capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down in whole or in part, without the need for the consent of the holders of the bonds. The bonds are written down according to the proportion of their outstanding par value in the total outstanding par value of all other tier-one capital instruments with the same trigger event.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 OTHER EQUITY INSTRUMENTS (Continued)

(2) Main clauses (Continued)

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

(3) Statement of changes in perpetual bonds outstanding at the end of the year

Financial instruments in issued	Beginning Balance		Increased during the year		Ending Balance	
	Amount	Book value	Amount	Book value	Amount	Carrying amount
	(In millions)	(In thousand Yuan)	(In millions)	(In thousand Yuan)	(In millions)	(In thousand Yuan)
2021 perpetual bonds in RMB	40	3,998,338	-	-	40	3,998,338
2022 perpetual bonds in RMB	-	-	20	1,999,310	20	1,999,310
Total	40	3,998,338	20	1,999,310	60	5,997,648

(4) Equity attributable to equity instrument holders

	As at 31 December	
	2022	2021
Total equity attributable to equity holders of the parent company	113,723,522	104,952,779
Equity attributable to ordinary equity holders of the parent company	107,725,874	100,954,441
Equity attributable to other equity holders of the parent company	5,997,648	3,998,338
Total equity attributable to non-controlling interests	1,732,759	1,531,365
Equity attributable to non-controlling interests of ordinary shares	<u>1,732,759</u>	<u>1,531,365</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

The acquisition of additional interests from the non-controlling shareholders of its subsidiaries is equity transaction. The capital premium of discount amount was charged to capital reserve.

Capital reserve of the Bank included premium of RMB910 million from the placement of ordinary shares in 2010, premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock. Exchange in 2010, premium of RMB3,291 million from the placement of ordinary shares in 2017, and premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. Equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2021	(557,276)	139,318	(417,958)
Fair value gains/(losses) for the year Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	602,241	(150,560)	451,681
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	222,290	(54,012)	168,278
Transferred to retained earnings	(6,241)	—	(6,241)
As at 31 December 2021	<u>261,014</u>	<u>(65,254)</u>	<u>195,760</u>
Fair value (losses)/gains for the year Amount reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	(556,924)	139,231	(417,693)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at fair value through other comprehensive income	<u>(165,106)</u>	<u>41,277</u>	<u>(123,829)</u>
As at 31 December 2022	<u><u>(461,016)</u></u>	<u><u>115,254</u></u>	<u><u>(345,762)</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 SURPLUS RESERVE

Under the relevant PRC Laws, the Bank and its subsidiaries are required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2022, the Bank proposed to appropriate approximately RMB911 million to the statutory surplus reserve (For the year ended 31 December 2021: RMB861 million). For the year ended 31 December 2022, the Bank did not make any appropriation to discretionary surplus reserve (For the year ended 31 December 2021: Nil).

38 GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the allowances for impairment losses, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the year ended 31 December 2022, the Bank transferred RMB1,666 million to general reserve pursuant to the regulatory requirement (For the year ended 31 December 2021: RMB1,702 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 RETAINED EARNINGS

The movements of retained earnings of the Group are set out below:

	As at 31 December	
	2022	2021
Retained earnings at the beginning of the year	40,306,220	35,947,699
Profit for the year	10,275,574	9,559,709
Appropriation to surplus reserve	(911,137)	(860,836)
Appropriation to general reserve	(1,967,535)	(1,825,339)
Dividends paid to ordinary equity holders	(2,867,643)	(2,521,254)
Dividends paid to other equity instrument holders	(160,000)	–
Other comprehensive income transferred to retained earnings	–	6,241
Retained earnings at the end of the year	<u>44,675,479</u>	<u>40,306,220</u>

40 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 less than three months:

	As at 31 December	
	2022	2021
Cash	3,093,479	2,908,109
Surplus reserve deposits with central bank	2,671,483	8,893,289
Deposits with banks and other financial institutions	10,037,939	9,384,247
Placements with banks and other financial institutions	7,450,000	14,200,000
Financial assets held under resale agreements	<u>8,265,441</u>	<u>399,780</u>
Total	<u>31,518,342</u>	<u>35,785,425</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include current account, deposits, overdraft, loans, trade related products, other types of credit services and foreign currency services.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 SEGMENT ANALYSIS (Continued)

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's financial market operations segment conducts money market or repurchase transactions. The operating results of this segment include the impact of profit or loss on internal fund surpluses or shortages between segments due to interest-bearing assets and interest-bearing liabilities.

Unallocated

Unallocated include other businesses not included in the above reporting segments or businesses that cannot be allocated on a reasonable basis, including equity investment businesses and income tax expense.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 SEGMENT ANALYSIS (Continued)

	Year ended 31 December 2021					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	14,740,640	15,048,595	21,959,868	51,749,103	-	51,749,103
External interest expense	(2,333,695)	(12,426,718)	(10,753,890)	(25,514,303)	-	(25,514,303)
Net inter-segment interest (expense)/ income	(3,304,761)	9,281,332	(5,976,571)	-	-	-
Net interest income	9,102,184	11,903,209	5,229,407	26,234,800	-	26,234,800
Fee and commission income	691,915	658,038	1,552,039	2,901,992	-	2,901,992
Fee and commission expense	(30,273)	(102,093)	(45,423)	(177,789)	-	(177,789)
Net fee and commission income	661,642	555,945	1,506,616	2,724,203	-	2,724,203
Net trading gains	-	-	1,239,062	1,239,062	-	1,239,062
Share of profits of associates	-	-	-	-	1,104	1,104
Other operating income, net	447,084	38,471	27,160	512,715	13,611	526,326
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	-	-	119,177	119,177	-	119,177
Net gains on derecognition of financial assets measured at amortised cost	-	-	5,005	5,005	-	5,005
Operating income	10,210,910	12,497,625	8,126,427	30,834,962	14,715	30,849,677
Operating expenses	(2,873,343)	(3,604,804)	(2,317,550)	(8,795,697)	-	(8,795,697)
Credit impairment losses	(8,530,433)	(2,569,122)	247,419	(10,852,136)	-	(10,852,136)
Impairment losses on other assets	(1,209)	-	-	(1,209)	-	(1,209)
Profit before tax	(1,194,075)	6,323,699	6,056,296	11,185,920	14,715	11,200,635
Income tax expense						(1,482,281)
Profit for the year						<u>9,718,354</u>
Depreciation and amortisation included in operating expenses	271,089	340,100	218,653	829,842	-	829,842
Capital expenditure	<u>287,696</u>	<u>360,933</u>	<u>232,046</u>	<u>880,675</u>	-	<u>880,675</u>
	As at 31 December 2021					
Segment assets	281,162,396	267,314,089	702,606,599	1,251,083,084	15,208,115	1,266,291,199
Segment liabilities	162,092,536	606,500,322	389,519,398	1,158,112,256	1,694,799	1,159,807,055
Supplementary information - Credit commitments	<u>12,621,579</u>	<u>25,307,310</u>	-	<u>37,928,889</u>	-	<u>37,928,889</u>

There was no significant transactions with a single external customer that the Group mainly relied on.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) *Information about subsidiaries of the Bank*

Information about subsidiaries of the Bank is disclosed in Note IV 18(1).

(2) *Information about associates of the Bank*

Information about insignificant associates of the Bank is disclosed in Note IV 18(2).

(3) *Related parties with no controlling relationship*

There are certain related party transactions between the Bank and related parties with no controlling relationship. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are assessed based on transaction type and approved by corresponding decision-making authority.

Principal shareholders identified as related parties of the Bank

The names and share of equity interests of shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management are as follows:

Name of shareholders	Notes	As at 31 December	
		2022	2021
Chongqing Yufu Capital Operation Group Co., Ltd. ("Yufu Group") 重慶渝富資本運營集團有限公司		8.70%	8.70%
Chongqing City Construction Investment (Group) Co., Ltd. ("City Investment Group") 重慶市城市建設投資(集團)有限公司		7.02%	7.02%
Chongqing Development and Real Estate Management Co., Ltd. ("Development and Real Estate Company") 重慶發展置業管理有限公司	(a)	5.19%	5.19%
Xiamen Huishanghong Equity Investment Co., Ltd. 廈門市匯尚泓股權投資有限公司	(b)	1.66%	1.66%
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. 上海豫園旅遊商城(集團)股份有限公司		1.33%	1.33%
Loncin Holdings Co., Ltd. ("Loncin Holdings") 隆鑫控股有限公司	(a)	1.20%	5.02%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Related parties with no controlling relationship (Continued)

Major shareholders identified as related parties of the Bank (Continued)

- (a) Loncin Holdings originally held 570 million restricted shares of the Bank, accounting for 5.02% of the total share capital of the Bank. As at 22 December 2022, 433 million restricted shares of the Bank held by Loncin Holdings were transferred by the Fifth Intermediate People's Court of Chongqing Municipality to Chongqing Development Investment Company ("Development Investment Company"), and the number of judicially transferred shares accounted for 3.81% of the total share capital of the Bank. Thereafter, Loncin Holdings held 137 million shares of the Bank, and its shareholding ratio dropped to 1.20%.

Development and Real Estate Company, a wholly-owned subsidiary of Development Investment Company, is a shareholder of the Bank, holding 589 million shares of the Bank, accounting for 5.19% of the total share capital of the Bank. After the judicial transfer, Development and Real Estate Company and its persons-acting-in-concert Development Investment Company hold a total of 1,022 million shares of the Bank, accounting for 9.00% of the total share capital of the Bank.

- (b) Xiamen Gaoxinhong Equity Investment Co., Ltd. changed its name to Xiamen Huishanghong Equity Investment Co., Ltd. on 1 April 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions

The amounts of significant transactions, significant transaction balances and significant off balance sheet items between the Group and its related parties as at the balance sheet date were as follows:

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the year ended 31 December 2022:								
Interest income	216,830	122,268	50,063	36,804	18,290	3,531	447,786	0.87%
Interest expense	(65,082)	(10,565)	(38,365)	(5,662)	(141,716)	(4,389)	(265,779)	1.03%
Fee and commission income	6,721	5	443	71	11	9	7,260	0.31%
Net trading gains	41,487	-	-	-	-	-	41,487	6.03%
Other comprehensive income	(17,579)	-	(14,874)	-	(146,141)	-	(178,594)	37.48%
Significant transaction balances as at 31 December 2022:								
Deposits with banks and other financial institutions	-	-	-	-	939,569	-	939,569	7.80%
Derivative financial assets	-	-	-	-	348	-	348	2.13%
Loans and advances to customers	6,104,083	2,338,207	1,437,029	606,370	5,008	66,764	10,557,461	1.67%
Financial assets measured at fair value through profit or loss	708,936	-	-	-	-	-	708,936	1.08%
Financial assets measured at amortised cost	-	651,482	-	-	541,747	-	1,193,229	0.30%
Financial assets measured at fair value through other comprehensive income	56,219	-	400,265	-	854,316	-	1,310,800	1.24%
Deposits from banks and other financial institutions	(56,566)	-	-	-	-	-	(56,566)	0.11%
Deposits from customers	(2,512,509)	(658,162)	(1,125,118)	(714,109)	(690,243)	(100,061)	(5,800,202)	0.70%
Debt securities issued	-	-	-	-	(2,800,000)	-	(2,800,000)	1.64%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions (Continued)

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant off-balance sheet items as at 31 December 2022:								
Unutilised credit card facilities	-	-	-	-	-	303,420	303,420	1.21%
Entrusted lending arrangements	-	-	-	47,000	-	-	47,000	1.19%
The balance of the loan guaranteed by related guarantee companies	16,341,109	-	-	235,035	-	-	16,576,144	2.62%
The balance of financial investments guaranteed by related guarantee companies	3,154,000	-	-	89,400	-	-	3,243,400	0.57%
Related parties' investment in WMPs issued by the Group	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,975</u>	<u>201,975</u>	<u>0.15%</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Related party transactions (Continued)

	Yufu Group and its affiliates	City Investment Group and its affiliates	Development and Real Estate Company and its affiliates	Loncin Holdings and its affiliates	Other related legal entities	Related personnel	Total	Proportion in amount/ balance of similar transactions
Significant transactions for the year ended 31 December 2021:								
Interest income	264,789	179,408	22,830	50,200	195,028	9,188	721,443	1.39%
Interest expense	(85,826)	(4,784)	(155,040)	(5,000)	(15,988)	(4,809)	(271,447)	1.06%
Significant transaction balances as at 31 December 2021:								
Deposits with banks and other financial institutions	-	-	-	-	723,773	-	723,773	0.67%
Loans and advances to customers	4,628,643	3,257,947	619,059	1,252,949	3,039,989	160,950	12,959,537	2.23%
Financial assets measured at fair value through profit or loss	-	753,099	-	-	-	-	753,099	1.56%
Financial assets measured at amortised cost	160,000	647,000	-	-	2,587,800	-	3,394,800	0.80%
Financial assets measured at fair value through other comprehensive income	73,798	-	-	-	904,572	-	978,370	2.00%
Deposits from customers	(2,479,779)	(610,436)	(18,111,341)	(774,470)	(698,903)	(267,186)	(22,942,115)	3.02%
Significant off-balance sheet items as at 31 December 2021:								
The balance of the loan guaranteed by related guarantee companies	16,393,409	-	-	235,035	-	-	16,628,444	2.86%
The balance of financial investments guaranteed by related guarantee companies	<u>2,554,000</u>	<u>-</u>	<u>-</u>	<u>44,700</u>	<u>-</u>	<u>-</u>	<u>2,598,700</u>	<u>0.50%</u>

The above transactions with related parties were conducted on normal commercial terms and in the normal course of business and were priced in accordance with the principles of transactions with independent third parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Key management personnel remuneration

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31 December	
	2022	2021
Paid remuneration (before tax)	2,496	2,363
Part-time fee	1,080	1,148
Retirement plan contributions	889	889
Others	232	190
Total	4,697	4,590

Key management personnel remuneration refers to paid remuneration to directors and key management personnel in the current year approved in accordance with internal and external management requirements, including basic annual salary and advance performance salary for the year ended 31 December 2022 that was paid in accordance with external regulatory requirements.

Certain key management personnel's final emoluments for the year ended 31 December 2022 have not been finalised on report date as required by relevant authorities. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the year ended 31 December 2022.

For the year ended 31 December 2022, both the loans made to key management personnel and their relatives, and the corresponding interest income were not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(6) Transactions between the Bank and its subsidiaries

Amounts of significant transactions between the Bank and its subsidiaries during the reporting period were as follows:

	Year ended 31 December	
	2022	2021
Interest income	158,522	171,556
Interest expense	<u>(16,107)</u>	<u>(18,103)</u>

For the year ended 31 December 2022 and the year ended 31 December 2021, transactions between the Bank and its subsidiaries other than the transactions above were not significant.

Amounts of significant transaction balances between the Bank and its subsidiaries as at the balance sheet date were as follows:

	As at 31 December	
	2022	2021
Deposits with banks and other financial institutions	1,221,130	573,000
Placements with banks and other financial institutions	6,251,133	5,230,000
Financial assets measured at fair value through other comprehensive income	–	100,000
Deposits from banks and other financial institutions	<u>(1,219,739)</u>	<u>(598,593)</u>

For the year ended 31 December 2022 and the year ended 31 December 2021, outstanding balances between the Bank and its subsidiaries other than the balances above were not significant.

All intra-group transactions and balances have been off set when preparing the consolidated financial statements.

As at 31 December 2022 and 31 December 2021, the principal balance of WMPs issued by the Bank's subsidiary and purchased by the Bank amounted to RMB6,000 million and RMB1,580 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) *Transactions between the Group and its associates*

As at 31 December 2022, the Group's related party transactions with associates mainly included deposits from associates amounting to RMB170 million.

As at 31 December 2021, the balances of the Group's related party transactions with associates were not significant.

(8) *Transactions with enterprise annuity plan*

In addition to contributions to the Group's enterprise annuity fund, no related party transactions have been made during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 STRUCTURED ENTITIES

(1) *Unconsolidated structured entities managed by the Group*

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMPs”) formed to issue and distribute 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 basic assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. As for the WMPs that variable return of the Group in relation to the WMPs is not significant, they are not consolidated by the Group.

As at 31 December 2022 and 31 December 2021, the outstanding WMPs issued by the Group amounted to RMB130,335 million and RMB120,319 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group as managers providing service from the operation of the WMPs mainly consists of wealth management fees. For the year ended 31 December 2022, the Group’s interest in the WMP Vehicles included in fee and commission income was RMB462 million (For the year ended 31 December 2021: RMB1,638 million).

There was no contractual liquidity arrangement, guarantee or other commitment among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above for the year ended 31 December 2022 and the year ended 31 December 2021. The Group is not required to absorb any loss incurred by WMPs before other parties.

The WMPs issued by the Group did not cause losses to the interests of the Group, nor did they encounter financial difficulties for the year ended 31 December 2022 and the year ended 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are issued or managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 31 December 2022 and 31 December 2021, the Group's maximum risk exposure from these unconsolidated structured entities is summarised in the table below.

	As at 31 December 2022			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Asset-backed securities	–	63,773,961	863,920	64,637,881
Funds	28,933,676	–	–	28,933,676
Asset management plans and trust plans	8,317,248	2,375,750	–	10,692,998
Investments in WMPs	262,014	–	–	262,014
Total	37,512,938	66,149,711	863,920	104,526,569

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group (Continued)

	As at 31 December 2021			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Asset-backed securities	–	73,019,447	–	73,019,447
Funds	31,626,966	–	–	31,626,966
Asset management plans and trust plans	10,119,419	5,234,938	–	15,354,357
Investments in WMPs	826,838	–	–	826,838
Total	42,573,223	78,254,385	–	120,827,608

The underlying assets of trust plans and asset-backed securities primarily include trust loans and credit assets. The underlying assets of funds, asset management plans and WMPs primarily include interbank assets and bonds. Asset-backed securities were all issued by financial institutions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group managed or invested in several structured entities, including funds, asset management plans, trust plans, WMPs and asset-backed securities. The Group mainly assesses its overall economic interests (including the expected return from direct ownership and management fee) in the structured entities and its decision-making rights covered through its involvement in the decisions on the establishment of the structured entities and relevant contract arrangements. If the Group has power over a structured entity and variable returns and the ability to use that power to affect its returns from the structured entity through arrangements such as investment contracts, then the Group believes that it has control over the structured entity and include it in the consolidated financial statements. If the Group has no substantive power over principal activities of a structured entity, or enjoys immaterial economic interests and thus acts as an agent rather than a principal, the Group does not need to include it in the consolidated financial statements.

The Group's consolidated structured entities included certain WMPs issued by CQRC Wealth Management Co., Ltd., certain funds and asset management plans held by the Group. As at 31 December 2022, the Group's consolidated structured entities amounted to RMB21,380 million (As at 31 December 2021: RMB1,580 million). The group included these investments and corresponding liabilities in the corresponding financial assets and financial liabilities based on their nature according to the accounting policies of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 CONTINGENT LIABILITIES AND COMMITMENTS

(1) *Legal proceedings*

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2022, the Group made a provision of RMB4.36 million (As at 31 December 2021: RMB4.36 million) in accordance with court judgement or advice of legal counsel. Management of the Group believes final results of these lawsuits will not have a material impact on the financial position or operations of the Group based on legal advice.

(2) *Capital commitments*

	As at 31 December	
	2022	2021
Approved but not contracted or provided for	585,580	448,160

(3) *Loan commitments*

Loan commitments include unutilised credit card facilities, issued acceptances, financial guarantees and letters of credit.

The amount of credit card facilities represents the amount when unutilised credit card facilities are fully drawn. Acceptances represent commitments of the Group to pay acceptances issued by customers. The Group expects most acceptances to be settled simultaneously with reimbursements from customers. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted.

As credit card facilities may not be utilised before expiration, the amounts set out in the following table do not represent expected future cash outflows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(3) Loan commitments (Continued)

	As at 31 December	
	2022	2021
Unutilised credit card facilities	25,118,064	25,307,309
Acceptances	9,490,259	6,807,611
Letters of guarantee	2,990,636	3,433,586
Letters of credit issued	<u>339,228</u>	<u>2,380,383</u>
Total	<u>37,938,187</u>	<u>37,928,889</u>

The Group grants loan commitments to specific customers. The directors of the Group are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitment's disclosure above.

Credit risk weighted amount of loan commitments

	As at 31 December	
	2022	2021
Loan commitments	<u>13,286,089</u>	<u>13,144,084</u>

Credit risk-weighted amount of loan commitments are calculated in accordance with guidelines issued by CBIRC based on, among other things, the counterparty's credit worthiness and maturity. Contingent liabilities and loan commitments are subject to risk weights ranging from 0% to 100%.

(4) Operating lease commitments

As at the balance sheet date, the Group's operating lease commitments not recognized as lease liabilities were not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(5) Collaterals

Assets pledged as collaterals

The carrying amounts of assets pledged by the Group as collaterals and respective liabilities were as follows:

	As at 31 December 2022		As at 31 December 2021	
	Collaterals	Liabilities	Collaterals	Liabilities
Bonds	125,605,969	108,569,421	104,240,338	92,846,625
Bills	<u>24,528,431</u>	<u>24,469,606</u>	<u>11,472,605</u>	<u>11,487,963</u>
Total	<u>150,134,400</u>	<u>133,039,027</u>	<u>115,712,943</u>	<u>104,334,588</u>

Collaterals accepted

As part of the repurchase agreements, the Group has accepted collateral that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2022, the fair value of collateral accepted by the Group mentioned above amounted to RMB207 million (31 December 2021: RMB604 million). As at 31 December 2022 and 31 December 2021, the Group had sold or re-pledged, but was obligated to return all the collateral mentioned above. These transactions are conducted under standard terms in the normal course of business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(6) Bond underwriting commitments and redemption obligations

The Group and the Bank did not have any irrevocable bond underwriting commitment as at the balance sheet date.

As an underwriting agent of PRC government bonds, the Group has the obligation to buy back if bond holders decided to redeem the bonds before maturity. The redemption price is the principal value of the Bonds plus unpaid interest till redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by Ministry of Finance or PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations of the Group for government bonds sold but not yet matured as at the balance sheet date based on their principal value were as follows:

	As at 31 December	
	2022	2021
Redemption obligations	<u>5,393,896</u>	<u>5,107,773</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 TRANSFER OF FINANCIAL ASSETS

(1) *Credit asset securitisation*

During securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognize relevant credit assets based on degree of risk and reward retention.

As at 31 December 2022 and 31 December 2021, the Group has no outstanding balance of credit asset securitization business.

(2) *Transfer of credit assets*

For the year ended 31 December 2022, the Group disposed non-performing loans with carrying amount of RMB21 million (For the year ended 31 December 2021: RMB2,983 million) by transferring them to third parties. The Group analysed whether to derecognise related credit assets based on degree of risk and reward retention. The Group has derecognised relevant credit assets after assessment.

(3) *Repurchase agreements*

In daily operating activities, the Group entered repurchase agreements with certain counterparties. The Group sold debt securities and bills to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(4) *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 derecognised them. As at 31 December 2022, the carrying amount of debt securities lent to counterparties was RMB13,960 million (As at 31 December 2021: RMB19,990 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its operating activities, including:

- Credit risk
- Market risk
- Liquidity risk

The primary risk management purpose of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

Risk Management Framework

The Board of Directors sets out a risk management committee. The risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies sets by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the year ended 31 December 2022, the Group wrote off non-performing loans of RMB7,011 million (For the year ended 31 December 2021: RMB7,933 million).

Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict access and standard credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group sets credit lines for financial institutions and single financial institution that has financial transactions with the Group.

Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

Other financial assets

Other financial assets mainly include asset management products, debt financing plans, funds, trust plans, wealth management plans issued by other banks, etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

Loan commitments

The main purpose of the loan commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

(a) ECL Measurement

Financial Instrument Stages

The Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. ECL losses in the next 12 months is recognised.

Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.

Stage 3: Financial instruments show objective evidence of impairment as at the balance sheet date. Lifetime ECL of financial instruments is recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Significant Increase in Credit Risk

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features.

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor's credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor's operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

After the outbreak of COVID-19, the Group provided relief plans to existing customers affected by the epidemic. For customers who applied for loan relief plans, the Group prudently determined whether there was a significant change in their credit risk based on the specific terms of deferred repayment, the borrower's credit status and repayment ability, and other evidence-based information. For customers who applied for temporary deferred repayment facilities due to the epidemic, the Group paid attention to and promptly determined whether there was a significant change in the credit risk instead of simply considering the application as a sign of significant change in their credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The Group measures ECL of financial assets with risk parameter modelling approach and discounted cash flow modelling approach. The discounted cash flow model is applicable to financial assets classified into stage 3 with large amount and high risk. The ECL of financial assets using the discounted cash flow modelling approach is measured based on the difference between the book value and the present value of estimated future cash flows discounted at a certain discount rate. The risk parameter model is applicable to financial assets that are divided into stage 1 and stage 2. Financial assets divided into stage 3 can also use the model when discounted cash flow modelling approach is not applicable.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

The LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantees.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including growth rate of GDP in Chongqing Province, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

For the year ended 31 December 2022, the forecast value range of the Group's baseline scenario for the year-on-year growth rate of Chongqing's gross product (GDP) in 2023 is 4.50%-5.50%. The Group fully considered the uncertainty of internal and external economic environment when evaluating the forecast information used in the ECL model, and then made careful adjustments to the macroeconomic forecast.

Combined with expert judgement, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at 31 December 2022 is higher than the weights of other scenarios.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(a) ECL Measurement (Continued)

Sensitivity Analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 31 December 2022, the Group's credit impairment provision would increase by RMB716 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB1,434 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2021, the Group's credit impairment provision would increase by RMB470 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB605 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk

As at the balance sheet date, the maximum exposure to credit risk of the Group without considering any collateral held or other credit enhancements are as follows:

	As at 31 December	
	2022	2021
Balances with central bank	49,800,549	58,441,531
Deposits with banks and other financial institutions	12,028,449	17,017,386
Placements with banks and other financial institutions	82,638,207	91,072,510
Derivative financial assets	16,314	32,221
Financial assets held under resale agreements	8,457,236	980,305
Loans and advances to customers	605,085,448	557,334,996
Financial investments		
– Financial assets measured at fair value through profit or loss	65,835,694	48,347,564
– Financial assets measured at fair value through other comprehensive income	105,372,759	48,035,760
– Financial assets measured at amortised cost	401,141,674	424,417,885
Other financial assets	908,051	870,042
Subtotal	1,331,284,381	1,246,550,200
Off-balance sheet loan commitments	37,746,449	37,727,017
Total	1,369,030,830	1,284,277,217

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default is consistent with definition of credit impairment that has occurred.

Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

	As at 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Credit rating				
Risk level 1	480,491,197	960,762	–	481,451,959
Risk level 2	74,847,845	10,837,640	–	85,685,485
Risk level 3	–	4,977,263	–	4,977,263
Default	–	–	9,342,107	9,342,107
Gross carrying amount	555,339,042	16,775,665	9,342,107	581,456,814
ECL allowance	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Carrying amount	<u>541,163,186</u>	<u>10,529,096</u>	<u>2,172,896</u>	<u>553,865,178</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(b) Maximum exposure to credit risk (Continued)

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	457,646,272	2,721,310	–	460,367,582
Risk level 2	72,362,678	11,272,262	–	83,634,940
Risk level 3	–	1,992,613	–	1,992,613
Default	–	–	9,844,863	9,844,863
Gross carrying amount	530,008,950	15,986,185	9,844,863	555,839,998
ECL allowance	(12,704,188)	(4,212,745)	(7,914,569)	(24,831,502)
Carrying amount	<u>517,304,762</u>	<u>11,773,440</u>	<u>1,930,294</u>	<u>531,008,496</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Analysis of credit quality on financial assets

As at 31 December 2022, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 31 December 2022							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Balances with central bank	49,800,549	-	-	49,800,549	-	-	-	-
Deposits with banks and other financial institutions	12,038,153	-	-	12,038,153	(9,704)	-	-	(9,704)
Placements with banks and other financial institutions	82,253,986	-	-	82,253,986	(28,126)	-	-	(28,126)
Financial assets held under resale agreements	8,464,706	-	-	8,464,706	(7,470)	-	-	(7,470)
Loans and advances to customers	555,339,042	16,775,665	9,342,107	581,456,814	(14,175,856)	(6,246,569)	(7,169,211)	(27,591,636)
Financial assets measured at amortised cost	399,339,551	744,261	3,373,168	403,456,980	(686,334)	(6,669)	(1,622,303)	(2,315,306)
Other financial assets	948,432	-	72,054	1,020,486	(53,956)	-	(58,479)	(112,435)
Total	1,108,184,419	17,519,926	12,787,329	1,138,491,674	(14,961,446)	(6,253,238)	(8,849,993)	(30,064,677)
Financial assets measured at fair value through other comprehensive income								
Placements with banks and other financial institutions	412,347	-	-	412,347	(100)	-	-	(100)
Loans and advances to customers	51,219,270	-	1,000	51,220,270	(12,532)	-	(1,000)	(13,532)
Financial assets measured at fair value through other comprehensive income	105,372,759	-	-	105,372,759	(11,160)	-	-	(11,160)
Total	157,004,376	-	1,000	157,005,376	(23,792)	-	(1,000)	(24,792)
Loan commitments	37,751,494	137,864	48,829	37,938,187	(152,252)	(29,549)	(9,937)	(191,738)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(c) Analysis of credit quality on financial assets (Continued)

As at 31 December 2021, the Group's credit risk stages of financial instruments included in impairment assessment are as follows:

	As at 31 December 2021							
	Book value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Balances with central bank	58,441,531	-	-	58,441,531	-	-	-	-
Deposits with banks and other financial institutions	17,032,161	-	-	17,032,161	(14,775)	-	-	(14,775)
Placements with banks and other financial institutions	91,106,893	-	-	91,106,893	(34,383)	-	-	(34,383)
Financial assets held under resale agreements	980,537	-	-	980,537	(232)	-	-	(232)
Loans and advances to customers	530,008,950	15,986,185	9,844,863	555,839,998	(12,704,188)	(4,212,745)	(7,914,569)	(24,831,502)
Financial assets measured at amortised cost	423,458,073	1,295,683	1,929,615	426,683,371	(1,188,701)	(8,948)	(1,067,837)	(2,265,486)
Other financial assets	843,441	-	60,586	904,027	(1,304)	-	(32,681)	(33,985)
Total	1,121,871,586	17,281,868	11,835,064	1,150,988,518	(13,943,583)	(4,221,693)	(9,015,087)	(27,180,363)
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	26,325,500	-	1,000	26,326,500	(6,404)	-	(1,000)	(7,404)
Financial assets measured at fair value through other comprehensive income	48,035,760	-	-	48,035,760	(610)	-	-	(610)
Total	74,361,260	-	1,000	74,362,260	(7,014)	-	(1,000)	(8,014)
Loan commitments	37,516,605	384,777	27,507	37,928,889	(132,773)	(61,412)	(7,687)	(201,872)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Concentration risk

(i) Loans and advances to customers

The industry concentration risk of loans and advances to customers refers to Note IV 16(3).

(ii) Bonds and other investments

The Group uses credit ratings to monitor the credit risk positions of its debt investment portfolio. The ratings can refer to the rating evaluated by the rating agencies recognised by PBOC.

As at the balance sheet date, the gross carrying amounts of bonds and other investments by investment ratings were as follows:

	As at 31 December 2022			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	23,231,494	106,283,372	18,446,870	147,961,736
AA	1,486,522	39,486,580	1,859,846	42,832,948
Unrated debt securities and others:				
Government bonds	727,612	175,704,316	12,128,610	188,560,538
Public sector and quasi-government bonds	1,592,041	62,243,672	72,155,976	135,991,689
Corporate bonds	–	814,940	331,981	1,146,921
Financial institutions bonds	–	1,090,706	329,524	1,420,230
Funds	30,206,133	–	–	30,206,133
Interbank deposit certificates	–	–	119,952	119,952
Trust and asset management plans	8,317,248	4,022,227	–	12,339,475
Wealth management products	262,014	–	–	262,014
Others	12,630	13,811,167	–	13,823,797
Total	65,835,694	403,456,980	105,372,759	574,665,433

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(d) Concentration risk (Continued)

(ii) Bonds and other investments (Continued)

	As at 31 December 2021			Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	
Debt securities:				
AAA	1,619,578	126,809,903	1,452,696	129,882,177
AA	1,572,456	13,692,083	–	15,264,539
A and below	525,093	–	–	525,093
Unrated debt securities and others:				
Government bonds	595,396	123,651,629	14,984,494	139,231,519
Public sector and quasi-government bonds	144,923	64,026,822	31,598,570	95,770,315
Corporate bonds	31,088	38,343,907	–	38,374,995
Financial institutions bonds	–	904,492	–	904,492
Interbank deposit certificates	1,273,177	27,198,087	–	28,471,264
Trust and asset management plans	10,119,419	6,440,240	–	16,559,659
Funds	31,626,966	–	–	31,626,966
Others	839,468	25,616,208	–	26,455,676
Total	<u>48,347,564</u>	<u>426,683,371</u>	<u>48,035,760</u>	<u>523,066,695</u>

(e) Restructured loans and advances

Restructured loans and advances are non-performing loans which have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Restructured loans are subject to ongoing monitoring. As at 31 December 2022, the non-performing loans and advances which have been renegotiated amounted to RMB213 million (As at 31 December 2021: RMB1,132 million), of which RMB14 million overdues more than 90 days (As at 31 December 2021: RMB877 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(1) Credit risk (Continued)

(f) 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	5,002,250	3,155,800
Portion not covered	4,181,480	6,690,063
Total	9,183,730	9,845,863

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking and treasury operations. Interest rate risk is inherent in many of its business and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign exchange rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) 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 regularly monitor the macro-economic factors that may impact on PBOC benchmark interest rates. In order to reduce the impact of changes in interest rate, the majority of the loans are floating rate loans. In addition, the Group manages the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates, by enhancing the price negotiation ability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2022					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,246,192	49,647,836	-	-	-	52,894,028
Deposits with banks and other financial institutions	15,250	11,229,389	783,810	-	-	12,028,449
Placements with banks and other financial institutions	816,175	35,337,976	46,484,056	-	-	82,638,207
Derivative financial assets	16,314	-	-	-	-	16,314
Financial assets held under resale agreements	7,835	8,449,401	-	-	-	8,457,236
Loans and advances to customers (Note i)	1,939,600	303,355,100	192,466,801	89,727,652	17,596,295	605,085,448
Financial investments (Note ii)	46,757,797	86,988,262	66,132,386	151,691,075	221,413,204	572,982,724
Other financial assets	908,051	-	-	-	-	908,051
Total financial assets	53,707,214	495,007,964	305,867,053	241,418,727	239,009,499	1,335,010,457
Financial liabilities						
Borrowings from central bank	413,474	13,108,583	72,871,310	-	-	86,393,367
Deposits from banks and other financial institutions	218,844	14,525,623	37,100,000	-	-	51,844,467
Placements from banks and other financial institutions	406,638	11,392,339	28,285,715	1,600,000	-	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	-	-	-	70,497	3,245,979
Derivative financial liabilities	12,450	-	-	-	-	12,450
Financial assets sold under repurchase agreements	190,324	34,392,848	7,882,450	-	-	42,465,622
Deposits from customers	14,904,819	458,683,625	152,518,494	198,839,816	-	824,946,754
Debt securities issued	514,969	56,353,327	99,204,629	9,997,329	4,998,922	171,069,176
Lease liabilities	-	13,478	35,607	67,434	18,866	135,385
Other financial liabilities	7,751,196	-	-	-	32,898	7,784,094
Total financial liabilities	27,588,196	588,469,823	397,898,205	210,504,579	5,121,183	1,229,581,986
Interest rate risk gap	26,119,018	(93,461,859)	(92,031,152)	30,914,148	233,888,316	105,428,471

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

	As at 31 December 2021					Total
	Non-interest bearing	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	3,387,108	57,962,532	-	-	-	61,349,640
Deposits with banks and other financial institutions	1,365,196	12,642,909	3,009,281	-	-	17,017,386
Placements with banks and other financial institutions	1,193,345	53,732,570	36,146,595	-	-	91,072,510
Derivative financial assets	32,221	-	-	-	-	32,221
Financial assets held under resale agreements	2,552	786,943	190,810	-	-	980,305
Loans and advances to customers (Note i)	1,733,292	266,970,003	162,103,221	23,453,400	103,075,080	557,334,996
Financial investments (Note ii)	51,716,227	24,486,829	49,573,556	148,502,587	247,319,713	521,598,912
Other financial assets	870,042	-	-	-	-	870,042
Total financial assets	60,299,983	416,581,786	251,023,463	171,955,987	350,394,793	1,250,256,012
Financial liabilities						
Borrowings from central bank	2,860,701	7,657,880	70,021,210	-	-	80,539,791
Deposits from banks and other financial institutions	295,250	12,936,865	16,070,000	-	-	29,302,115
Placements from banks and other financial institutions	247,011	9,758,614	24,088,917	-	-	34,094,542
Derivative financial liabilities	12,447	-	-	-	-	12,447
Financial assets sold under repurchase agreements	66,205	11,721,634	7,300,613	-	-	19,088,452
Deposits from customers	12,911,789	416,399,416	172,257,144	157,791,887	-	759,360,236
Debt securities issued	493,407	62,166,936	142,699,271	14,896,691	4,998,105	225,254,410
Other financial liabilities	4,964,124	-	-	-	34,401	4,998,525
Total financial liabilities	21,850,934	520,641,345	432,437,155	172,688,578	5,032,506	1,152,650,518
Interest rate risk gap	38,449,049	(104,059,559)	(181,413,692)	(732,591)	345,362,287	97,605,494

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(i) Analysis of repricing date structure (Continued)

Note i The amount of loans and advances to customers classified as “Less than 3 months” included overdue amounts (net of provision for impairment losses) of RMB2,741 million as at 31 December 2022 (RMB1,846 million as at 31 December 2021). “Overdue” mentioned above means that the principal or interest is overdue by one day or more.

Note ii Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points of the yields of all the currencies on the net profit and comprehensive income, based on the structure of interest-earning assets and interest-bearing liabilities as at the balance sheet date.

	As at 31 December 2022		As at 31 December 2021	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>492,611</u>	<u>(3,346,570)</u>	<u>505,582</u>	<u>355,207</u>
- 100 basis points	<u>(597,941)</u>	<u>3,633,982</u>	<u>(505,582)</u>	<u>(355,207)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(a) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of debt instruments measured at fair value through other comprehensive income at the end of reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk

Foreign currency risk is the risk of loss, which results from negative movements in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. The Group's foreign currency transactions mainly involve foreign currency treasury business, deposits, loans and advances, foreign exchanges and derivatives. The Group's foreign currency risk mainly arises from currency mismatch between foreign currency assets and liabilities and currency derivatives.

The Group controls foreign currency risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives to manage foreign currency asset and liability portfolios and structural positions. Meanwhile, the Group conducts foreign currency sensitivity analysis on a regular basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk

As at the balance sheet date, the exposure to foreign currency risk are as follows:

	As at 31 December 2022				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	52,786,974	106,963	91	–	52,894,028
Deposits with banks and other financial institutions	11,411,241	377,659	182,656	56,893	12,028,449
Placements with banks and other financial institutions	82,638,207	–	–	–	82,638,207
Derivative financial assets	6,412	9,902	–	–	16,314
Financial assets held under resale agreements	8,457,236	–	–	–	8,457,236
Loans and advances to customers	604,440,925	644,523	–	–	605,085,448
Financial investments (Note i)	572,841,073	141,651	–	–	572,982,724
Other financial assets	908,051	–	–	–	908,051
Total financial assets	1,333,490,119	1,280,698	182,747	56,893	1,335,010,457
Financial liabilities					
Borrowings from central bank	86,393,367	–	–	–	86,393,367
Deposits from banks and other financial institutions	51,844,467	–	–	–	51,844,467
Placements from banks and other financial institutions	41,580,184	104,508	–	–	41,684,692
Financial liabilities measured at fair value through profit or loss	3,245,979	–	–	–	3,245,979
Derivative financial liabilities	9,626	2,824	–	–	12,450
Financial assets sold under repurchase agreements	42,465,622	–	–	–	42,465,622
Deposits from customers	824,466,731	444,616	123	35,284	824,946,754
Debt securities issued	171,069,176	–	–	–	171,069,176
Lease liabilities	135,385	–	–	–	135,385
Other financial liabilities	7,740,045	44,049	–	–	7,784,094
Total financial liabilities	1,228,950,582	595,997	123	35,284	1,229,581,986
Net position	104,539,537	684,701	182,624	21,609	105,428,471
Loan commitments	37,362,077	561,897	–	14,213	37,938,187

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(i) Exposure to foreign currency risk (Continued)

	As at 31 December 2021				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Financial assets					
Cash and balances with central bank	61,232,844	116,771	25	–	61,349,640
Deposits with banks and other financial institutions	15,779,103	683,107	474,541	80,635	17,017,386
Placements with banks and other financial institutions	90,638,878	433,632	–	–	91,072,510
Derivative financial assets	29,477	2,581	163	–	32,221
Financial assets held under resale agreements	980,305	–	–	–	980,305
Loans and advances to customers	556,524,730	810,266	–	–	557,334,996
Financial investments (Note i)	521,598,912	–	–	–	521,598,912
Other financial assets	870,042	–	–	–	870,042
Total financial assets	1,247,654,291	2,046,357	474,729	80,635	1,250,256,012
Financial liabilities					
Borrowings from central bank	80,539,791	–	–	–	80,539,791
Deposits from banks and other financial institutions	29,301,987	128	–	–	29,302,115
Placements from banks and other financial institutions	33,858,340	236,202	–	–	34,094,542
Derivative financial liabilities	2,585	9,862	–	–	12,447
Financial assets sold under repurchase agreements	19,088,452	–	–	–	19,088,452
Deposits from customers	757,842,801	1,214,375	206,921	96,139	759,360,236
Debt securities issued	225,254,410	–	–	–	225,254,410
Other financial liabilities	4,964,124	34,401	–	–	4,998,525
Total financial liabilities	1,150,852,490	1,494,968	206,921	96,139	1,152,650,518
Net position	96,801,801	551,389	267,808	(15,504)	97,605,494
Loan commitments	36,688,054	432,685	290,248	517,902	37,928,889

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(2) Market risk (Continued)

(b) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	Sensitivity of net profit and equity	
	As at 31 December 2022	As at 31 December 2021
RMB5% appreciation	(25,676)	(20,677)
RMB5% depreciation	<u>25,676</u>	<u>20,677</u>

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2022							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,783,071	1,455,398	1,002,048	787,932	-	-	12,028,449
Placements with banks and other financial institutions	-	-	9,366,166	26,385,190	46,886,851	-	-	82,638,207
Derivative financial assets	-	-	177	728	13,936	1,473	-	16,314
Financial assets held under resale agreements	-	-	8,457,236	-	-	-	-	8,457,236
Loans and advances to customers	2,741,401	-	27,917,430	34,531,318	182,370,165	180,517,509	177,007,625	605,085,448
Financial investments (Note i)	2,396,092	38,040,055	7,852,277	20,291,872	66,785,917	156,872,988	280,743,523	572,982,724
Other financial assets	13,576	894,475	-	-	-	-	-	908,051
Total financial assets	52,280,135	53,482,563	55,048,684	82,211,156	296,844,801	337,391,970	457,751,148	1,335,010,457
Financial liabilities								
Borrowings from central bank	-	-	5,477,214	8,044,843	72,871,310	-	-	86,393,367
Deposits from banks and other financial institutions	-	675,850	8,488,966	5,422,826	37,256,825	-	-	51,844,467
Placements from banks and other financial institutions	-	-	1,671,632	9,831,507	28,565,950	1,615,603	-	41,684,692
Financial liabilities measured at fair value through profit or loss	3,175,482	-	-	-	-	-	70,497	3,245,979
Derivative financial liabilities	-	-	177	718	11,555	-	-	12,450
Financial assets sold under repurchase agreements	-	-	25,381,384	9,164,540	7,919,698	-	-	42,465,622
Deposits from customers	-	274,302,225	64,511,907	120,184,922	155,342,177	210,605,523	-	824,946,754
Debt securities issued	-	-	6,248,351	50,351,199	99,473,376	9,997,329	4,998,921	171,069,176
Lease liabilities	-	-	6,321	7,157	35,607	67,434	18,866	135,385
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,025,971	203,366,574	402,001,780	225,290,547	5,176,940	1,229,581,986
Net position	49,104,653	(225,062,129)	(56,977,287)	(121,155,418)	(105,156,979)	112,101,423	452,574,208	105,428,471

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(a) Maturity analysis (Continued)

	As at 31 December 2021							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	49,548,242	11,801,398	-	-	-	-	-	61,349,640
Deposits with banks and other financial institutions	-	8,563,794	1,027,321	4,391,048	3,035,223	-	-	17,017,386
Placements with banks and other financial institutions	-	-	18,722,947	35,827,297	36,522,266	-	-	91,072,510
Derivative financial assets	-	-	920	1,028	25,553	4,720	-	32,221
Financial assets held under resale agreements	-	-	599,602	189,762	190,941	-	-	980,305
Loans and advances to customers	1,846,065	-	21,141,339	28,699,337	161,381,577	169,013,530	175,253,148	557,334,996
Financial investments (Note i)	1,659,481	13,498,390	5,256,229	23,885,294	55,246,042	161,780,928	260,272,548	521,598,912
Other financial assets	-	870,042	-	-	-	-	-	870,042
Total financial assets	53,053,788	34,733,624	46,748,358	92,993,766	256,401,602	330,799,178	435,525,696	1,250,256,012
Financial liabilities								
Borrowings from central bank	-	-	3,700,533	4,462,478	72,376,780	-	-	80,539,791
Deposits from banks and other financial institutions	-	1,322,110	-	11,750,135	16,229,870	-	-	29,302,115
Placements from banks and other financial institutions	-	-	2,840,609	7,021,280	24,232,653	-	-	34,094,542
Derivative financial liabilities	-	-	571	1,001	10,875	-	-	12,447
Financial assets sold under repurchase agreements	-	-	9,404,838	2,349,430	7,334,184	-	-	19,088,452
Deposits from customers	-	236,083,370	57,695,949	127,249,492	176,594,667	161,736,758	-	759,360,236
Debt securities issued	-	-	9,708,001	52,705,413	142,946,200	14,896,691	4,998,105	225,254,410
Other financial liabilities	-	4,964,124	-	-	-	-	34,401	4,998,525
Total financial liabilities	-	242,369,604	83,350,501	205,539,229	439,725,229	176,633,449	5,032,506	1,152,650,518
Net position	53,053,788	(207,635,980)	(36,602,143)	(112,545,463)	(183,323,627)	154,165,729	430,493,190	97,605,494

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows

The tables below presents the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	As at 31 December 2022							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	47,129,066	5,764,962	-	-	-	-	-	52,894,028
Deposits with banks and other financial institutions	-	8,791,606	1,456,272	1,007,919	795,044	-	-	12,050,841
Placements with banks and other financial institutions	-	-	9,377,433	26,510,754	47,556,680	-	-	83,444,867
Financial assets held under resale agreements	-	-	8,430,233	-	-	-	-	8,430,233
Loans and advances to customers	3,375,542	-	28,285,024	35,521,763	194,039,085	214,861,508	336,525,943	812,608,865
Financial investments (Note i)	2,396,092	38,040,055	9,328,046	23,242,896	79,450,227	205,324,367	321,433,067	679,214,750
Other financial assets	13,576	948,431	-	-	-	-	-	962,007
Total financial assets	52,914,276	53,545,054	56,877,008	86,283,332	321,841,036	420,185,875	657,959,010	1,649,605,591
Financial liabilities								
Borrowings from central bank	-	-	5,645,145	8,407,404	73,646,138	-	-	87,698,687
Deposits from banks and other financial institutions	-	675,850	8,493,981	5,445,355	37,635,658	-	-	52,250,844
Placements from banks and other financial institutions	-	-	1,673,971	9,882,934	29,062,883	1,706,707	-	42,326,495
Financial liabilities measured at fair value through profit or loss	3,175,482	-	169	343	1,542	8,215	79,679	3,265,430
Financial assets sold under repurchase agreements	-	-	25,385,486	9,186,467	7,976,058	-	-	42,548,011
Deposits from customers	-	274,302,225	64,578,277	120,632,845	157,295,519	222,367,558	-	839,176,424
Debt securities issued	-	-	6,251,884	50,524,089	100,756,508	11,623,914	5,459,551	174,615,946
Lease liabilities	-	-	6,703	7,882	38,342	73,342	21,938	148,207
Other financial liabilities	-	3,566,617	240,019	358,862	525,282	3,004,658	88,656	7,784,094
Total financial liabilities	3,175,482	278,544,692	112,275,635	204,446,181	406,937,930	238,784,394	5,649,824	1,249,814,138
Net position	49,738,794	(224,999,638)	(55,398,627)	(118,162,849)	(85,096,894)	181,401,481	652,309,186	399,791,453
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	-	15,929	778,767	9,440	-	804,136
-Total outflows	-	-	-	(15,919)	(776,386)	-	-	(792,305)
Net position	-	-	(177)	(386)	(1,149)	-	45	(1,667)
Total derivative financial instruments	-	-	(177)	(376)	1,232	9,440	45	10,164
Loan commitments	1,003,293	25,118,064	1,360,458	2,954,661	7,424,526	59,178	18,007	37,938,187

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2021							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Financial assets								
Cash and balances with central bank	49,548,242	11,812,811	-	-	-	-	-	61,361,053
Deposits with banks and other financial institutions	-	8,576,148	1,029,068	4,411,684	3,079,700	-	-	17,096,600
Placements with banks and other financial institutions	-	-	18,753,425	36,060,187	37,255,073	-	-	92,068,685
Financial assets held under resale agreements	-	-	599,882	190,250	192,163	-	-	982,295
Loans and advances to customers	2,179,904	-	24,069,566	35,716,998	189,675,725	216,008,995	281,948,390	749,599,578
Financial investments (Note i)	1,659,481	13,498,390	6,630,021	25,360,591	67,001,557	210,065,811	302,364,295	626,580,146
Other financial assets	-	842,138	-	-	-	-	-	842,138
Total financial assets	53,387,627	34,729,487	51,081,962	101,739,710	297,204,218	426,074,806	584,312,685	1,548,530,495
Financial liabilities								
Borrowings from central bank	-	-	3,705,182	4,616,524	73,649,374	-	-	81,971,080
Deposits from banks and other financial institutions	-	1,322,110	-	11,802,981	16,395,121	-	-	29,520,212
Placements from banks and other financial institutions	-	-	2,847,422	7,113,027	24,686,797	-	-	34,647,246
Financial assets sold under repurchase agreements	-	-	9,408,097	2,358,763	7,449,750	-	-	19,216,610
Deposits from customers	-	236,083,370	57,751,462	127,767,311	179,238,447	172,482,279	-	773,322,869
Debt securities issued	-	-	9,724,000	53,011,200	145,054,200	16,535,200	5,690,000	230,014,600
Other financial liabilities	-	4,964,124	-	-	-	-	34,401	4,998,525
Total financial liabilities	-	242,369,604	83,436,163	206,669,806	446,473,689	189,017,479	5,724,401	1,173,691,142
Net position	53,387,627	(207,640,117)	(32,354,201)	(104,930,096)	(149,269,471)	237,057,327	578,588,284	374,839,353
Derivative financial instruments								
Settled by total amount								
-Total inflows	-	-	206,307	21,213	1,207,605	4,720	-	1,439,845
-Total outflows	-	-	(205,958)	(21,187)	(1,192,926)	-	-	(1,420,071)
Net position	-	-	(468)	(955)	(1,162)	-	-	(2,585)
Total derivative financial instruments	-	-	(119)	(929)	13,517	4,720	-	17,189
Loan commitments	-	26,597,171	1,920,656	2,436,725	5,648,424	1,317,906	8,007	37,928,889

Note i Financial investments comprise financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

- (1) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of listed equity securities on exchanges. Where Level 1 inputs are not available, fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates and counterparty credit spreads, as appropriate. If these parameters used are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

- (1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables give the information about book value of the Group's financial instruments measured at fair value:

	As at 31 December 2022			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	–	14,841	1,473	16,314
Loans and advances to customers	–	–	51,220,270	51,220,270
Financial assets measured at fair value through profit or loss				
– Debt securities	–	10,990,099	–	10,990,099
– Funds	3,342,682	26,863,451	–	30,206,133
– Asset management plans and trust plans	–	–	8,317,248	8,317,248
– Interbank deposit certificates	–	16,047,570	–	16,047,570
– Wealth management products	–	262,014	–	262,014
– Others	–	–	12,630	12,630
Financial assets measured at fair value through other comprehensive income				
– Debt securities	–	103,061,083	–	103,061,083
– Interbank deposit certificates	–	2,311,676	–	2,311,676
– Equity instruments:	624,597	–	8,000	632,597
Total assets measured at fair value on a recurring basis	<u>3,967,279</u>	<u>159,550,734</u>	<u>59,559,621</u>	<u>223,077,634</u>
Liabilities				
Derivative financial liabilities	–	(12,450)	–	(12,450)
Financial liabilities measured at fair value through profit or loss	–	(3,245,979)	–	(3,245,979)
Total liabilities measured at fair value on a recurring basis	<u>–</u>	<u>(3,258,429)</u>	<u>–</u>	<u>(3,258,429)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at 31 December 2021			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Assets				
Derivative financial assets	–	27,501	4,720	32,221
Loans and advances to customers	–	–	26,326,500	26,326,500
Financial assets measured at fair value through profit or loss				
– Debt securities	–	4,488,534	–	4,488,534
– Funds	8,124,980	23,501,986	–	31,626,966
– Asset management plans and trust plans	–	–	10,119,419	10,119,419
– Interbank deposit certificates	–	1,273,177	–	1,273,177
– Investment in WMPs	–	–	826,838	826,838
– Others	–	–	12,630	12,630
Financial assets measured at fair value through other comprehensive income				
– Debt securities	–	48,035,760	–	48,035,760
– Equity instruments:	715,905	73,798	8,000	797,703
Total assets measured at fair value on a recurring basis	<u>8,840,885</u>	<u>77,400,756</u>	<u>37,298,107</u>	<u>123,539,748</u>
Liabilities				
Derivative financial liabilities	–	12,447	–	12,447

There were no significant transfers of the Group's financial assets and liabilities between all levels during the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

(a) Level 1 fair value measurement

If there is a reliable quoted price in an active market (such as an authorized stock exchange or an active open-end fund manager), the closing price or redemption price in the active market on the last trading day before balance sheet date shall be used as fair value.

(b) Level 2 fair value measurement

Financial instruments of the Group that are classified as level 2 mainly include debt securities, interbank deposit certificates, open-ended funds with fixed open term and WMPs.

The fair value of debt securities and interbank deposit certificates are determined using valuation results provided by the securities clearing institutions and exchanges. The fair value of open-ended funds with fixed open term and WMPs are based on net value per unit provided by managers. Observable inputs that reflect market conditions were adopted by relevant institutions in the valuation process.

(c) Level 3 fair value measurement

The Group has developed relevant processes to determine the appropriate valuation techniques and inputs used in continuous level 3 fair value measurement, and regularly review the relevant processes and the appropriateness of the determination of fair value.

Financial instruments of the Group that are classified as level 3 mainly include discounted bills, asset management plans and trust plans. Their fair values are based on net asset provided by third parties or fair values of underlying assets (mainly include bonds traded in inter-bank bond market and money market financial instruments), or calculated using discounted cash flows with unobservable inputs including risk adjusted discount rate.

The above assumptions and methods provide a unified basis for calculation of fair value of the Group's assets and liabilities. However, since other institutions may use different methods and assumptions, the fair values disclosed by different financial institutions may not be completely comparable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

For the year ended 31 December 2022

	As at 1 January 2022	Total gains and losses during the year		Additions and settlements		As at 31 December 2022	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
		Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements		
Assets							
Derivative instruments							
- Derivative financial assets	4,720	(7,967)	-	4,720	-	1,473	(7,967)
Loans and advances to customers							
- Loans and advances measured at fair value through other comprehensive income	26,326,500	821,521	(65,588)	89,095,758	(64,957,921)	51,220,270	-
Financial assets measured at fair value through profit or loss							
- Asset management plans and trust plans	10,119,419	(766,806)	-	7,346,424	(8,381,789)	8,317,248	(803,864)
- Investment in WMPs	826,838	4,589	-	-	(831,427)	-	-
- Others	12,630	-	-	-	-	12,630	-
Financial assets measured at fair value through other comprehensive income							
- Unlisted equity securities	8,000	-	-	-	-	8,000	-
Total	<u>37,298,107</u>	<u>51,337</u>	<u>(65,588)</u>	<u>96,446,902</u>	<u>(74,171,137)</u>	<u>59,559,621</u>	<u>(811,831)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy (Continued)

For the year ended 31 December 2021

	As at 1 January 2021	Total gains and losses during the year		Additions and settlements		As at 31 December 2021	For asset held and liabilities assumed at the end of the year, unrealized gains or losses recognised in profit or loss during the year
		Recognised in profit or loss	Recognised in other comprehensive income	Purchases	Settlements		
Assets							
Derivative instruments							
– Derivative financial assets	-	-	-	4,720	-	4,720	-
Loans and advances to customers							
– Loans and advances measured at fair value through other comprehensive income	17,710,890	445,310	28,749	44,865,669	(36,724,118)	26,326,500	-
Financial assets measured at fair value through profit or loss							
– Asset management plans and trust plans	-	90,699	-	10,028,720	-	10,119,419	90,699
– Investment in WMPs	2,265,065	84,566	-	3,300,000	(4,822,793)	826,838	26,838
– Others	-	-	-	12,630	-	12,630	-
Financial assets measured at fair value through other comprehensive income							
– Unlisted equity securities	8,000	-	-	-	-	8,000	-
Total	<u>19,983,955</u>	<u>620,575</u>	<u>28,749</u>	<u>58,211,739</u>	<u>(41,546,911)</u>	<u>37,298,107</u>	<u>117,537</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (3) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and Deposits from customers are not included in the table below.

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortised cost	<u>401,141,674</u>	<u>408,246,860</u>	<u>424,417,885</u>	<u>433,008,371</u>
Financial liabilities				
Debt securities issued	<u>171,069,176</u>	<u>171,136,659</u>	<u>225,254,410</u>	<u>225,578,430</u>

Fair values of these financial assets and financial liabilities not measured at fair value are determined as follows:

- Fair values of investments in debt securities, interbank deposit certificates and debt securities issued are measured based on the quotes provided by the securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.
- There is no quoted price of market or referable organisations for trust plans and debt financing plans included in financial assets measured at amortised cost. Therefore, fair values of those investments are determined by using the discounted cash flow method with credit risk adjusted yield curve of relevant investments at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 CAPITAL MANAGEMENT

The Group's objectives on capital management are as follows:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 31 December 2022 and 31 December 2021, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, considering any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by CBIRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 CAPITAL MANAGEMENT

	As at 31 December	
	2022	2021
Core tier-one capital adequacy ratio	13.10%	12.47%
Tier-one capital adequacy ratio	13.84%	12.98%
Capital adequacy ratio	15.62%	14.77%
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	11,357,000
Valid portion of capital reserve	20,002,648	20,479,146
Surplus reserve and general reserve	31,690,747	28,812,075
Retained earnings	44,675,479	40,306,220
Valid portion of non-controlling interests	879,791	756,366
Total core tier-one capital	108,605,665	101,710,807
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(225,113)	(207,608)
Other deductible items from core tier-one capital	10,381	10,367
Net core tier-one capital	107,950,804	101,073,437
Other tier-one capital:		
Other equity instruments	5,997,648	3,998,338
Non-controlling interests	117,306	100,849
Net tier-one capital	114,065,758	105,172,624
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	5,000,000	5,000,000
Surplus provision for loan impairment	9,407,934	9,291,352
Valid portion of non-controlling interests	234,611	201,697
Net capital base	128,708,303	119,665,673
Risk-weighted assets:		
Credit risk-weighted assets	762,042,642	752,599,489
Market risk-weighted assets	7,126,871	4,098,886
Operational risk-weighted assets	55,011,691	53,536,117

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	Note IV	As at 31 December	
		2022	2021
Assets			
Cash and balances with central bank		52,734,764	61,182,461
Deposits with banks and other financial institutions		9,872,848	15,703,643
Placements with banks and other financial institutions		88,582,584	94,737,174
Derivative financial assets		16,314	32,221
Financial assets held under resale agreements		8,418,405	980,305
Loans and advances to customers		551,035,374	510,915,019
Financial investments:			
– Financial assets measured at fair value through profit or loss		77,489,548	49,866,893
– Financial assets measured at fair value through other comprehensive income		77,785,277	47,011,698
– Financial assets measured at amortised cost		401,141,674	424,520,703
Investment in subsidiaries	18	5,403,379	5,403,379
Investments in associates	18	454,685	451,432
Property and equipment		4,269,702	4,497,823
Rights-of-use assets		112,415	122,325
Goodwill		440,129	440,129
Deferred tax assets		10,405,189	8,878,215
Other assets		1,221,032	1,403,234
Total assets		<u>1,289,383,319</u>	<u>1,226,146,654</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	Note IV	As at 31 December	
		2022	2021
Liabilities			
Borrowings from central bank		86,271,680	80,333,772
Deposits from banks and other financial institutions		52,333,663	29,901,505
Placements from banks and other financial institutions		5,321,256	5,235,755
Financial liabilities measured at fair value through profit or loss		70,498	–
Derivative financial liabilities		12,450	12,447
Financial assets sold under repurchase agreements		31,162,115	19,088,452
Deposits from customers		822,869,408	757,382,875
Accrued staff costs		5,166,084	5,036,244
Debt securities issued		171,069,176	223,300,903
Income tax payable		539,277	262,379
Lease liabilities		90,588	105,079
Other liabilities		4,378,800	2,806,624
Total liabilities		1,179,284,995	1,123,466,035
Equity			
Share capital	33	11,357,000	11,357,000
Other equity instruments	34	5,997,648	3,998,338
Capital reserve		21,023,997	21,023,997
Investment revaluation reserve		(538,501)	191,918
Actuarial changes reserve		(575,800)	(640,885)
Surplus reserve	37	13,841,815	12,930,678
General reserve		16,892,911	15,227,334
Retained earnings		42,099,254	38,592,239
Total equity		110,098,324	102,680,619
Total liabilities and equity		1,289,383,319	1,226,146,654

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

XIE WENHUI

CHAIRMAN AND PRESIDENT

GAO SONG

HEAD OF ACCOUNTING DEPARTMENT

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

Reserve movement of the Bank

	Capital reserve	Other equity instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2022	<u>21,023,997</u>	<u>3,998,338</u>	<u>191,918</u>	<u>(640,885)</u>	<u>12,930,678</u>	<u>15,227,334</u>	<u>38,592,239</u>
Profit for the year	-	-	-	-	-	-	9,111,372
Other comprehensive income	-	-	(730,419)	65,085	-	-	-
Total comprehensive income for the year	-	-	(730,419)	65,085	-	-	9,111,372
Capital contribution from other equity instrument holders	-	1,999,310	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	911,137	-	(911,137)
Appropriation to general reserve	-	-	-	-	-	1,665,577	(1,665,577)
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(2,867,643)
Dividends paid to other equity instrument holders	-	-	-	-	-	-	(160,000)
As at 31 December 2022	<u>21,023,997</u>	<u>5,997,648</u>	<u>(538,501)</u>	<u>(575,800)</u>	<u>13,841,815</u>	<u>16,892,911</u>	<u>42,099,254</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

Reserve movement of the Bank (Continued)

	Capital reserve	Other equity instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2021	21,023,997	-	(417,958)	(268,525)	12,069,842	13,524,906	35,062,157
Profit for the year	-	-	-	-	-	-	8,608,359
Other comprehensive income	-	-	616,117	(372,360)	-	-	-
Total comprehensive income for the year	-	-	616,117	(372,360)	-	-	8,608,359
Capital contribution from other equity instrument holders	-	3,998,338	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	860,836	-	(860,836)
Appropriation to general reserve	-	-	-	-	-	1,702,428	(1,702,428)
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(2,521,254)
Transfer from investment revaluation reserve to retained earnings	-	-	(6,241)	-	-	-	6,241
As at 31 December 2021	21,023,997	3,998,338	191,918	(640,885)	12,930,678	15,227,334	38,592,239

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors for the year ended 31 December 2022 and 31 December 2021 are disclosed in Note IV 6, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2022 (2021: not material).
- (2) Principal balance of loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors:

Name of the borrower	As at	As at	Maximum outstanding during the year 2022	Amounts fallen due but not been paid as at	Provisions as at	Interest Rate Term (%)	Security	
	31 December 2021	31 December 2022		31 December 2022	31 December 2022			
Connected entities	<u>3,204,422</u>	<u>5,596,505</u>	<u>6,332,000</u>	<u>-</u>	<u>41,102</u>	<u>1 to 3 years</u>	<u>2.87 - 3.90</u>	<u>Guarantee</u>

51 EVENTS AFTER THE REPORTING PERIOD

On 30 March 2023, as proposed by the Board of Directors of the Bank, the Bank passed the 2022 annual profit distribution plan, which was disclosed in Note IV 10 Dividends, Note IV 37 Surplus Reserve and Note IV 38 General Reserve. It takes effect after the resolution is passed at the shareholders' meeting.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

52 COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to current period's presentation.

Unaudited Supplemental Financial Information

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO

(Expressed in Percentage)

THE GROUP

	As at 31 December	
	2022	2021
RMB current assets to RMB current liabilities	87.55	79.86
Foreign currency current assets to foreign currency current liabilities	<u>236.85</u>	<u>92.89</u>

LIQUIDITY COVERAGE RATIO

THE GROUP

	As at 31 December	
	2022	2021
Liquidity coverage ratio	<u>296.92</u>	<u>282.27</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

THE GROUP

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2022				
Spot assets	1,171.3	184.4	3,359.5	4,715.2
Spot liabilities	(614.4)	(184.6)	(3,337.7)	(4,136.7)
Forward purchases	400.1	–	–	400.1
Forward sales	(428.0)	–	(5.6)	(433.6)
Net position	<u>529.0</u>	<u>(0.2)</u>	<u>16.2</u>	<u>545.0</u>

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2021				
Spot assets	2,384.2	1,013.9	3,196.4	6,594.5
Spot liabilities	(1,811.4)	(932.2)	(6,192.1)	(8,935.7)
Forward purchases	318.8	288.4	2,995.3	3,602.5
Forward sales	(509.6)	(370.2)	–	(879.8)
Net position	<u>382.0</u>	<u>(0.1)</u>	<u>(0.4)</u>	<u>381.5</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2022			
Asia Pacific	433.6	786.5	1,220.1
– of which attributed to Hong Kong	185.0	–	185.0
North America	256.0	–	256.0
Europe	39.4	–	39.4
Total	729.0	786.5	1,515.5

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2021			
Asia Pacific	1,538.6	1,264.8	2,803.4
– of which attributed to Hong Kong	480.5	–	480.5
North America	205.1	–	205.1
Europe	53.2	–	53.2
Total	1,796.9	1,264.8	3,061.7

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2022

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Country Area ⁽¹⁾	Urban Area	Total	Country Area ⁽¹⁾	Urban Area	Total
Net interest income	4,671.1	20,733.1	25,404.2	6,572.1	19,662.7	26,234.8
Net fee and commission income	703.7	1,209.5	1,913.2	1,121.4	1,602.8	2,724.2
Net trading gains	–	687.4	687.4	–	1,239.1	1,239.1
Share of profits of associates	–	3.3	3.3	–	1.1	1.1
Other operating income, net	31.7	431.7	463.4	43.2	483.1	526.3
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	–	404.6	404.6	–	119.2	119.2
Net gains on derecognition of financial assets measured at amortised cost	–	65.2	65.2	–	5.0	5.0
Total operating income	5,406.5	23,534.8	28,941.3	7,736.7	23,113.0	30,849.7
Internal transfer of income and expenses	6,979.1	(6,979.1)	–	6,916.3	(6,916.3)	–
Income after adjustment	<u>12,385.6</u>	<u>16,555.7</u>	<u>28,941.3</u>	<u>14,653.0</u>	<u>16,196.7</u>	<u>30,849.7</u>

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2022

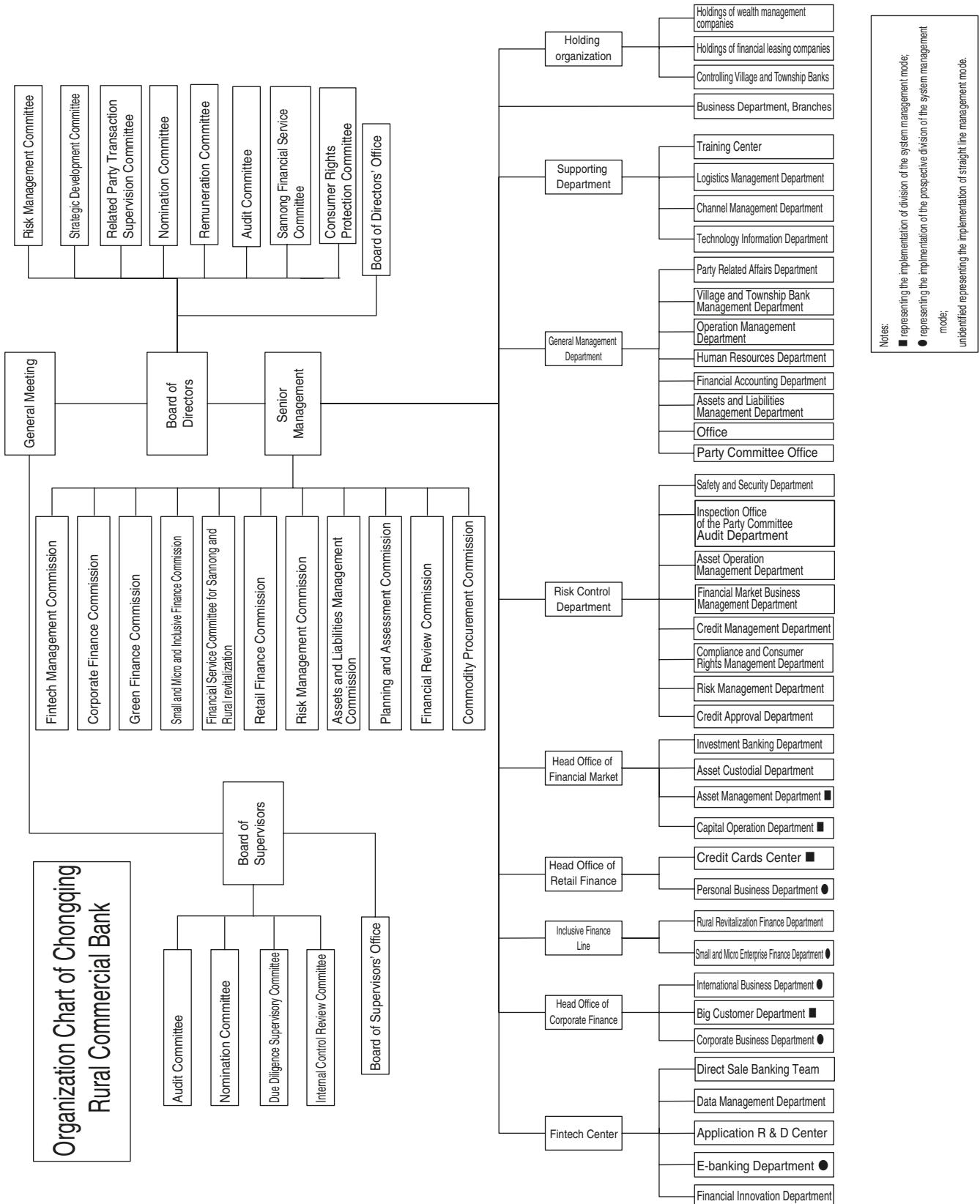
(Amounts in millions of Renminbi, unless otherwise stated)

ABSTRACT OF GEOGRAPHICAL SEGMENTS

(Expressed in percentage)	As at 31 December 2022		As at 31 December 2021	
	Country Area	Urban Area	Country Area	Urban Area
Deposits	71.80	28.20	70.62	29.38
Loans	50.15	49.85	52.00	48.00
Assets	48.88	51.12	50.69	49.31
Loan-deposit ratio	<u>53.57</u>	<u>135.55</u>	<u>56.44</u>	<u>125.28</u>

(Expressed in percentage)	As at 31 December 2022		As at 31 December 2021	
	Country Area	Urban Area	Country Area	Urban Area
Return on average total assets	0.49	1.11	0.72	0.90
Net fee and commission income to operating income	5.68	7.31	7.65	9.90
Cost-to-income ratio	<u>39.70</u>	<u>26.27</u>	<u>29.90</u>	<u>25.48</u>

Organizational Chart



Branches and Subsidiaries

Branches

Qujing Branch

Address: No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province
Postal Code: 655000
Tel: 0874-3193599

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City
Postal Code: 401122
Tel: 023-88502278

Kexuecheng Branch

Address: No. 28, Xiyong Avenue, High-tech Zone, Chongqing City
Postal Code: 401332
Tel: 023-65002879

Wanzhou Branch

Address: No. 91 Taibai Road, Wanzhou District, Chongqing City
Postal Code: 404100
Tel: 023-58156261

Jiangjin Branch

Address: Annex 6 and 7, No.183 Xijiang Avenue, Shengquan Street, Jiangjin District, Chongqing City
Postal Code: 402260
Tel: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District, Chongqing City
Postal Code: 401520
Tel: 023-42835185

Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City
Postal Code: 408000
Tel: 023-72238022

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City
Postal Code: 400011
Tel: 023-63716557

Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City
Postal Code: 400020
Tel: 023-61310036

Shapingba Branch

Address: Annex 37, 38 and 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City
Postal Code: 400030
Tel: 023-65332566

Dadukou Branch

Address: 1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City
Postal Code: 400084
Tel: 023-68836636

Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City
Postal Code: 400060
Tel: 023-62947517

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City
Postal Code: 400050
Tel: 023-68437557

Beibei Branch

Address: No. 20 Beixia West Road, Beibei District, Chongqing City
Postal Code: 400700
Tel: 023-68864083

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City
Postal Code: 401120
Tel: 023-67824010

Ba'nan Branch

Address: No. 145 Longzhou Avenue, Ba'nan District, Chongqing City
Postal Code: 400055
Tel: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road, Wansheng District, Chongqing City
Postal Code: 400800
Tel: 023-48299505

Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City
Postal Code: 401220
Tel: 023-40245293

Yongchuan Branch

Address: No. 399, Honghe Middle Road, Yongchuan District, Chongqing City
Postal Code: 402160
Tel: 023-49863765

Nanchuan Branch

Address: No. 24 Jinfo Avenue, Nanchuan District, Chongqing City
Postal Code: 408400
Tel: 023-71423626

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City
Postal Code: 401420
Tel: 023-48663139

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City
Postal Code: 402660
Tel: 023-44551908

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City
Postal Code: 402560
Tel: 023-45682975

Dazu Branch

Address: Annex No. 2, No. 390 Wuxing Avenue, Tangxiang Street Office, Dazu District, Chongqing City
Postal Code: 402360
Tel: 023-43711711

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang District, Chongqing City
Postal Code: 402460
Tel: 023-46732980

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan District, Chongqing City
Postal Code: 402760
Tel: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City
Postal Code: 405200
Tel: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City
Postal Code: 405900
Tel: 023-59221503

Branches and Subsidiaries

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City
Postal Code: 408299
Tel: 023-70736661

Dianjiang Branch

Address: No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City
Postal Code: 408300
Tel: 023-74512937

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Street, Zhong County, Chongqing City
Postal Code: 404300
Tel: 023-54235902

Kaizhou Branch

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City
Postal Code: 405400
Tel: 023-52250812

Yunyang Branch

Address: No. 1335 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing City
Postal Code: 404500
Tel: 023-55161480

Fengjie Branch

Address: No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City
Postal Code: 404699
Tel: 023-56560373

Wushan Branch

Address: No. 258 Guangdong Middle Road, Wushan County, Chongqing City
Postal Code: 404700
Tel: 023-57680904

Wuxi Branch

Address: Unit 1-1, No. 7 Yanghe Garden, No. 25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City
Postal Code: 405899
Tel: 023-51529828

Qianjiang Branch

Address: No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City
Postal Code: 409000
Tel: 023-79236496

Shizhu Branch

Address: Annex No. 12, No. 36 Xinkai Road, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City
Postal Code: 409100
Tel: 023-73332136

Wulong Branch

Address: No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City
Postal Code: 408500
Tel: 023-77723233

Xiushan Branch

Address: No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City
Postal Code: 409900
Tel: 023-76662163

Youyang Branch

Address: No. 6, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City
Postal Code: 409800
Tel: 023-75556144

Pengshui Branch

Address: Annex 4, No. 2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City
 Postal Code: 409600
 Tel: 023-78848842

Subsidiaries

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. M101, Block 2, Panhua International Plaza, Yangshe Town, Zhangjiagang City, Jiangsu Province
 Postal Code: 215600
 Tel: 0512-58918959

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial Plaza, Xinhua Road East, Zhuyang Town, Dazhu County, Sichuan Province
 Postal Code: 635100
 Tel: 0818-6256123

Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限公司)

Address: No. 176 Yangbi Road, Economic Development Zone, Dali Prefecture, Yunnan Province
 Postal Code: 671000
 Tel: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限公司)

Address: No. 16, Block 11, "Yinxiang Garden", Wenyuan Road north side, Xiangcheng Town, Xiangyun County, Dali Prefecture, Yunnan Province
 Postal Code: 672100
 Tel: 0872-3997552

Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限公司)

Address: No. 15 Xinghe Road, Yunhe Town, Heqing County, Dali Prefecture, Yunnan Province
 Postal Code: 671500
 Tel: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限公司)

Address: Shops 4-7, 1/F and 2/F, Annex Building, Huiyilian Business Tower, No. 8 Guiyuan Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region
 Postal Code: 545600
 Tel: 0772-6822818

Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限公司)

Address: Floor 1 & 2, North Tower of Yongshun Building, Xincheng Central Road, Sha County, Sanming City, Fujian Province
 Postal Code: 365050
 Tel: 0598-5758880

Branches and Subsidiaries

Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司)

Address: No. 1 Guanhang Road, Cheng Bei,
Fu'an City, Fujian Province
Postal Code: 355000
Tel: 0593-8988906

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza,
Changzheng Avenue, Shangri-La
City, Yunnan Province
Postal Code: 674499
Tel: 0887-8980066

Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454, 2456, 2458, Hong Xing
International Building, Baqi Road,
Shishi City, Fujian Province
Postal Code: 362700
Tel: 0595-82269866

Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Row, Kangde Huayuan
Villa, Tancheng Town, Pingtan
County, Fujian Province
Postal Code: 350400
Tel: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road,
Dianchi National Tourist Resort,
Kunming City, Yunnan Province
Postal Code: 650000
Tel: 0871-68188973

CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)

Address: Annex No. 11 and 12, No. 99 Jinkai
Avenue, Liangjiang New District,
Chongqing
Postal Code: 401120
Tel: 023-63569568

CQRC Wealth Management Co., Ltd. (渝農商理財有限責任公司)

Address: 20/F and 21/F, Chengda-Jinjia
International Building, No.10, Guihua
Street Branch Road, Jiangbei
District, Chongqing
Postal Code: 400024
Tel: 023-61111693