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SHENGJING BANK CO., LTD.*

盛京銀行股份有限公司*

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

(Stock Code: 02066)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors of Shengjing Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended 31 December 2022 prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board and the proposed dividend arrangement for the year of 2022. The Board and the audit committee have reviewed and confirmed the Annual Results.

The Annual Results are published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.shengjingbank.com.cn). The 2022 annual report of the Bank will be despatched to the holders of H shares of the Bank and be available at the abovementioned websites in due course.

By order of the Board
Shengjing Bank Co., Ltd.
ZHOU Zhi
Joint Company Secretary

Shenyang, Liaoning Province, China

24 March 2023

As at the date of this announcement, the executive directors of the Bank are Mr. SHEN Guoyong, Ms. LIU Xu, Mr. SHI Yang and Ms. LI Ying; the non-executive directors of the Bank are Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. WANG Jun and Mr. JIANG Aiguo; and the independent non-executive directors of the Bank are Mr. XING Tiancai, Mr. TAI Kwok Leung, Alexander, Mr. LI Jinyi, Mr. WANG Mo and Ms. LV Dan

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

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COMPANY INFORMATION

Legal Name in Chinese	盛京銀行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Authorised Representatives	SHEN Guoyong, ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	Unit 4105, 41/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published	http://www.hkexnews.hk/
Place of Maintenance of the Annual Report	Office of the Board of Directors of Shengjing Bank
Short Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (CONTINUED)

H Share Registrar and its Business Address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong
Legal Advisor as to the PRC Laws and its Business Address	Tian Yuan Law Firm Unit 509, Block A, International Enterprise Building 35 Finance Street, Xicheng District Xicheng District Beijing
Legal Advisor as to Hong Kong Law and its Business Address	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
Auditor and its Business Address	Crowe (HK) CPA Limited 9/F Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2022	2021	2022 compared to 2021	2020	2019	2018
			Rate of Change (%)			
Operating Results						
Interest income	43,348,175	40,915,676	5.9	42,533,959	44,944,020	42,805,495
Interest expenses	(30,494,491)	(28,528,067)	6.9	(27,975,598)	(28,594,168)	(30,387,931)
Net interest income	12,853,684	12,387,609	3.8	14,558,361	16,349,852	12,417,564
Net non-interest income	3,299,427	3,079,002	7.2	1,708,452	4,657,415	3,467,902
Operating income	16,153,111	15,466,611	4.4	16,266,813	21,007,267	15,885,466
Operating expenses	(5,790,240)	(5,855,054)	(1.1)	(5,050,086)	(4,631,365)	(3,945,215)
Impairment losses on assets	(9,171,622)	(9,507,962)	(3.5)	(10,625,363)	(10,233,200)	(6,401,249)
Operating income	1,191,249	103,595	1,049.9	591,364	6,142,702	5,539,002
Profit before taxation	1,191,249	103,595	1,049.9	591,364	6,142,702	5,539,002
Income tax credit	(171,980)	327,288	N/A	640,577	(704,641)	(412,854)
Net profit	1,019,269	430,883	136.6	1,231,941	5,438,061	5,126,148
Net profit attributable to equity shareholders of the Bank	979,898	401,961	143.8	1,203,777	5,443,224	5,128,717

FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2022	2021	2022 compared to 2021	2020	2019	2018
			Change			
Calculated on a per share basis (RMB)						
Basic and diluted earnings per share	0.11	0.05	0.06	0.14	0.90	0.88
			Rate of Change (%)			
Major indicators of assets/liabilities						
Total assets	1,082,413,109	1,006,126,253	7.6	1,037,958,375	1,021,480,796	985,432,940
Of which: total loans and advances to customers ⁽¹⁾	613,362,329	586,032,668	4.7	547,062,557	457,202,375	376,597,360
Total liabilities	1,000,976,014	925,623,312	8.1	957,911,826	942,358,811	928,403,456
Of which: total deposits from customers ⁽¹⁾	771,566,101	737,032,942	4.7	681,404,747	641,428,191	514,166,997
Share capital	8,796,680	8,796,680	0.0	8,796,680	8,796,680	5,796,680
Equity attributable to equity shareholders of the Bank	80,774,185	79,879,402	1.1	79,451,932	78,555,532	56,457,868
Total equity	81,437,095	80,502,941	1.2	80,046,549	79,121,985	57,029,484
			Change			
Profitability indicators (%)						
Return on average total assets ⁽²⁾	0.10	0.04	0.06	0.12	0.54	0.51
Return on average equity ⁽³⁾	1.26	0.54	0.72	1.55	7.99	9.38
Net interest spread ⁽⁴⁾	1.40	1.39	0.01	1.55	1.59	1.33
Net interest margin ⁽⁵⁾	1.34	1.40	(0.06)	1.62	1.76	1.43
Net fee and commission income to operating income	1.64	2.78	(1.14)	4.23	5.50	3.95
Cost-to-income ratio ⁽⁶⁾	33.80	36.26	(2.46)	29.76	21.31	24.13
			Change			
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁷⁾	3.22	3.28	(0.06)	3.26	1.75	1.71
Provision coverage ratio ⁽⁸⁾	140.30	130.87	9.43	114.05	160.90	160.81
Allowance to total loans ⁽⁹⁾	4.52	4.29	0.23	3.72	2.82	2.75



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2022	2021	2022 compared to 2021	2020	2019	2018
			Change			
Capital adequacy ratio indicators (%)						
Core tier-one capital adequacy ratio ⁽¹⁰⁾	9.86	10.54	(0.68)	11.07	11.48	8.52
Tier-one capital adequacy ratio ⁽¹⁰⁾	9.86	10.54	(0.68)	11.07	11.48	8.52
Capital adequacy ratio ⁽¹⁰⁾	11.52	12.12	(0.60)	12.23	14.54	11.86
Total equity to total assets ratio	7.52	8.00	(0.48)	7.71	7.75	5.79
			Change			
Other indicators (%)						
Loan-to-deposit ratio ⁽¹¹⁾	79.50	79.51	(0.01)	80.28	71.28	73.24

Notes:

- (1) Total loans and advances to customers do not include interest receivable, and total deposits from customers do not include interest payable.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by the total amount of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the non-performing loans.
- (9) Calculated by dividing the balance of provision for impairment on loans by the total amount of loans and advances to customers.
- (10) Core tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the guidance promulgated by former CBRC (effective from 1 January 2013).
- (11) Loan-to-deposit ratio is calculated by dividing the total amount of loans and advances to customers by total deposits from customers.



PRESIDENT'S STATEMENT

2022 marks a crucial year in the history of the Party and the country. As the 20th National Congress of the Communist Party of China was held successfully, which depicts a grand blueprint for the construction of a modernized socialist country in all aspects and provides a basic guideline for high-quality development of financial enterprises. In this year, closely focusing on the national strategic deployment, the overall development of Liaoning and Shenyang and guided by the regulatory policies, Shengjing Bank coordinated the optimization of the shareholding structure, governance structure and organizational structure, upgraded the scale, improved the quality, prevented the risks, stabilized the expectations and reinforced the disciplines. As a result, the business development of the Bank has been improved in all round, the management capacity has been enhanced, meanwhile, the Bank fully supported local communities, striving for sustainable and high-quality development with firm steps.

As of the end of 2022, the total asset of Shengjing Bank amounted to RMB1,082.413 billion, representing an increase of 7.6% from the beginning of the year, the total amount of loans and advances to customers amounted to RMB613.362 billion, representing an increase of 4.7% from the beginning of the year, the total amount of deposits from customers amounted to RMB771.566 billion, representing an increase of 4.7% from the beginning of the year, the operating income amounted to RMB16.153 billion, representing an increase of 4.4% year on year, the net profit amounted to RMB1.019 billion, representing an increase of 136.6% year on year. The Bank was listed in the "Top 1000 Global Banks" by the Banker magazine, ranking 146th in the list of banks and 8th in the list of city commercial bank; awarded the "Most Valuable Investment Award" by China Financing and "China's Top 500 Enterprises in 2022" by China Enterprise Confederation and other awards.

This year, our shareholding structure was fundamentally optimized and our corporate governance system was improved. We have always been deeply aware that going far at a steady pace and without a good governance foundation, there is no foundation for sustainable development. With the firm support of the Shenyang Municipal Party Committee, the Municipal Government and the regulatory authorities, we have introduced stronger state-owned and private strategic investors, significantly increasing the proportion of state-owned equity, and truly becoming a state-owned urban commercial bank. We have comprehensively strengthened the leadership of the Party in all aspects, led high-quality development with high-quality Party building, and formed a corporate governance mechanism of "political leadership by the Party Committee, strategic decision-making by the Board of Directors, legal supervision by the Board of Supervisors, and compliant operation by the management", resulting in a scientific and efficient corporate governance system.

This year, we fully integrated into the overall development of the regional development and served the real economy more effectively. We firmly believed that the only way to survive and operate a city commercial bank is to stick to the original spirits, find right position, be in tune with regional strategy and follow the people's needs. We focused on our main responsibilities and main business to fully support the development of the real economy and introduced 21 measures to help stabilize the overall economic market. We made more efforts to support for industrial upgrade, infrastructure, investment, financial inclusion and other key areas. The Bank innovated its product and service system, launching the "Liao" series and "Sheng" series of products, improving the quality and efficiency of its services to the real economy, and being the main force of local finance. In 2022, the loan balance of the Bank increased by RMB27.33 billion, of which the balance of corporate loan was RMB513.483 billion, representing an increase of RMB28.175 billion compared to the previous year, and the balance of inclusive financial loan increased by 26.5%.



PRESIDENT'S STATEMENT

This year, we further promoted the transformation and development, highlighting the strengths of our business operations.

In the face of the complex and ever-changing development environment, we grasped the trend of the times and adhered to the integration of integrity and innovation to expand the development of each business segment, and strived to be successful in differentiating the Company from the competition to build a "moat" for business development. Retail banking business is committed to building the brand of "Value, accompanying you to be well", focusing on personal customer experience and implementing the development model of "Three-Sphere Coverage and Two Trends (三全兩化)" featuring "whole-product, whole-channel, whole-scene, integration and digitalization", gradually becoming the development backbone of the Bank. In 2022, the total number of retail customers of the Bank exceeded 27.7 million, with savings deposits reaching RMB502.664 billion, accounting for 65.1% of total deposits. Corporate banking business is committed to building the brand of "achieving you and me through professionalism", with industrial finance as the main line and the integrated use of the "four-in-one" service model of capital financing, resource integration, capital operation and asset management to continuously improve the quality and efficiency of customer services. In 2022, we served more than 100,000 corporate customers, 8,000 institutional customers, and more than 180,000 customers of inclusive small and micro enterprises. The financial market business continued to expand the "circle of friends" in the industry, deepened the alliance of regional city commercial banks, served the revenue growth, liquidity management and integrated operation of the Bank, and continuously increased its value contribution.

This year, we deepened the construction of risk internal control system and strengthened the foundation for sound development.

Risk prevention is a constant theme in finance, based on the guidelines of industrial finance, we adhered to grant credit with prudence and steadiness and in a gradual and appropriate manner, implemented differentiated regional credit management and supply strategies, and adopted a lifelong accountability mechanism to effectively prevent new credit risks. We implemented an action plan to strengthen comprehensive risk management and internal control compliance to strengthen risk prevention and control in key areas. We stepped up efforts to deal with non-performing assets, conducted system re-examination, credit re-examination, contract reinspection and file re-examination, and promoted institutionalized, process-oriented and information-based internal control and compliance, thus strengthening the foundation of risk management.

This year, we strived to reform the management mechanism, resulting in a more efficient operation across the Bank.

We have always guided by systematic concept and problem to systematically promote various management measures, and continuously improved the support capacity, finally forming the business model of "operation in a small bank mode but management like a big bank". We have strengthened our team building, and built a team of financial professionals through introduction from outside and internal cohesion, with nearly 30% of our management staff with state-owned banks background and nearly 60% of the marketing staff. We implemented the concept of "relying on systems for management, implementing systems to complete systems", insisted on the internalization of external regulations, and basically forming a system covering all business areas and all process links. We also increased investment in information technology, built a new operation system to streamline processes and improve efficiency. We advocated a work style featuring "profession, collaboration, practicality and efficiency", and gradually cultivated a positive corporate culture, which has gathered the majestic power of undertaking and entrepreneurship.

Those that walk, often arrive. Those that do, often achieve. Standing at a brand-new starting point, we have clear objectives and firm directions. We will follow the new development plan established by the Party Committee and the Board of Directors of the head office, adhere to the market positioning of the city commercial bank, deeply implement the business strategy of "focusing on deposit growth, customer base building, value creation, and capacity enhancement", and coordinate and promote the business model of "integration, specialization, lightness and digitalization". The Bank is determined to promote sustainable and high-quality development by pursuing truthfulness, pragmatism and innovation.

SHEN Guoyong
President



HONOURS AND AWARDS

Titles of Honour and Award	Awarding Entity
Ranked 146th in the Top 1000 Global Banks	The Banker magazine
Most Valuable Investment Award	China Financing
China's Top 500 Enterprises in 2022	China Enterprise Confederation, China Enterprise Directors Association
2022 Outstanding Contribution Award	City Commercial Banks Clearing Co., Ltd.
2022 Outstanding Growth Value Listed Company	21st Century Business Herald
Annual Award for Supporting Local Economic Development	National Business Daily
Golden Bridge Award "Annual Innovation Enabling High-quality Development Commercial Bank"	Investor.org.cn
2022 Outstanding Competitive Supply Chain Financial Bank	China Business Journal
Leading Regional Service Bank in 2022	Hexun.com
2022 Pilot China "Outstanding Innovation Contribution Award" and "Outstanding Inclusive Financial Services Award"	JRJ.com
2022 ESG Green Company Star 2022 Excellent Retail Bank 2022 Excellent Digital Bank	Investment Times
Excellent Case of Financial Consumer Rights Protection of the Year	Finance.china.com.cn
Most Socially Responsible Listed Company	Zhitong Finance
Outstanding Credit Card of the Year	caijing.com.cn
Core Dealer Impact of the Year Award Money Market Dealer Impact of the Year Award x-repo Market Innovation Award	National Interbank Funding Center
Top 100 Bond Investment and Trading Self-Clearing	Central Government Bond Registration and Settlement Co.



MANAGEMENT DISCUSSION AND ANALYSIS

5.1 ANALYSIS OF OVERALL OPERATIONS

In 2022, in the face of a severe and complex external environment, Shengjing Bank actively implemented the new development concept, conscientiously implemented national economic and financial policies and regulatory requirements, and focused on the strategic vision of “being a good bank”, insisting on seeking progress while maintaining stability; in accordance with the business philosophy of “upgrading the scale, improving the quality, preventing the risks, stabilizing the expectations and reinforcing the disciplines”, Shengjing Bank coordinated its business development, risk prevention, serving entities, and reform and transformation, and deeply implemented the “focus on deposit growth, development of customer base, value creation and capacity improvement” business strategy. The overall business work has shown a steady and positive development trend, with significant improvement in development quality and efficiency, the foundation for development has been strengthened, and the capabilities to withstand risks and develop sustainably has been further enhanced.

Business development was improved in all respects

During the Reporting Period, the Bank focused on its main business, maintained a steady growth in the scale of deposits and loans, set a record high in total assets, and further strengthened its comprehensive strength; adhering to high-quality development, the business structure has been optimized and, profitability has been stabilized and rebounded, and operating revenue increased steadily; the non-performing loan ratio decreased steadily, and the provision coverage ratio increased steadily. As of 31 December 2022, the total assets of the Bank amounted to RMB1,082.413 billion, representing an increase of RMB76.287 billion or 7.6% as compared with that at the end of the previous year, the total deposits from customers amounted to RMB771.566 billion, representing an increase of RMB34.533 billion or 4.7% as compared with that at the end of the previous year; the operating revenue amounted to RMB16.153 billion, representing a year-on-year increase of RMB687 million or 4.4%; the net profit amounted to RMB1.019 billion, representing a year-on-year increase of RMB588 million or 136.6%.

Risk management was comprehensively strengthened

During the Reporting Period, the Bank adhered to a robust and prudent risk appetite and risk management strategy, promoted the implementation of a three-year action plan for comprehensive risk management and internal control compliance, focused on risk control in key areas, strengthened credit access management, risk monitoring, and early warning launched a new generation of credit operation platform and risk management system; strengthened the application of financial technologies such as big data in risk identification and control; and continued to optimize the asset structure; at the same time, further strengthened the collection and disposal of non-performing assets to ensure the smooth operation of various businesses, controllable risks, and stable asset quality. As of 31 December 2022, the Bank's non-performing loan ratio was 3.22%, representing a decrease of 0.06 percentage point as compared with that at the end of the previous year; the balance of provision for impairment on loans amounted to RMB27.727 billion, representing an increase of RMB2.603 billion as compared with that at the end of the previous year; the provision coverage ratio was 140.30%, representing an increase of 9.43 percentage points as compared with that at the end of the previous year; the loan provision ratio was 4.52%, representing an increase of 0.23 percentage point as compared with that at the end of the previous year. The risk resistance ability was further enhanced.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Services for the real economy was fully developed

During the Reporting Period, the Bank continued to increase its support to the regional real economy, introducing “21 measures” to assist in stabilizing the overall economic market; while promoting stable growth in the total amount of loans, the Bank actively optimized the credit structure. Focusing on key areas and weak links in the economy, we successively launched the “Liao” series and “Sheng” series products, and increased credit support for inclusive small and micro enterprises, equipment manufacturing, technological innovation, green finance, specialized, refined, special and novel as well as supply chain; actively implemented the policy requirements for reducing the costs of financing for the real economy, continued to reduce fees to benefit the real economy, implemented bail-out policies for enterprises, and effectively improved the quality and efficiency of serving the local economy. As of 31 December 2022, the total amount of loans and advances issued by the Bank amounted to RMB613.362 billion, representing an increase of RMB27.330 billion as compared with that at the end of the previous year, including corporate loans of RMB513.483 billion, representing an increase of RMB28.175 billion, or 5.8% as compared with that at the end of the previous year; inclusive small and micro loans increased by 24.6% as compared with that at the end of the previous year, 19.9 percentage points higher than the growth rate of various loans.

Reform and transformation were comprehensively advanced

During the Reporting Period, the Bank accelerated its transformation into a retail bank. As at 31 December 2022, the number of personal customers exceeded 27.7 million and the balance of personal deposits was RMB502.664 billion, representing an increase of RMB82.821 billion as compared with that at the end of the previous year and accounting for 65.1% of all deposits, up 8.1 percentage points from the end of the previous year. The retail segment achieved operating income of RMB3,956 million, representing an increase of 11.0%; the effect of capital-light and asset-light transformation became obvious. We actively developed low-risk, capital-light businesses such as transaction banking and financial markets, improved our ability to proactively manage the financial investment portfolio and optimized the allocation and trading strategies, achieving a net non-interest income of RMB3.299 billion, representing an increase of 7.2%, and the share of revenue of 20.4%, representing an increase of 0.5 percentage point year-on-year, thus diversifying the business structure and income sources. We accelerated digital transformation, formulated the “Strategic Plan for Information Technology 2022–2025”, continued to increase its investment in technology and digital construction, and effectively enhanced financial technology application and digital operation capabilities; insisted on high-quality and sustainable development, optimized the performance assessment system and incentive and constraint mechanism around the business performance assessment and evaluation policies of state-owned local financial enterprises, and promoted effective improvement in quality and reasonable growth in quantity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2 ANALYSIS OF FINANCIAL STATEMENTS

5.2.1 Analysis of the Income Statement

In 2022, the Bank achieved a net profit of RMB1,019 million, representing a year-on-year increase of RMB588 million or 136.6%, principally due to the fact that i) the Bank actively implemented national policies and regulatory requirements, focused on its main responsibilities and businesses, continued to optimize the asset liability structure, increased credit, fully supported the recovery and growth of the real economy, steadily increased the scale of interest-bearing assets, strengthened policy and market research and judgment, optimized investment and trading strategies for domestic and foreign bonds, foreign exchange, and other asset types, resulting in a year-on-year increase in net trading income and a year-on-year increase in operating revenue; ii) the Bank continued to strengthen comprehensive risk management and the collection and disposal of non-performing assets, made business development more stable, and maintained stable asset quality and provision strength.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Interest income	43,348,175	40,915,676	2,432,499	5.9
Interest expense	(30,494,491)	(28,528,067)	(1,966,424)	6.9
Net interest income	12,853,684	12,387,609	466,075	3.8
Net fee and commission income	264,272	429,470	(165,198)	(38.5)
Net trading gains	171,359	(708,318)	879,677	N/A
Net gains arising from investments	2,814,803	3,293,256	(478,453)	(14.5)
Other operating income	48,993	64,594	(15,601)	(24.2)
Operating income	16,153,111	15,466,611	686,500	4.4
Operating expenses	(5,790,240)	(5,855,054)	64,814	(1.1)
Impairment losses on assets	(9,171,622)	(9,507,962)	336,340	(3.5)
Profit before taxation	1,191,249	103,595	1,087,654	1,049.9
Income tax credit	(171,980)	327,288	(499,268)	N/A
Net profit	1,019,269	430,883	588,386	136.6



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.1 Operating income

In 2022, the Bank achieved an operating income of RMB16,153 million, representing a year-on-year increase of RMB687 million or 4.4%, mainly due to the Bank's insistence on returning to its original business and focusing on its main business, continuously optimizing its business structure, strengthening the management of deposit and loan matching and volume and price balance, and actively expanding the source of funds while increasing credit to promote high-quality economic development, effectively controlling and reducing the cost of debt capital, resulting in a year-on-year increase in net interest income; as well as strengthening analysis, research, and judgment, grasping market opportunities, and rationally allocating and trading multiple assets across markets, currencies, and categories. Net non-interest income increased year-on-year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Net interest income	12,853,684	12,387,609	466,075	3.8
Net non-interest income	3,299,427	3,079,002	220,425	7.2
Operating income	16,153,111	15,466,611	686,500	4.4

5.2.1.2 Net interest income

In 2022, the Bank achieved a net interest income of RMB12,854 million, representing a year-on-year increase of RMB466 million or 3.8%, of which the year-on-year increase in interest income by RMB2,432 million and year-on-year increase in interest expense of the Bank by RMB1,966 million.

The following table sets forth the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Interest income	43,348,175	40,915,676	2,432,499	5.9
Interest expense	(30,494,491)	(28,528,067)	(1,966,424)	6.9
Net interest income	12,853,684	12,387,609	466,075	3.8

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.3 Net Interest Spread and Net Interest Margin

In 2022, the net interest spread of the Bank was 1.40%, representing a year-on-year increase of 0.01 percentage point, mainly due to i) the Bank seized the opportunity of reasonable and abundant market liquidity, actively promoted the improvement of quality of liabilities to reduce costs and increase efficiency. By optimizing the deposit structure, actively reducing high-cost deposits, the interest rate of deposits from customers and the interest rate of inter-bank liabilities decreased year-on-year, driving down the interest rate on interest-bearing liabilities. ii) affected by the downward adjustment of LPR, the overall decline in policy and financial market interest rates, and in line with market changes and the policy guidance of bail-out policies for enterprises, the Bank adjusted its asset structure and pricing level, resulting in a year-on-year decrease in the overall yield on interest-earning assets, and the decrease in yield on interest-bearing liabilities exceeds the interest-bearing rate on interest-earning assets, and the net interest margin increased year-on-year. The Bank's net interest yield was 1.34%, representing a year-on-year decrease of 0.06 percentage point, mainly due to the fact that the growth rate of the average balance of interest-earning assets exceeded the growth rate of net interest income.

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Average balance	Interest income/expense	Average yield/costs (%)	Average balance	Interest income/expense	Average yield/costs (%)
Interest-earning assets						
Loans and advances to customers	650,479,341	34,824,377	5.35	561,819,774	30,958,123	5.51
Financial investments	193,924,763	6,890,230	3.55	222,504,221	8,336,823	3.75
Deposits with Central Bank	72,401,531	1,039,001	1.44	82,922,437	1,211,821	1.46
Deposits and placements with banks and other financial institutions	16,833,067	198,681	1.18	3,420,891	69,680	2.04
Financial assets held under resale agreements	23,189,077	395,886	1.71	16,184,312	339,229	2.10
Total interest-earning assets	956,827,779	43,348,175	4.53	886,851,635	40,915,676	4.61



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Average balance	Interest income/ expense	Average yield/costs (%)	Average balance	Interest income/ expense	Average yield/costs (%)
Interest-bearing liabilities						
Borrowings from Central Bank	3,331,836	69,985	2.10	5,506,721	128,758	2.34
Deposits from customers	794,355,285	25,023,993	3.15	720,648,207	23,049,452	3.20
Deposits and placements from banks and other financial institutions	96,099,609	3,182,741	3.31	59,071,190	2,176,860	3.69
Financial assets sold under repurchase agreements	67,457,471	1,691,485	2.51	67,099,838	1,823,474	2.72
Debt securities issued	14,351,143	526,287	3.67	33,396,262	1,349,523	4.04
Total interest-bearing liabilities	975,595,344	30,494,491	3.13	885,722,218	28,528,067	3.22
Net interest income		12,853,684			12,387,609	
Net interest spread ⁽¹⁾			1.40			1.39
Net interest margin ⁽²⁾			1.34			1.40

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and interest rates for the periods indicated. Volume and interest rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2022 compared with 2021		
	Increase/ (decrease) Volume ⁽¹⁾	Due to interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	4,885,142	(1,018,888)	3,866,254
Financial investments	(1,071,730)	(374,863)	(1,446,593)
Deposits with Central Bank	(153,605)	(19,215)	(172,820)
Deposits and placements with banks and other financial institutions	273,608	(144,607)	129,001
Financial assets held under resale agreements	147,100	(90,443)	56,657
Changes in interest income	4,080,515	(1,648,016)	2,432,499
Interest-bearing liabilities			
Borrowings from Central Bank	(50,892)	(7,881)	(58,773)
Deposits from customers	2,358,626	(384,085)	1,974,541
Deposits and placements from banks and other financial institutions	1,366,349	(360,468)	1,005,881
Financial assets sold under repurchase agreements	9,728	(141,717)	(131,989)
Debt securities issued	(769,423)	(53,813)	(823,236)
Changes in interest income expense	2,914,388	(947,964)	1,966,424
Changes in net interest income	1,166,127	(700,052)	466,075

Notes:

- (1) Representing the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Representing the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Representing interest income or expense for the period minus interest income or expense for the previous period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.4 Interest income

In 2022, the Bank achieved an interest income of RMB43,348 million, representing a year-on-year increase of RMB2,432 million or 5.9%, mainly due to the Bank's continuously optimizing its asset structure, increasing credit allocation, resulting in an increase in the scale of loans and advances to customers and a year-on-year increase in interest income.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	of total (%)	2021	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	29,287,099	67.5	24,999,809	61.0
Personal loans	5,537,278	12.8	5,958,314	14.6
Sub-total	<u>34,824,377</u>	<u>80.3</u>	<u>30,958,123</u>	<u>75.6</u>
Financial investments	6,890,230	15.9	8,336,823	20.4
Deposits with Central Bank	1,039,001	2.4	1,211,821	3.0
Deposits and placements with banks and other financial institutions	198,681	0.5	69,680	0.2
Financial assets held under resale agreements	<u>395,886</u>	<u>0.9</u>	<u>339,229</u>	<u>0.8</u>
Total	<u><u>43,348,175</u></u>	<u><u>100.0</u></u>	<u><u>40,915,676</u></u>	<u><u>100.0</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In 2022, interest income of the Bank from loans and advances to customers amounted to RMB34,824 million, representing a year-on-year increase of RMB3,866 million or 12.5%, and accounted for 80.3% of the total interest income, representing an increase of 4.7 percentage points, which was mainly due to the fact that the Bank actively served the development of the real economy, increased credit facilities to meet social financing needs, resulting in a year-on-year increase in the average loan balance during the Reporting Period, at the same time, due to factors such as the reduction of the loan prime rate (LPR) quotation and implementation of the national policy of fee reduction and interest concession to lower corporate financing costs, resulting in a year-on-year decrease in the yield of loans and advances to customers.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	556,534,790	29,287,099	5.26	471,180,670	24,999,809	5.31
Personal loans	93,944,551	5,537,278	5.89	90,639,104	5,958,314	6.57
Total	650,479,341	34,824,377	5.35	561,819,774	30,958,123	5.51

2. Interest Income from Financial Investments

In 2022, the Bank achieved interest income from financial investments amounting to RMB6,890 million, representing a year-on-year decrease of RMB1,447 million or 17.4%, which was mainly due to the Bank's continuous optimization of asset structure under the guidance of regulatory policies, year-on-year decrease in financial investments scale and downward impact of market interest rates during the Reporting Period, resulting in the decrease in the average yield of financial investments.

3. Interest Income from Deposits with Central Bank

In 2022, the Bank achieved interest income from deposits with Central Bank amounting to RMB1,039 million, representing a year-on-year decrease of RMB173 million or 14.3%, which was mainly due to the decrease in the average balance of the deposits with Central Bank as the deposit reserve ratio was lowered.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. *Interest Income from Deposits and Placements with Banks and Other Financial Institutions*

In 2022, the Bank achieved interest income from deposits and placements with banks and other financial institutions amounting to RMB199 million, representing a year-on-year increase of RMB129 million or 185.1%, which was mainly due to the increase in the average balance of deposits and placements with banks and other financial institutions.

5. *Interest Income from Financial Assets Held under Resale Agreements*

In 2022, the Bank achieved interest income from financial assets held under resale agreements amounting to RMB396 million, representing a year-on-year increase of RMB57 million or 16.7%, which was mainly due to the increase of average balance held under resale agreements.

5.2.1.5 *Interest expense*

In 2022, interest expense of the Bank amounted to RMB30,494 million, representing a year-on-year increase of RMB1,966 million or 6.9%, which was mainly due to the Bank's in-depth implementation of to the basic banking policy of "taking deposits as the key foundation of the Bank", continuous promotion of stable growth of core liabilities, the year-on-year increase in the scale and proportion of deposits, and the year-on-year increase in deposit interest expense of RMB1,975 million. At the same time, the interest expense of central bank borrowings, issuance of bonds, interbank and other financial institutions' deposits and placements and sales of repurchase of financial assets decreased by RMB9 million year-on-year, partially offsetting the increase in interest expense on deposits.

The following table sets forth the breakdowns of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	of total (%)	2021	of total (%)
Borrowings from Central Bank	69,985	0.2	128,758	0.5
Deposits from customers	25,023,993	82.1	23,049,452	80.8
Deposits and placements from banks and other financial institutions	3,182,741	10.4	2,176,860	7.6
Financial assets sold under repurchase agreements	1,691,485	5.5	1,823,474	6.4
Debt securities issued	526,287	1.8	1,349,523	4.7
Total	30,494,491	100.0	28,528,067	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Expense on Borrowing from the Central Bank

In 2022, the Bank's borrowing interest expense from the Central Bank amounted to RMB70 million, representing a year-on-year decrease of RMB59 million or of 45.6%, which was mainly due to the decrease in the scale and average cost of the Bank's borrowing from the Central Bank.

2. Interest Expense on Deposits from Customers

In 2022, interest expense on deposits from customers amounted to RMB25,024 million, representing a year-on-year increase of RMB1,975 million, or 8.6%, which was mainly due to the fact that the Bank continued to focus on deposit growth and customer group construction, and coordinated the effective improvement of quality and reasonable growth of quantity; during the Reporting Period, the Bank continued to promote the optimization of its debt structure and the downward trend of interest rates. While its deposit size continued to grow steadily, deposits with high cost and concentration were effectively reduced. The scale and proportion of low-cost and highly stable transactional and settlement deposits continued to increase, and the deposit interest rate decreased year-on-year, partially offsetting the increase in interest expense due to the increase in scale.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	165,315,238	2,407,165	1.46	140,824,091	1,694,730	1.20
Time	145,084,709	5,179,158	3.57	191,507,567	6,912,399	3.61
Sub-total	310,399,947	7,586,323	2.44	332,331,658	8,607,129	2.59
Personal deposits						
Demand	55,411,921	208,272	0.38	33,487,617	132,038	0.39
Time	428,543,417	17,229,398	4.02	354,828,932	14,310,285	4.03
Sub-total	483,955,338	17,437,670	3.60	388,316,549	14,442,323	3.72
Total deposits from customers	794,355,285	25,023,993	3.15	720,648,207	23,049,452	3.20



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. *Interest Expense on Deposits and Placements from Banks and Other Financial Institutions*

In 2022, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB3,183 million, representing a year-on-year increase of RMB1,006 million or 46.2%, which was mainly due to the increase in average balance of deposits and placements from banks and other financial institutions.

4. *Interest Expense on Financial Assets Sold under Repurchase Agreements*

In 2022, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1,691 million, representing a year-on-year decrease of RMB132 million or 7.2%, which was mainly due to the decrease in the interest payment rate of financial assets sold under repurchase agreements of the Bank.

5. *Interest Expense on Debt Securities Issued*

In 2022, interest expense of the Bank on debt securities issued amounted to RMB526 million, representing a year-on-year decrease of RMB823 million or 61.0%, which was mainly due to the decrease in the average balance of the debt securities issued of the Bank.

5.2.1.6 *Net Non-interest Income*

1. *Net Fee and Commission Income*

In 2022, the Bank achieved a net fee and commission income of RMB264 million, representing a year-on-year decrease of RMB165 million or 38.5%, which is mainly due to the reduction of fees in accordance with the implementation of the fee reduction and concession policy of the Bank during the Reporting Period, as well as the decline in the scale of agency and custodian business, resulting in a year-on-year decrease in fee and commission income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	400,177	802,285	(402,108)	(50.1)
Settlement and clearing services fees	42,153	83,790	(41,637)	(49.7)
Bank card services fees	172,556	173,951	(1,395)	(0.8)
Fee and commission expense	(350,614)	(630,556)	279,942	(44.4)
Net fee and commission income	264,272	429,470	(165,198)	(38.5)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Net Trading Gains

In 2022, the Bank's net trading gains amounted to RMB171 million, representing a year-on-year increase of RMB880 million, mainly due to the research and judgment on the fluctuations in the bond and foreign exchange markets enhanced by the Bank during the Reporting Period, the Bank's optimization of the allocation of transactional financial assets and foreign exchange trading strategies, the year-on-year increase in fair value revaluation gains and losses and net foreign exchange gains.

3. Net Gains Arising from Investments

In 2022, the net gains arising from financial investments of the Bank amounted to RMB2,815 million, representing a year-on-year decrease of RMB478 million or 14.5%, mainly due to the decrease in net income from disposal of bond assets during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit or loss	675,623	373,504	302,119	80.9
Net gains on disposal of financial assets at fair value through other comprehensive income	577,342	234,762	342,580	145.9
Dividends from designated as financial assets at fair value through other comprehensive income	116,207	83,062	33,145	39.9
Net gains on disposal of financial assets measured at amortised cost	1,445,631	2,601,928	(1,156,297)	(44.4)
Total	2,814,803	3,293,256	(478,453)	(14.5)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.7 Operating expenses

In 2022, the operating expenses of the Bank amounted to RMB5,790 million, representing a year-on-year decrease of RMB65 million or 1.1%. This was mainly due to the fact that during the Reporting Period, the Bank strengthened budget control, expanded income sources, reduced costs, increased efficiency, adjusted business model and expense structure, and improved the efficiency of financial resource allocation.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Staff costs	3,191,004	3,078,026	112,978	3.7
Tax and surcharges	331,254	247,589	83,665	33.8
Depreciation and amortization	590,467	598,913	(8,446)	(1.4)
Rental and property management expenses	147,255	129,994	17,261	13.3
Office expenses	296,100	458,559	(162,459)	(35.4)
Other general and administrative expenses	1,234,160	1,341,973	(107,813)	(8.0)
Total operating expenses	5,790,240	5,855,054	(64,814)	(1.1)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Staff Costs

In 2022, staff costs of the Bank amounted to RMB3,191 million, representing a year-on-year increase of RMB113 million or 3.7%, which was mainly due to the increases in staff and average social wage, as well as the corresponding increase in expenses such as five social insurance and one housing fund.

The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	2,185,903	2,258,812	(72,909)	(3.2)
Pension and annuity	319,307	243,605	75,702	31.1
Other social insurance expenses	270,422	249,243	21,179	8.5
Housing allowances	174,464	152,814	21,650	14.2
Supplementary retirement benefits	5,119	4,423	696	15.7
Other staff benefits	235,789	169,129	66,660	39.4
Staff costs	3,191,004	3,078,026	112,978	3.7

2. Office Expenses, Rental and Property Management Expenses

In 2022, office expenses, rental and property management expenses of the Bank amounted to RMB443 million, representing a year-on-year decrease of RMB145 million or 24.7%.

3. Depreciation and Amortisation

In 2022, depreciation and amortization expenses of the Bank amounted to RMB590 million, representing a year-on-year decrease of RMB8 million or 1.4%.

4. Other General and Administrative Expenses

In 2022, other general and administrative expenses of the Bank amounted to RMB1,234 million, representing a year-on-year decrease of RMB108 million or 8.0%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.8 Impairment losses on assets

In 2022, the Bank's asset impairment losses amounted to RMB9,172 million, representing a decrease of RMB336 million or 3.5% year on year. The decrease was mainly due to the Bank's adherence to prudent and sound principles, strict prevention and control of incremental risks, active resolution of existing risks, strict asset risk classification and impairment loss provisioning management, stable asset quality, continuous strengthening of the provisioning base, and continued enhancement of risk offsetting and loss absorption capabilities.

The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	402,850	(492,893)	895,753	N/A
Financial assets held under resale agreements	1,442	(2,643)	4,085	N/A
Loans and advances to customers	5,644,350	6,948,475	(1,304,125)	(18.8)
Financial investments	3,557,276	1,252,838	2,304,438	183.9
Credit commitment	(5,645)	60,257	(65,902)	(109.4)
Others	(428,651)	1,741,928	(2,170,579)	(124.6)
Total	9,171,622	9,507,962	(336,340)	(3.5)

5.2.1.9 Income tax credit

In 2022, the Bank's income tax credit amounted to RMB172 million, which was mainly due to the comprehensive impact of the profit growth and recognition of deferred income tax assets on deductible temporary differences formed and the tax effect of tax-free income of the Bank during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2 Analysis of the Statement of Financial Position

5.2.2.1 Assets

As of 31 December 2022, total assets of the Bank amounted to RMB1,082.413 billion, representing an increase of RMB76.287 billion or 7.6% as compared with that at the end of the previous year, mainly due to the growth driven by the credit business. The principal components of our assets are (i) net loans and advances to customers (ii) financial investments (iii) cash and deposits with Central Bank, which accounted for 58.3%, 30.5% and 7.0% respectively, of total assets of the Bank as of 31 December 2022.

The following table sets forth the composition of the Bank's total assets for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Assets				
Total loans and advances to customers	613,362,329	56.7	586,032,668	58.2
Interest receivable	44,612,261	4.1	22,082,972	2.2
Provision for impairment losses	(27,375,173)	(2.5)	(24,672,122)	(2.5)
Net loans and advances to customers	630,599,417	58.3	583,443,518	57.9
Financial investments ⁽¹⁾	329,611,560	30.5	312,000,748	31.0
Deposits with banks and other financial institutions	7,207,614	0.6	8,842,567	0.9
Cash and deposits with Central Bank	75,258,358	7.0	72,330,736	7.2
Financial assets held under resale agreements	9,377,937	0.8	2,261,877	0.2
Placements with banks and other financial institutions	6,232,027	0.5	1,250,301	0.1
Derivative financial assets	665,994	0.1	574,444	0.1
Other assets ⁽²⁾	23,460,202	2.2	25,422,062	2.6
Total assets	1,082,413,109	100.0	1,006,126,253	100.0

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and financial assets at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as of 31 December 2022 amounted to RMB613.362 billion, representing an increase of RMB27.330 billion or 4.7% as compared with that at the end of the previous year, and accounted for 56.7% of the total assets, representing a decrease of 1.5 percentage points as compared with that at the end of the previous year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
– Corporate loans	421,013,363	68.6	420,136,666	71.7
– Discounted bills	92,469,152	15.1	65,170,949	11.1
Personal loans				
– Residential mortgage	56,976,280	9.3	57,516,140	9.8
– Personal consumption loans	25,408,964	4.1	28,329,721	4.8
– Credit cards	9,026,045	1.5	7,335,915	1.3
– Personal business loans	8,468,525	1.4	7,542,819	1.3
– Others	–	–	458	0.0
Total loans and advances to customers	613,362,329	100.0	586,032,668	100.0

Corporate loans constituted the largest component of the Bank's loan portfolio. As of 31 December 2022, the corporate loans (including discounted bills) of the Bank amounted to RMB513.483 billion, representing an increase of RMB28.175 billion or 5.8% as compared with that at the end of the previous year, accounting for 83.7% of the total loans and advances to customers and representing an increase of 0.9 percentage point as compared with that at the end of the previous year. This was mainly due to the fact that during the Reporting Period, the Bank took the industry finance strategy as the guideline for transformation, actively assisted in the structural adjustment around the ten selected industries, increased credit placement efforts for the real economy and key areas, focused on serving the cooperation between the central government and the local government, regional economic restructuring, construction of modern industrial system, construction of major projects and inclusive finance, science and technology innovation and green finance and improved the supply level of diversified cross-application of products and integrated financing solutions, contributing sustainable and sound growth while helping to drive high-quality economic development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Personal loans offered by the Bank mainly include residential mortgage loans, personal consumption loans, credit cards and personal business loans. As of 31 December 2022, personal loans of the Bank amounted to RMB99.880 billion, representing a decrease of RMB845 million or 0.8% as compared with that at the end of the previous year, and accounted for 16.3% of total loans and advances to customers, representing a decrease of 0.9 percentage point as compared with that at the end of the previous year. This was mainly due to the slowdown of regional economic growth during the Reporting Period, coupled with the impact of the COVID-19 pandemic and the regulation and control of the real estate industry, the sluggish demand for personal consumption and mortgage loans, as well as proactive compliance transformation and product innovation in accordance with the requirements of regulatory territorialization policy, resulting in a decrease in the scale of personal loan business.

1) Loans by type of guarantee

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As of 31 December 2022, the balance of loans guaranteed or secured by mortgages and pledges amounted to RMB547,875 million, representing an increase of RMB20,765 million or 3.9% as compared with that at the end of the previous year, and accounted for 89.3% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by guarantee method as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	225,634,878	36.8	222,873,962	37.9
Loans secured by pledges	132,445,525	21.6	101,680,848	17.4
Guaranteed loans	189,794,466	30.9	202,554,832	34.6
Unsecured loans	65,487,460	10.7	58,923,026	10.1
Total loans and advances to customers	613,362,329	100.0	586,032,668	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in provision for impairment on loans and advances to customers

As of 31 December 2022, the balance of provision for impairment on loans and advances to customers of the Bank amounted to RMB27,375 million, representing an increase of RMB2,703 million or 11.0% as compared with that at the end of the previous year, mainly due to the adequate provision for loss on asset impairment by the Bank to further enhance its risk coverage based on the expected credit risk loss, taking into account the economic growth and the impact of the COVID-19 pandemic. As of 31 December 2022, the Bank's loan provision rate was 4.52%, representing an increase of 0.23 percentage point as compared with that at the end of the previous year.

The following table sets forth the changes in the provision for impairment losses on loans and advances issued by the Bank during the period indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022				As at 31 December 2021			
	Expected credit loss in the next 12 months	A lifetime expected credit loss - loans without credit impairment loss	A lifetime expected credit loss - loans with credit impairment loss	Total	Expected credit loss in the next 12 months	A lifetime expected credit loss - loans without credit impairment loss	A lifetime expected credit loss - loans with credit impairment loss	Total
Balance as at the beginning of the year	6,421,176	7,417,897	10,833,049	24,672,122	7,337,769	6,987,110	6,010,909	20,335,788
Transferred to:								
- to expected credit loss over the next 12 months	2,239	(156)	(2,083)	-	2,198,461	(1,383,837)	(814,624)	-
- to lifetime expected credit losses - not credit-impaired loans	(80,240)	611,595	(531,355)	-	(218,136)	405,529	(187,393)	-
- to lifetime expected credit losses - credit-impaired loans	(4,008)	(9,175)	13,183	-	(44,732)	(1,885,448)	1,930,180	-
Net charge for the year	843,856	(176,746)	5,076,850	5,743,960	(2,852,186)	3,294,543	6,272,198	6,714,555
Transfer out	-	-	(2,700,152)	(2,700,152)	-	-	(2,236,251)	(2,236,251)
Write-offs	-	-	(355,209)	(355,209)	-	-	(146,435)	(146,435)
Recoveries	-	-	14,452	14,452	-	-	4,465	4,465
Balance as at the end of the year	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>	<u>6,421,176</u>	<u>7,417,897</u>	<u>10,833,049</u>	<u>24,672,122</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Financial Investments

As of 31 December 2022, the balance of financial investments (financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost) of the Bank amounted to RMB329,612 million, representing an increase of RMB17,611 million or 5.6% as compared with those at the end of the previous year, and accounted for 30.5% of the total assets, representing a decrease of 0.5 percentage point as compared with that at the end of the previous year.

The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Financial assets at fair value through profit or loss	128,735,653	39.9	93,378,132	30.4
– Bonds issued by policy banks	10,091	0.0	–	–
– Bonds issued by banks and other financial institutions	52,510,262	16.3	32,030,941	10.4
– Corporate entity bonds	1,196,226	0.4	1,204,854	0.4
– Investment management products managed by securities companies	75,019,074	23.2	60,142,337	19.6
Financial assets at fair value through other comprehensive income	44,636,404	13.8	33,690,804	11.0
– Government bonds	16,337,425	5.1	18,148,592	5.9
– Bonds issued by policy banks	13,145,472	4.1	4,918,953	1.6
– Bonds issued by banks and other financial institutions	3,048,825	0.9	517,889	0.2
– Corporate entity bonds	3,072,431	1.0	2,163,398	0.7
– Capital bonds with no fixed terms issued by commercial banks	1,090,000	0.3	1,020,044	0.3
– Equity investments	7,942,251	2.4	6,921,928	2.3
Financial investment measured at amortised cost	149,526,608	46.3	180,501,036	58.6
– Government bonds	30,509,415	9.4	39,096,660	12.7
– Bonds issued by policy banks	31,686,666	9.8	55,696,204	18.1
– Bonds issued by banks and other financial institutions	5,982,504	1.9	300,000	0.1
– Corporate entity bonds	3,500,883	1.1	5,649,801	1.8
– Investment management products managed by securities companies	4,428,102	1.4	3,815,274	1.2
– Investment management products under the trust scheme	79,276,722	24.5	80,554,015	26.2
Less: provisions for impairment of financial assets at amortised cost	(5,857,684)	(1.8)	(4,610,918)	(1.5)
Total	322,898,665	100.0	307,569,972	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1) Changes in the provision for financial assets at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022				As at 31 December 2021			
	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total
Balance as at the beginning of the year	889	–	696,978	697,867	1,019	–	641,840	642,859
Net charge/(release) for the year	1,297	–	1,477,438	1,478,735	(130)	–	55,138	55,008
Transferred out for the year	–	–	(876,565)	(876,565)	–	–	–	–
Balance as at the end of the year	<u>2,186</u>	<u>–</u>	<u>1,297,851</u>	<u>1,300,037</u>	<u>889</u>	<u>–</u>	<u>696,978</u>	<u>697,867</u>

2) Changes in the provision for financial assets at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022				As at 31 December 2021			
	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss – no credit impairment	Lifetime expected credit loss – credit impairment	Total
Balance as at the beginning of the year	719,400	1,103,626	2,787,892	4,610,918	1,640,198	151,576	1,621,314	3,413,088
Transferred to:								
– to expected credit losses over the next 12 months	–	–	–	–	417,900	–	(417,900)	–
– to lifetime expected credit losses – not credit-impaired loans	–	561,279	(561,279)	–	(50,848)	50,848	–	–
– to lifetime expected credit losses – credit-impaired loans	(8,458)	(335,677)	344,135	–	(647,943)	–	647,943	–
Net charge/(release) for the year	156,429	(238,139)	2,160,251	2,078,541	(639,907)	901,202	936,535	1,197,830
Transferred out for the year	–	–	(831,775)	(831,775)	–	–	–	–
Balance as at the end of the year	<u>867,371</u>	<u>1,091,089</u>	<u>3,899,224</u>	<u>5,857,684</u>	<u>719,400</u>	<u>1,103,626</u>	<u>2,787,892</u>	<u>4,610,918</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2.2 Liabilities

As of 31 December 2022, total liabilities of the Bank amounted to RMB1,000.976 billion, representing an increase of RMB75.353 billion or 8.1% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers (ii) financial assets sold under repurchase agreements and (iii) deposits from banks and other financial institutions, accounting for 78.8%, 12.9% and 5.3%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	1,190,119	0.1	1,631,922	0.2
Deposits from customers	788,752,335	78.8	754,880,674	81.6
Deposits from banks and other financial institutions	52,716,547	5.3	59,942,166	6.5
Placements from banks and other financial institutions	2,838,696	0.3	581,595	0.1
Financial liabilities at fair value through profit or loss	2,421,778	0.2	6,504,990	0.7
Derivative financial liabilities	601,799	0.1	564,291	0.1
Financial assets sold under repurchase agreements	128,661,609	12.9	89,271,137	9.6
Debt securities issued	16,979,868	1.7	8,427,431	0.9
Other liabilities ⁽¹⁾	6,813,263	0.6	3,819,106	0.3
Total	1,000,976,014	100.0	925,623,312	100.0

Note:

- (1) Including settlement accounts, staff remuneration payable, deferred income, taxes payable, dormant accounts and other liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. *Deposits from Customers*

As of 31 December 2022, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB771.566 billion, with an increase of RMB34.533 billion or 4.7% as compared with that at the end of the previous year, accounting for 77.1% of the total liabilities and representing a decrease of 2.5 percentage points as compared with that at the end of the previous year. Among them, personal deposits increased by RMB82.821 billion as compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank firmly implemented the business principles of "customer-centric" "three inclusivenesses & two changes (三全兩化)", promoted the transformation and upgrade of all products, all channels, all scenarios, integration and digitization, newly built the "pension financial service system", continuously improved the "agency financial service system", and launched a comprehensive project to improve the quality management of network points, which enabled us to rapidly boost the rapid growth of personal deposits. Corporate deposits decreased by RMB31.192 billion and other deposits decreased by RMB17.096 billion compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank focused on improving the quality of deposits, consolidated structural optimization, paid emphasis on building customer base, improved the product system, concentrated on marketing core deposits, increased the proportion of green deposits and settlement deposits, and resolutely reduced high-cost and high-concentration deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Corporate deposits				
Demand deposits	153,374,794	19.9	139,501,418	18.9
Time deposits	90,995,460	11.8	136,060,819	18.5
Sub-total	244,370,254	31.7	275,562,237	37.4
Personal deposits				
Demand deposits	45,902,116	5.9	52,119,182	7.1
Time deposits	456,761,908	59.2	367,723,470	49.9
Sub-total	502,664,024	65.1	419,842,652	57.0
Other deposits ⁽¹⁾	24,531,823	3.2	41,628,053	5.6
Total	771,566,101	100.0	737,032,942	100.0

Note:

(1) Mainly including pledged deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022 Amount	As at 31 December 2021 Amount
Tier-two capital bond with fixed rate maturing in December 2027	–	6,000,000
Tier-two capital bond with fixed rate maturing in December 2032	4,999,057	–
Interbank certificates of deposits issued	11,980,811	2,417,309
Total	16,979,868	8,417,309

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB6.0 billion in the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. The issuer has an redemption option for such bonds, and the Bank exercised the issuer redemption option on 20 December 2022 to redeem all current bonds in a lump sum per face value.

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB5 billion in the national inter-bank bond market on 27 December 2022. The term of maturity of such bonds is 10 years. The coupon rate is interest-bearing fixed rate of 4.80%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

As of 31 December 2022, the balance of certificates of interbank deposit issued by the Bank amounted to RMB11.981 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2.3 Equity

As of 31 December 2022, the equity balance of the Bank amounted to RMB81.437 billion, representing an increase of RMB934 million or 1.2% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Share capital	8,796,680	10.8	8,796,680	10.9
Capital reserve	26,931,360	33.1	26,931,360	33.4
Surplus reserve	7,411,839	9.1	7,319,347	9.1
General reserve	14,797,531	18.2	14,013,554	17.4
Investment revaluation reserve	(1,274,532)	(1.6)	(816,706)	(1.0)
Provision reserve	1,239,049	1.5	862,128	1.1
Reserve on remeasurement of defined benefit liability	(28,848)	(0.0)	(24,638)	(0.0)
Retained earnings	22,901,106	28.1	22,797,677	28.3
Non-controlling interests	662,910	0.8	623,539	0.8
Total equity	81,437,095	100.0	80,502,941	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3 Loan quality analysis

During the Reporting Period, aiming to balance risk, capital and income, the Bank improved the unified credit policy system, steadily adjusted and optimized the structure of credit assets, and optimized the credit risk management processes and enhanced the ability to prevent and control credit risk based on the promotion of intelligent data and system construction. The Bank strengthened risk monitoring and early warning, standardized post-credit management, and increased efforts in the collection and dispose of non-performing loans to strengthen asset quality and prevent and resolve financial risks. As of 31 December 2022, the Bank's non-performing loan ratio was 3.22%, representing a decrease of 0.06 percentage point as compared with that at the end of the previous year. The provision coverage ratio was 140.30%, representing an increase of 9.43 percentage points as compared with that at the end of the previous year, and the ability to offset risk losses continued to increase.

5.2.3.1 Breakdown of loans by the five-category classification system

The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 31 December 2022, the non-performing loans of the Bank amounted to RMB19.762 billion, and the non-performing loan ratio was 3.22%, representing a decrease of 0.06 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022		As at 31 December 2021	
	Amount	of total (%)	Amount	of total (%)
Normal	578,569,094	94.3	549,478,083	93.7
Special mention	15,030,746	2.5	17,356,401	3.0
Substandard	17,892,886	2.9	17,913,718	3.1
Doubtful	1,304,771	0.2	805,554	0.1
Loss	564,832	0.1	478,912	0.1
Total loans and advances to customers	613,362,329	100.0	586,032,668	100.0
Non-performing loan	19,762,489	3.22	19,198,184	3.28



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the Reporting Period, the Bank further developed industry finance, focused on the ten selected industries, continued to strengthen the construction of customer base and optimised loan structure. The following table sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022				As at 31 December 2021			
	Loan amount	of total %	Non-performing loan amount	Non-performing loan ratio %	Loan amount	of total %	Non-performing loan amount	Non-performing loan ratio %
Wholesale and retail	146,667,851	23.9	11,291,091	7.70	150,601,899	25.6	10,738,594	7.13
Renting and business activities	92,009,229	15.0	925,345	1.01	100,283,745	17.1	923,149	0.92
Real estate	79,199,510	12.9	1,347,043	1.70	69,734,707	11.9	1,380,576	1.98
Manufacturing	35,796,852	5.8	2,398,842	6.70	39,005,576	6.7	2,618,410	6.71
Construction	35,248,613	5.7	522,512	1.48	28,848,272	4.9	470,159	1.63
Transportation, storage and postal services	4,924,427	0.8	149,010	3.03	8,304,991	1.4	145,850	1.76
Production and supply of electric power, heat, gas and water	2,997,032	0.5	653,318	21.80	3,337,573	0.6	938,298	28.11
Accommodation and catering	2,183,692	0.4	140,931	6.45	2,945,073	0.5	143,988	4.89
Mining	1,463,022	0.2	19,597	1.34	2,139,442	0.4	54,290	2.54
Household and other services	1,371,865	0.2	-	-	360,300	0.1	-	-
Culture, sports and entertainment	1,007,244	0.2	34,900	3.46	1,078,195	0.2	45,000	4.17
Agriculture, forestry, animal husbandry and fishery	618,572	0.1	40,552	6.56	632,694	0.1	55,224	8.73
Others	17,525,454	2.9	86,722	0.49	12,864,199	2.2	89,241	0.69
Discounted bills	92,469,152	15.1	-	-	65,170,949	11.1	-	-
Personal loans and advances	99,879,814	16.3	2,152,626	2.16	100,725,053	17.2	1,595,405	1.58
Total	613,362,329	100.0	19,762,489	3.22	586,032,668	100.0	19,198,184	3.28

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

As of 31 December 2022, loans provided to customers of (i) wholesale and retail (ii) renting and business activities (iii) real estate (iv) manufacturing and (v) construction represented the largest components of the Bank's corporate loans. As of 31 December 2022 and 31 December 2021, the balance of loans provided to the corporate customers in the five industries mentioned above were RMB388.922 billion and RMB388.474 billion, respectively, accounting for 63.3% and 66.2%, respectively, with respect to the Bank's total loans and advances to customers.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as of 31 December 2022. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2022		
	Industry involved	Amount	of total %
Customer A	Renting and business activities	8,500,700	1.39
Customer B	Real estate	8,329,850	1.36
Customer C	Renting and business activities	7,950,000	1.30
Customer D	Wholesale and retail	7,755,993	1.26
Customer E	Renting and business activities	7,601,000	1.24
Customer F	Real estate	6,139,900	1.00
Customer G	Renting and business activities	5,543,730	0.90
Customer H	Manufacturing	5,510,900	0.90
Customer I	Real estate	5,192,300	0.85
Customer J	Real estate	5,130,000	0.84

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Non-performing Loans by Product Type

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022			As at 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	513,482,515	17,609,863	3.43	485,307,615	17,602,779	3.63
Short-term loans	52,679,193	8,684,839	16.49	109,207,805	12,812,678	11.73
Medium and long term loans	368,334,170	8,925,024	2.42	310,928,861	4,790,101	1.54
Discounted bills	92,469,152	-	-	65,170,949	-	-
Retail loans	99,879,814	2,152,626	2.16	100,725,053	1,595,405	1.58
Mortgage loans	56,976,280	733,663	1.29	57,516,140	548,244	0.95
Personal business loans	8,468,525	389,745	4.60	7,542,819	206,946	2.74
Personal consumption loans	25,408,964	422,608	1.66	28,329,721	293,929	1.04
Credit card overdrawn	9,026,045	606,610	6.72	7,335,915	545,828	7.44
Others	-	-	-	458	458	100.0
Total	613,362,329	19,762,489	3.22	586,032,668	19,198,184	3.28

As of 31 December 2022 and 31 December 2021, the non-performing loan ratio of the Bank was 3.22% and 3.28%, respectively.

As of 31 December 2022 and 31 December 2021, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 3.43% and 3.63%, respectively.

As of 31 December 2022 and 31 December 2021, the non-performing loan ratio of the Bank's retail loans was 2.16% and 1.58%, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by former CBRC. As of 31 December 2022, the Bank's core tier-one capital adequacy ratio and tier-one capital adequacy ratio were both 9.86%, and the capital adequacy ratio was 11.52%, which at all levels met the regulatory requirements.

The following table sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022	As at 31 December 2021
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,931,360	26,931,360
– Surplus reserve	7,411,839	7,319,347
– General reserve	14,797,531	14,013,554
– Investment revaluation reserve	(1,274,532)	(816,706)
– Provision reserve	1,239,049	862,128
– Retained earnings	22,901,106	22,797,677
– Qualifying portions of non-controlling interests	160,618	121,712
– Others	(28,848)	(24,638)
Core Tier-one Capital	80,934,803	80,001,114
Core Tier-one capital deductions	(385,544)	(303,297)
Net Core Tier-one Capital	80,549,259	79,697,817
Net Tier-one Capital	80,549,259	79,697,817
Tier-two Capital		
– Qualifying portions of tier-two capital instruments issued	4,999,057	6,000,000
– Surplus provision for loan impairment	8,529,017	5,929,637
Net tier-two Capital	13,528,074	11,929,637
Total net Capital	94,077,333	91,627,454
Total risk weighted assets	816,537,283	756,282,510
Core Tier-one Capital adequacy ratio	9.86%	10.54%
Tier-one Capital adequacy ratio	9.86%	10.54%
Capital adequacy ratio	11.52%	12.12%



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5 Segment Information

5.2.5.1 Summary of regional branches

The Bank mainly operates within China. 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating income for the year ended 31 December				Non-current assets ⁽ⁱ⁾			
	2022		2021		30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	15,604,533	96.6	15,170,155	98.1	5,562,567	96.5	6,181,396	96.2
North China Region	219,340	1.4	174,535	1.1	186,339	3.2	215,781	3.4
Others	329,238	2.0	121,921	0.8	19,182	0.3	29,666	0.4
Total	16,153,111	100.0	15,466,611	100.0	5,768,088	100.0	6,426,843	100.0

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5.2 Business segments

Since this year, the Bank has combined the improvement of its own operational quality and efficiency with the transformation and upgrade of regional economy, thoroughly implemented the “four focuses” business strategy, accelerated the strategic transformation and development, strengthened the linkage of business segments, accurately allocated financial resources, and firmly promoted high-quality development. In 2022, the operating income of corporate business amounted to RMB11.366 billion, accounting for 70.4% of the total operating income. The operating income of retail banking business amounted to RMB3.956 billion, accounting for 24.5% of the total operating income. The operating income of treasury business amounted to RMB789 million, accounting for 4.8% of the total operating income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2022		2021	
	Amount	of total (%)	Amount	of total (%)
Operating income				
Corporate banking	11,365,990	70.4	11,072,643	71.6
Retail banking	3,955,685	24.5	3,564,682	23.0
Treasury business	789,484	4.8	691,099	4.5
Others	41,952	0.3	138,187	0.9
Total	16,153,111	100.0	15,466,611	100.0

5.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2022	As at 31 December 2021
Bank acceptances	65,229,705	128,417,787
Letters of guarantees	6,338,078	13,446,399
Letters of credit	7,681,241	12,617,399
Unused credit card commitments	19,231,905	17,777,920
Total	98,480,929	172,259,505



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3 BUSINESS OVERVIEW

5.3.1 Corporate Banking Business

Taking the professional operation of industry finance as the main line, the Bank implemented the “four focuses” business strategy and the “unified four capitals” service model, adhered to the working principle of “increasing scale, improving quality, preventing risk, stabilizing expectations, and strengthening style”, coordinated to promote the balanced development of scale, quality and efficiency, focused on the main responsibility and business, strengthened structural adjustment, attached importance to construction of customer base and improvement of product system, strengthened risk prevention and control, actively shaped the brand image of “being professional to accomplish for you and me”, proactively integrated into the overall situation of local economic development, and constantly improved social influence and market competitiveness.

5.3.1.1 Corporate Deposits

The Bank adhered to the its basic concept of “developing the Bank through core deposits”, focused on the core deposit business, accelerated the optimization of the debt structure, and constantly consolidated the foundation of corporate deposits, with the goal of achieving high-quality deposit growth. It firmly reduced the concentration of corporate deposits and high-cost deposits, and increased the proportion of green deposits and settlement deposits. In addition, the Bank implemented regional differential pricing strategy to control the overall pricing expectations, and deepened marketing management such as account development, product application and customer service, strengthened the use of transaction settlement products, electronic banking, cash management and other products to improve trading activity and customer stickiness. Meanwhile, the Bank strengthened the whole-process fund management of credit customers, actively obtained the key business qualifications from government agencies, and pursued settlement fund sedimentation. It deepened the “customer-centered” business philosophy, implemented the “big rivers” expansion plan, strengthened the customer service ability of grassroots network, expanded quality customer base and consolidated basic customer base, enhanced the business expansion and service for micro, small and medium-sized enterprises, strengthened assessment incentives such as assessment index of customer base construction and core customer chain development, and promoted deposit growth by improving customer’s business ability. As of 31 December 2022, the corporate deposits balance was RMB244.37 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.1.2 Corporate Loans

The Bank continued to improve the quality and efficiency quality of corporate assets allocation, firmly adhered to the concept of keeping integrity, returning to the origin, focusing on main business, rooted in local market, deepened the understanding and practice of the political and popular nature of financial work. With serving for real economy as the starting point and goal, the Bank deeply fitted into and supported the development of regional economic industry. Focusing on ten major industries, including equipment manufacturing, digital technology, public livelihood, modern agriculture, medicine and medical treatment, new retail, urban renewal, steel and metallurgy, energy and petrochemical, and government finance, the Bank established a standardized, procedural and operational industrial financial service system, and created a service model centered around “unified four capitals” with industry characteristics for accurately reaching the customer base. The Bank conscientiously implemented the decisions and deployment of the Party Committee and the government as well as regulatory requirements, gave priority to the allocation of credit scale to key areas such as advanced manufacturing, green finance, livelihood security, science and innovation, civil-military integration and rural revitalization, supported regional major projects and investment attraction, enriched the “TOWER+” trading bank product system and inclusive financial scenario-based and regional characteristic products, and continuously improved the quality and efficiency of credit assets operation. As of 31 December 2022, the balance of corporate loans (excluding bill discount) was RMB421.013 billion, representing an increase of RMB876 million over the beginning of the year.

5.3.1.3 Transaction banking

The Bank deepened the construction of the “TOWER+” transaction banking brand, innovated the supply chain financial service model to effectively play an important role of transaction banking in settlement and financing, credit guarantee, product innovation, customer management, etc., fully implemented measures to stabilize the overall economic market, and assisted in ensuring stability and improving the quality of foreign trade. By building brand products, professional teams, intelligent systems, and humanized service branches, the Bank achieved high-quality transformation and development of transaction banking. As of 31 December 2022, the Bank’s on/off balance assets of trading banking was equivalent to RMB37.147 billion, realized the clearance volume of USD10.630 billion, and the revenue from the transaction banking intermediary business amounted to RMB139 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2 Retail Banking Business

During the Reporting Period, the Bank adhered to the strategic vision of “building a sound bank”. On the one hand, it deepened customer management to meet the diversified needs of customers; on the other hand, the Bank sped up system building to release the tensions of system mechanism. By focusing on customer experience, an integrated and digital development model of retail bank covering all products, all channels and all scenarios was created to comprehensively improve customer service capabilities.

5.3.2.1 Personal Deposits

The Bank firmly implemented the “customer-centered” and “three-comprehensive and two-oriented” business policies, strengthened the construction of customer base system, adhered to the “4+5” customer stratification management and group operation, created a new “elderly care financial service system”, provided exclusive product portfolios, and created a comprehensive service of “elderly care” finance + life, “elderly care” finance + healthcare, and “elderly care” finance + culture. The Bank continued to improve the “agency-based financial service system”, strengthened the construction of the product systems, built a retail credit rights platform, and launched a series of special certificates of deposit for festivals, holidays and emotions such as Mid-Autumn and National Day. The Bank strengthened the quality improvement of outlets, comprehensively started the project of outlets quality management improvement, formulated work plans, led the high-quality development of outlets with high-quality Party construction, and gave full play to the roles of frontier outpost, marketing main force, business base position and operation service window of business outlets to improve customer experience. The Bank strengthened the construction of the marketing team and the management of cadres, carried out process management performance evaluation and “three-level exchange and learning for improvement” to effectively improve the management efficiency at all levels of the retail line. The Bank strengthened integrated operation, adjusted the department setting and functional positioning of retail line, and realized integrated product creation, business marketing, operation promotion and functional coordination. As of 31 December 2022, the balance of personal savings amounted to RMB502,664 million, maintaining a high growth rate for three consecutive years.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2.2 Personal Loans

The Bank kept up with changes in the market and customer demand, continuously promoting the comprehensive transformation of retail credit business, adhered to the matching of innovation-driven and risk control, built characteristic products and services, launched 12 self-operated consumer loan products of “six customer groups and six industries”, and constantly improved service effectiveness. The Bank adopted measures according to specific conditions of different cities to implement the real estate regulation policy, deepened the construction of key channels, firmly implemented the rescue assistance work of personal loan customers, and introduced “one extension and one guarantee” and other safeguard measures for personal loan extension, renewal and convergence, and maximized the legitimate rights and interests of our loan customers’ personal information subjects in credit investigation. In accordance with the mode of “mass customer acquisition, accurate portrait, automated approval, and intelligent risk control”, the digital risk control system was improved by continuously mining data value through science and technology empowerment. As of 31 December 2022, the balance of personal loans was RMB99.88 billion.

5.3.2.3 Bank Cards

The Bank continued to optimize the service functions of bankcards, build a professional and specialized service system, and improve group operation and hierarchical management of the customer structure. We introduced specialized products for different customer groups, established a rights and interests system and further improved customer experience to provide high-quality, efficient and convenient financial services for individual customers. The Bank continued to expand customer acquisition channels, and achieved mass customer acquisition. As of 31 December 2022, the Bank issued 19.7564 million debit cards in total, representing an increase of 1.06666 million compared to that at the beginning of the year, with a total consumption value of RMB22.91 billion.

5.3.2.4 Assets Management

During the Reporting Period, the Bank further strengthened the overall risk management and internal control compliance construction of the asset management business on the basis of fully realizing the net worth management of the asset management products, strictly implemented the national policy and supervision requirements, focused on improving the management ability of financial products, focused on product innovation and function upgrade, optimized asset allocation and management, and constantly improved the operation management ability and risk control ability to achieve sound and steady development of financial services. In addition, the Bank adhered to customer orientation, and actively integrated into the business operation of the three major lines of corporate banking, retail and inter-bank, strove to promote innovation of products, modes, and channels and system function upgrade, so as to effectively meet the differential needs of customers. In the “2022 Golden Prestige Award” sponsored by PY Standard, the Bank won two awards including “Excellent Asset Management City Commercial Bank” and “Excellent Innovative Asset Management Bank”, continuously improving the brand value of “good bank, good financial management” and laying a solid foundation for building a “financial subsidiary”. As of 31 December 2022, the amount of financial products in existence was RMB43.819 billion, representing an increase of RMB231 million over the beginning of the year, which were net-worth products, and the intermediary business income of financial management was RMB161 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.3 Capital and Investment Banking Business

5.3.3.1 Capital Business

In capital business, the Bank always adhered to the functional orientation of “serving for liquidity management, revenue growth and comprehensive operation of customers” to continuously optimize asset allocation and transaction, and improve capital efficiency with enhancing profitability as the core. Adhering to the coordination and unity of liquidity and profitability, the Bank actively carried out customer marketing, expanded cooperation channels, and strengthened comprehensive service level to achieve transformation development of financial market business.

Firstly, focus on value creation, serving for revenue growth. On the one hand, the Bank maintained the advantage of RMB bond trading, with the annual trading volume increasing by 20% year-on-year and the net trading price income increasing by multiple and maintained the scale of bill business transactions and carried out high-frequency trading, with an annual trading volume of over RMB100 billion; on the other hand, the Bank explored the international bond market, realized a breakthrough in dollar bond trading, and became the first institution in Northeast China to carry out overseas bond trading. Secondly, focus on construction of customer base, serving for liquidity management. On the one hand, the Bank deepened inter-bank cooperation, broadened cooperation fields, and facilitated the development of diversified business. Through underwriting business, the Bank promoted in-depth cooperation with a policy bank, doubled underwriting fees, and won the Market Development Award and the Best Progress Award issued by the China Development Bank. We established cooperative relations with overseas banks and opened overseas bond investment channels. On the other hand, by continuously optimizing the term structure of financing, the proportion of interbank debt has increased, and by adopting the two-end strategy, the cost of interbank debt has continued to fall.

The Bank was awarded the “Annual Influence Award for Core Dealers”, “Annual Influence Award for Money Market Dealers” and “x-repo Market Innovation Award” for the year 2022 by National Interbank Funding Center, and the title of “Top 100 Self-service Settlement of Bond Investment and Trading” by China Bond Corporation during 2022, and its market activity has been continuously improved.

5.3.3.2 Investment Banking Business

The Bank was determined to return to the roots, focus on the main business, and adhere to the requirements of high-quality development, so as to promote the development of investment banking in a sustainable direction. On the one hand, the Bank effectively implemented the requirement that the balance of non-standard debt investment business and the balance of investment in debt financing plans of local asset exchanges should only be reduced without increasing, and proceed with work of scale pressure drop in a prudent manner in accordance with the law. On the other hand, the Bank focused on the financial orientation of the industry, took syndicated loans and M&A loans as key products, supported the construction of major projects and high-quality customer base, gave full play to the regional advantages of the headquarters bank, strengthened inter-bank cooperation, keenly keyed up market opportunities, and actively responded to customer needs. During the Reporting Period, the business structure and customer structure were continuously optimized, and the level of integrated financial services was continuously improved.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4 Specialized Institutions and Subsidiaries

5.3.4.1 Financial Service Center for Small Businesses

The financial service center for small businesses of the Bank actively responded to the call of the nation, focused on the strategic vision of “building a sound bank”, took serving the real economy as the first priority, firmly implemented the inclusive financial service concept of “finance for the people”, strengthened the supporting for small and micro enterprises, and constantly promoted the innovation of service concept, service content and service method to actively build “one-stop” inclusive finance services, and improve the availability, coverage and satisfaction of inclusive finance focusing on developing “chain” finance.

Firstly, strengthen top-level design and increase the scale of balanced development. In order to further unify our thinking, fully, accurately and comprehensively implement the new development concept, adhering to the positioning of “serving local economy, serving small and medium-sized enterprises, serving urban and rural residents”, the Small Business Financial Service Center of the Bank actively integrated into the new development pattern of inclusive finance, and issued “Shengjing Bank’s implementation of ‘Stellar Ocean’(星辰大海) Plan – Three-year Action Plan for Comprehensively Promoting the Strategic Transformation of Inclusive Finance” to achieve top-level design from the aspects of objectives, modes, resources, incentives and guarantees, and guide the whole Bank to carry out inclusive finance effectively. Secondly, create inclusive product systems based on scenarios. Focusing on the advantageous areas, the small business financial Service Center of the Bank worked deeply and thoroughly in the business, forming 7 basic products, 22 scenario-oriented products and more than 30 regional characteristic products, and actively building differentiated competitive advantages. This year, small and micro enterprises by themselves can apply our independently developed online product “Tax e Loan” to withdraw money online, borrow and return on demand, and our goal of promoting financing with tax has been realized, helping small and micro enterprises to convert tax credit into financing credit. Thirdly, focus on key areas and draw a new picture of inclusive finance. We actively docked with government departments such as the MIIT, MOST, and the Federation of Industry and Commerce, by effectively using the integrated and optimized “Specialized, Sophisticated, Special and New enterprises”, “Sci-tech Enterprises”, “Stable Economic Performance” and “Foreign trade export” and other white lists, a total of more than 20,000 households were contacted. To supported rural revitalization, in line with regional policies, we went deeply to county outlets under our jurisdiction and developed “One county, one industry” production clusters of characteristic agricultural products, introduced the “High-yield Loan” product to support whole-chain industries such as farming and breeding, construction of high-standard farmland and agricultural facilities, primary and deep processing, warehousing, and trade. We also worked hard to strengthen, supplement, consolidate, and extend agricultural chains to foster industrial upgrade and promote common development.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4.2 Credit Card Center

During the Reporting Period, the credit card center of the bank implemented the operation policy of the head office and the large retail development strategy to carry out the management based on the functional positioning of “profit center” in combination with the three focus points of risk control, strong management and scale increase, and made every effort to promote the balanced and coordinated development of the business in terms of quality, scale and efficiency. In terms of quality, the Bank strictly controlled the increment and dissolved the stock to improve the level of risk control comprehensively, strengthened the introduction of external data, optimized the iterative risk control strategy and model, deployed the anti-fraud, automated approval and collection system, improved the telephone collection, territorial collection, outsourcing collection, judicial litigation and public security collection system, significantly increased the control of new card issuance, steadily improved the bad payment collection, and improved the effect of reform dissolving risk. In terms of scale, the Bank built the brand of “Refresh a better life”, improved the four-dimensional marketing system of distribution, direct sales, online sales and telephone sales, strengthened the active operation of target customers, and carried out the “Being spree together (9要一起嗨)” series of activities to benefit the people with Wechat, Meituan, Tmall and Wanda, and the number of active cards exceeded 1 million. Customer service transformation efficiency continued to improve, the service level of remote banking centers and intelligent substitution remained the industry leader, and the increment of long-tail customers’ savings deposits exceeded the RMB10 billion. In terms of efficiency, focusing on customer value creation, the Bank improved the efficiency adjustment structure, built a preferential merchant system, improved the environment for using cards, and paid attention to high-quality credit delivery, thus improving the overall operating efficiency.

As of 31 December 2022, there were in aggregate 2,083,000 credit cards issued by the Bank, representing an increase of 238,900 cards or 13.0% from the number at the beginning of the year; The balance of credit card loans was RMB9.026 billion, representing an increase of RMB1.690 billion or 23.0% compared with the end of the previous year.

5.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer finance company in Northeastern China established by the Bank as principal sponsor and was approved to start business in February 2016.

During the Reporting Period, Shengjing Bank Consumer Finance led the high-quality innovative development of the company with high-quality Party building, and comprehensively assisted consumption upgrade based on inclusive finance, rooted in Liaoning and Shenyang. Taking “science and technology + big data” as the development cornerstone, the Company took multiple measures to actively promote product innovation, marketing innovation and service innovation with regional characteristics such as “Sheng Xiang Loan (盛享貸)” and “Nuan Xin Loan (暖心貸)”, and constantly strengthened the awareness of comprehensive risk management, enhanced the ability of technology to enable business, and promoted the upgrade and optimization of system and architecture to assist business with science and technology, promote development with business, and created new patterns of development. In addition, the Company also actively participated in social welfare, implemented its original mission of “Finance for the people”, and intensified its responsibility as a financial institution to ensure the new development of the real economy.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4.4 Village and Town Banks

As the main investor, the Bank jointly initiated the establishment of 6 village banks, among which 4 are located in Shenyang City, Liaoning Province, 1 in Shanghai and 1 in Ningbo City. All the 6 village banks are independent legal entities. As of 31 December 2022, the total assets and the total liabilities of the six village banks both increased compared with the beginning of the period, and the overall non-performing loan ratio decreased compared with the beginning of the period, representing a steady improvement of the level of operation and development, and an enhancement of risk control ability.

The Bank established the local branch management mode led by the risk line of the head office, with Shenyang Branch supporting the four village banks in Shenyang and Shanghai Branch supporting the two village banks in Shanghai and Ningbo. During the Reporting Period, the Bank actively fulfilled the responsibilities and obligations of the main sponsor bank. With the efficient cooperation of the head office and branches, the Bank guided and helped the village banks to strengthen system construction, team construction and cultural construction, continuously improved the level of corporate governance, implemented the supervision and rectification opinions, strictly controlled the internal risk management, and focused on strengthening the monitoring of public opinion risk and liquidity risk of the village banks. With the guidance and help of the branches, the village banks adhered to the market positioning of supporting agriculture and small enterprises to return to their origin, focus on the main business, and deeply cultivate the local and sink to the low-tier market, thus ensuring the healthy and sustainable operation of village banks.

5.3.5 Distribution Channels

5.3.5.1 Offline Channels

In order to respond to the trend of de-cashing and intelligent transformation of the sales network and to ensure the sustainable development of the network, the Bank accelerated the outlet transformation and upgrade, and continuously improved the operation and maintenance of existing outlets, and strengthened the layout of outlets in areas with weak financial services, as a result, the coverage of outlet services continued to expand, equipment functions were optimized and upgraded to enhance technical substitution level of the outlets, and the market competitiveness and regional influence continued to be enhanced. As of 31 December 2022, the Bank has a total of 213 institutional outlets, including 1 business department of head office, 3 branch-level specialised institutions, 18 branches, 187 traditional sub-branches, and 4 small and micro sub-branches. The Bank has advanced self-service terminal equipment such as self-service deposit/withdraw machines (including ATM and CDM), Intelligent Teller Machines (ITM), mobile card opening machines, high-speed Cash Recycling machines (CRS), Virtual Teller Machines (VTM), automatic payment machines (APM), and interactive desktops.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.5.2 Electronic Banking

1. Corporate Online Banking

To better meet the needs of corporate customers, the Bank has been continuously enriching the corporate online products and functions. During the Reporting Period, the corporate online banking has been iterated and upgraded rapidly, and more than 70 functions have been added and optimized, such as Tax e Loan (稅易貸), Sheng e Loan (盛易貸), Quick Pay (快付通), Bill Discount (商票保貼), and inter-bank payroll payment (跨行代發工資), to improve the customer service experience. As of 31 December 2022, there were 63,800 corporate online banking customers in total, representing an increase of 22.1% compared with that at the end of the previous year. There were 4.7517 million transactions, with a cumulative transaction value of RMB3,153.387 billion, representing an increase of 49.3% from that at the end of the previous year.

2. Personal Mobile Banking

The Bank adhered to focusing on user experience and making efforts to systematically upgrade user experience of personal mobile banking. During the Reporting Period, 182 experience points were optimized, user activity was continuously improved, and the sales volume of personal mobile banking financial products reached RMB344.681 billion, representing an increase of 24.3% over the same period of the previous year; the Bank launched the new “elderly-care version” mobile banking, upgraded the elderly-oriented service, and created an exclusive online financial platform for elderly customers to “watch comfortably, use safely, and deposit reliably”; and a number of special sections including military section, referral activity section, reward points section, payroll section were launched to upgrade featured customer experience. As of 31 December, 2022, there were 3,824,400 mobile banking users in total, with the number of monthly active users increased by 9.1% compared with the same period of the previous year.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.6 Information Technology and R&D

During the reporting period, centering on the strategic vision of “building a sound bank”, the Bank adhered to the basic policy of “Building a bank by science and technology” in accordance with the deployment requirements of the “Outline of the 14th Five-Year Development Plan and Vision 2035 of Shengjing Bank”, and always maintained concentration and cohesion to comprehensively improve the overall capacity of information technology under the guidance of the “Strategic Plan of Information Technology of Shengjing Bank 2022–2025”.

Firstly, the Bank continued to optimize the information technology system and work process, improve the “head office, branch, sub-branch” three-level IT working mechanism. Secondly, the Bank reconstructed the technical architecture of application systems, and introduced fintech technologies such as “virtualization + micro-service + distributed” to realize “Active-Active” of important information systems and enhance the continuous service capability of information system business. Thirdly, the Bank optimized the information technology project management process, improved the pointer system of the non-functional requirements database and test risk database to shorten project cycle and improve project quality, as a result, the operational demanded production capacity increased by 16.21% year on year. Fourthly, the Bank completed the construction of enterprise-level general ledger system, customer relationship management system and other systems to promote the transformation of application system architecture comprehensively. Fifthly, the Bank put the integrated payment platform and credit operation process system into operation, implemented the business process optimization and paperless transformation of the counter system, and the function optimization of the electronic banking system, so as to accelerate the process of business digital transformation. Sixthly, the Bank carried out brand building of “TOWER+” and R&D of products such as “E Care products (頤養產品)”, “Tax e Loan (稅易貸)” and “Real estate e Loan (房易貸)” to provide customers with personalized and differentiated inclusive financial services. Seventhly, the Bank improved the data governance system in accordance with new regulations to implement data standards, and built a data asset management platform to improve data service capabilities.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4 RISK MANAGEMENT

In 2022, the Bank made solid progress in the implementation of the Action Plan of Shengjing Bank on Strengthening Comprehensive Risk Management and Internal Control Compliance (2021–2023), and its comprehensive risk management ability was continuously enhanced. Firstly, the Bank revised and improved the comprehensive risk management system and some specialized risk management systems, the risk management system was continuously optimized. Secondly, the core indicators of risk management remained stable and improved, and the asset quality control achieved phased results. Thirdly, the Bank effectively balanced the needs of risk management and business development, optimized the risk management assessment mechanism, and gradually cultivated the concept of risk creating value. Fourthly, a new generation of credit operation platform system and risk management information system were launched to realize the systematic management of the whole credit process, and the decision supporting role of the information system was further enhanced. Fifthly, the Bank deepened the construction of risk culture, and carried out professional training on multi-level, internal and external risk management to promote the steady improvement of the bank's risk management ability.

5.4.1 Credit Risk Management

Credit risk occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The credit risk exposure of the Bank mainly exists in the credit business and treasury business.

During the Reporting Period, the Bank implemented the work deployment of “increasing deposits, improving quality, preventing risks, stabilizing expectations and strengthening work style”. Adhering to the principle of grasping substantial risks and preventing ultimate risks, based on the industry financial business orientation, the Bank gathered high-quality customers, steadily promoted the resolution of stock risks, continuously optimized the asset structure of the Bank, and steadily improved the asset quality. Firstly, guided by the top ten preferred industries, the Bank implemented differentiated credit policies and classified guidance to highlight risk control, “return to the origin, focus on the main business”, and guide the bank's strategy to turn to superior resources. Secondly, made the credit process management more standardized, systematic and scientific, revised and improved the Administrative Measures for Examination and Approval of Credit Granting for Corporate Business, specified and standardized the processed of pre-loan, in-loan and credit application processes from the institutional level, and actively explored the mode of full-time approver and project evaluation to implement the philosophy of “Compliance as a key foundation of the Bank”. Thirdly, improved credit license management, implemented differentiated regional license management and issuance strategies, and continuously promoted the innovation of service concepts, service modes and service content, so as to drive business development with innovation. Fourthly, strictly observed the bottom line of risks to resolve problems, strictly implemented the cross regional business control policy, and strengthened large-credit management to strictly control the growth of large amount of credit. Fifthly, strengthened the construction of credit examination and approval team, innovated the KPI assessment system of risk management, actively cultivated a “Comprehensive, Shared, Stable and Prudent” credit examination culture, and continuously improved the efficiency of credit examination and approval.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.2 Operational Risk Management

Operational risk refers to the risk of loss caused by inadequate or problematic internal procedures, personnel and information technology systems as well as external events.

During the Reporting Period, adhered to legal and compliance operations, the Bank continuously improved internal control systems, standardized business operation processes, strengthened checks and balances between posts, improved operational risk management tools, and strengthened risk early warning and monitoring to continuously improve operational risk management and control capabilities. Firstly, the Bank consolidated the foundation of compliance management for internal control. The Bank accelerated the construction of institutional system by building a pyramid institutional hierarchy, comprehensively sorted out internal control processes, and improved risk management mechanisms in key areas to ensure mutual checks and balances of institution, credit, system and job responsibility, and promote the optimization and control of the whole process. Secondly, the Bank improved the operational risk management mechanism. The Bank optimized self-assessment of operational risk and control, key risk indicator monitoring, loss data collection and management tools, clarified standards and methods, built key risk indicator database, broadened operational risk management and monitoring channels, and gradually realized quantitative dynamic early warning of operational risks. Thirdly, the Bank enhanced the awareness of operational risk prevention. The Bank continued to carry out special training on business knowledge, practical operation, compliance culture, case prevention and control training and case alert education, and strengthened the construction of internal control risk culture, so as to prevent and control the misconduct of personnel in important positions and key links, and minimize operational risks and moral risks.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.3 Market Risk Management

Market risks refer to the risk of commercial banks' losses of on-balance-sheet and off-balance-sheet businesses due to adverse changes in market price, including interest rate, exchange rate, stock price and commodity price. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk.

The market risk management of the Bank aimed to control market risks within an affordable range within the framework of comprehensive risk management to maximize the comprehensive benefits of the Bank by undertaking certain market risks. The Bank continues to follow and assess market risk through measurement sensitivity and Value at Risk (VaR), reasonably controls the scale of market risk and loss condition by setting transaction limit, risk limit and stop-loss limit. During the Reporting Period, the Bank continuously carried out the monitoring and evaluation of market risk, constantly refined the management dimension and improved the frequency of control: firstly, the Bank continuously improved the refinement of daily monitoring, carried out market revaluation of market risk limit of trading accounts on a daily basis through PVBP, Value at Risk (VaR) and other management tools of risk measurement. Secondly, the Bank continued to strengthen the standardization of market risk management, organically combined regulatory requirements with the Bank's business development plan, and further improved the authorization and system management system. Thirdly, the Bank continued to improve the effectiveness of market risk management, carried out regular stress tests to assess the damage caused to the Bank by extremely adverse scenarios, and at the same time conducted post-event retrospective inspection on stress tests. Through continuous improvement of risk measurement model, parameters and emergency disposal measures, the effectiveness of market risk management of the Bank was improved.

5.4.4 Bank Account Book Interest Rate Risk

Bank account book interest rate risk refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of bank account books, including gap risk, benchmark risk and optional risk. Among which, gap risk is the main interest rate risk faced by the Bank. The Bank mainly adopted various methods such as gap analysis, scenario simulation and stress testing to measure, monitor and analyze interest rate risk in bank accounts.

During the Reporting Period, the triple pressure of domestic demand contraction, supply shock, and weakening expectation continued to evolve due to repeated impacts of multiple factors exceeding expectations, such as multiple outbreaks of COVID-19, extreme heat and the Russia-Ukraine conflict. In an environment where the foundation for overall recovery is not yet solid, the central bank adhered to a prudent monetary policy with flexibility and moderation, and adopted a combination of policy tools such as cuts to required reserve ratios and cuts to interest rates, as a result, the market liquidity was reasonable and abundant, the interest rate liberalization reform was deepened, and policy transmission efficiency was further improved. In order to effectively reduce the negative impact of interest rate changes on the Bank's current profit and loss and economic value, the Bank paid close attention to changes in the external market interest rate environment and strictly implemented the interest rate risk limit management mechanism of banking books to continuously strengthens the monitoring and analysis of interest rate risk of banking books. By adjusting the structure of assets and liabilities, reasonably controlling the interest rate sensitivity gap, strengthening internal pricing management, rationally using interest rate pricing and internal fund transfer pricing, FTP and other tools, the Bank guided business operating units to adjust the re-pricing term structure of assets and liabilities business in accordance with the requirements of the head office, so as to control the interest rate risk in banking books and form a management mechanism for active operation of interest rate risk to control the pressure of interest rate risk in banking books within a tolerable range.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.5 Liquidity Risk Management

Liquidity risk refers to the risk of failure to timely obtain adequate funds at a reasonable cost to repay debts when due, perform other payment obligations, or satisfy other capital needs in the ordinary course of business.

During the Reporting Period, the Bank adhered to the principle of keeping prudent and stable in its liquidity risk appetite and further improved its management level. Firstly, the Bank continuously improved the liquidity management system covering the entire Group, on and off-balance sheet, and in both domestic and foreign currencies, and strengthened the monitoring and management of liquidity in “all channels, all accounts and all currencies”. and further improved the multi-level liquidity reserve mechanism to excel in fund position control and large amount transfer authorization, and realize the aggregate balance of assets and liabilities and the continuous optimization of term structure. Secondly, the Bank strengthened the dynamic monitoring and early warning mechanism of liquidity risk, actively promoted the reform of information system, and improved the level of refined management of liquidity risk. Thirdly, the Bank continued to optimize the liability structure, reduce the high concentration of corporate deposit customers and retail deposit products, guide the bank’s debt capital to achieve steady growth, and consolidate the foundation of liquidity. Fourthly, the Bank further improved emergency management to cope with public opinion impact smoothly by revising the “Liquidity Emergency Plan of Shengjing Bank” and optimizing the emergency handling strategies, measures and processes. Fifthly, the Bank deepened inter-bank cooperation, increased the credit limit of inter-bank institutions to the Bank, expanded emergency fund supplement channels, accelerated asset business circulation, and improved the risk emergency liquidity of liquid assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.6 Information Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, reputation or legal compliance in the process of applying information technology due to factors such as natural factors, human factors, technological limitations and management inadequacy.

During the Reporting Period, the Bank's IT risk strategic guidance ability was further enhanced, the Board of Directors and senior management increased their emphasis on information technology construction and risk prevention and control work, the investment in information technology increased year by year, a relatively complete IT risk management system was established, and various risk control measures were put in place. Firstly, in order to accelerate the digital transformation, the Bank established an information technology organizational structure of "1 department, 1 office" to coordinate the implementation of various planning tasks. Secondly, with the help of external experts, the Bank made a gap analysis on the IT status quo, compiled the "2022–2025 Information Technology Strategic Plan of Shengjing Bank", steadily implemented the key measures of "a new model, improving three capabilities and building five directions", and promoted the construction of significant projects. Thirdly, in accordance with regulatory provisions and IT risk control requirements, a regular information technology risk control mechanism was established through the identification, measurement and monitoring of risks in the links of system R&D, science and technology operation and business continuity. Fourthly, the Bank carried out vulnerability risk screening and disposal, network security self-inspection and outsourcing risk inspection. Fifthly, the Bank strengthened the safety control of development projects, and standardized the safety management process and tasks at each stage of project approval request, development and design, test and acceptance, production and launch, and improved the safety of new systems. Sixthly, the Bank completed the systematic security testing and evaluation such as online loan system, online banking system and mobile banking, and actively repaired the discovered loopholes. Seventhly, the Bank carried out the emergency drill of information systems, hosting important real business operating for 24 hours, which fully verified the effectiveness of the disaster recovery measures of the IT architecture of the Bank.

5.4.7 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank from the stakeholders, the public and the media due to entity acts, staff behaviors or other external incidents, which damages the brand value of the Bank, adversely affects the normal operation of the bank, and even affects the market stability and social stability.

During the Reporting Period, centering on the strategic vision of "Building a sound bank", the Bank further promoted the whole-process management of reputational risk and normalization construction. Firstly, the Bank strengthened pre-assessment and pre-management of reputational risk. Secondly, the Bank strictly enforced 24/7 public opinion monitoring and daily public opinion reporting to keep close tabs on public opinion situation. Thirdly, the Bank strengthened public relations management and enhanced the effectiveness of external linkage. Fourthly, the Bank maintained a positive pace of publicity, and took the initiative to strengthen public opinion guidance to tell good stories and create a good image. Fifthly, the Bank organized and carried out trainings and emergency drills, strengthened the team management of propagandists, and cultivated a reputational risk management culture with full participation.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.8 Compliance Risk Management

Compliance risk refers to the risk of suffering from legal sanction, regulatory punishment, significant financial loss or reputation loss due to failure to comply with relevant laws, rules and codes of conduct.

The Bank always adhered to the principle of “compliance first”, deepened the philosophy of “Compliance as a key foundation of the Bank”, adhered to high standards of compliance with laws, regulations, regulatory requirements and the Bank’s regulations, and carried out various business management activities to continuously promote the quality of the Bank’s compliance management. Firstly, the Bank improved the compliance risk management system. The Bank kept on improving the compliance risk management framework, strengthened internal control measures, adhered to compliance operation and bottom line thinking, and implemented construction of whole-process compliance mechanism, so as to achieve effective identification and management of compliance risks. Secondly, the Bank took regulatory policy as the guidance of action. Out of respect and awe for supervision, the Bank carried out communication and reporting on supervision on a regular basis. Continuously strengthened the transmission of regulatory policies, effectively integrated dynamic regulatory requirements into the operation and management across the Bank, promoted the implementation of regulatory opinions in the Bank, and comprehensively improved the quality and efficiency of problem rectification, so as to ensure that the operation management and regulatory orientation go in the same direction. Thirdly, the Bank strengthened compliance supervision and inspection. The Bank gave full play to the supervision function of the two lines of defense; focused on key areas and key links to increase the frequency, scope and depth of compliance inspection; promoted compliance inspection across the Bank, thus to promote rectification by inspection and promote improvement by rectification, and constantly improve the effectiveness of compliance risk management. Fourthly, the Bank strengthened the control of overseas branches. Considering the operation conditions of overseas branches, the Bank guided the overseas branches to reshape the compliance risk management system and effectively improve their compliance management level by strengthening institutional system construction, improving business process, comprehensive risk control, asset quality management and strengthening supervision and inspection. Fifthly, the Bank promoted the all-round construction of compliance culture. The Bank established an institutionalized and normalized publicity mechanism to consolidate the foundation of compliance culture construction. The Bank carried out various forms of compliance training, warning education and compliance publicity, to strengthen the inculcating of ideas from the source, cultivate the bottom-line thinking, create a good atmosphere of “Compliance is must for anyone, anytime and anything” throughout the Bank, and create an internal control compliance culture with the characteristics of Shengjing Bank.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.9 Money Laundering Risk Management

The Bank strictly complied with national anti-money laundering laws and regulations and solidly performed statutory obligations and social responsibilities in respect of anti-money laundering.

During the Reporting Period, the Bank fully implemented the “Three-year Action Plan on Combating and Controlling Illegal Money Laundering Crimes (2022–2024)”, continued to deepen the management of money laundering risk, and comprehensively improved the management capacity of money laundering risk. Firstly, the Bank thoroughly implemented various laws and regulations on anti-money laundering, strengthened the comprehensiveness and effectiveness of the system, and effectively improved the ability to control money laundering risk. Secondly, the Bank strengthened the construction of money laundering risk assessment system and mechanism, improved the application effect of assessment results, continuously optimized money laundering risk management policies, strengthened money laundering risk monitoring and control measures, and effectively improved the ability to prevent and control money laundering risk. Thirdly, the Bank continued to enhance scientific and technological support capacity, optimize system monitoring indicators, strengthen the data quality of business systems and the function of early warning and strong control of risks to help improve the quality and efficiency of risk control. Fourthly, the Bank established an effective long-term training mechanism to improve anti-money laundering talent reserve and professional echelon construction, and promote anti-money laundering performance to improve quality and efficiency. Fifthly, keeping up with the regulatory situation, the Bank deepened offline publicity methods and expanded online publicity channels to carry out regular publicity, strictly implemented the fight against telecommunications network fraud and other money laundering crimes, and promoted the development of anti-money laundering work in depth.

5.4.10 Country-specific Risk Management

Country-specific risks represent the risks of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banking financial institutions, or incur loss to commercial presences of banking financial institutions in that country or region, or other loss to banking financial institutions. It mainly exists in business activities such as credit, international capital market business, establishment of overseas institutions, agency transactions, and outsourcing services provided by overseas service providers.

The Bank incorporates country-specific risks into its comprehensive risk management system, evaluates country-specific risks based on external ratings, political and diplomatic environment, economic and financial environment and other factors, formulates country-specific risk quotas, calculates exposures of country-specific risk, carries out country-specific risk stress tests, and sets aside reserves in accordance with regulatory requirements. During the Reporting Period, the Bank updated its country-specific risk management system, further standardized its country-specific risk management and improved its ability to country-specific risks. The scale of the Bank’s overseas claims was safe and controllable, and no exposure of country-specific risk occurred.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.5 FUTURE OUTLOOK AND DEVELOPMENT STRATEGY

In the past year, inflation remained high and monetary policy continued to tighten in the world's major developed economies. Due to the disturbance of geopolitical conflicts, energy and food crises and other factors, the uncertainties of international situation increased and spread to the economic sector. The worldwide economic activity generally slowed down, and financial markets shook significantly. In the face of a more complex and severe external environment, the domestic economy also faced triple pressures of demand contraction, supply shock and weakening expectations. However, the fundamentals of China's economy that is of strong resilience, great potential and sufficient vitality have not changed. China has adhered to the general tone of "keeping stability at the first place and making progress while maintaining stability", defined the direction of "six coordination that more efforts will be made in", speeded up the implementation of a package of policies and follow-up measures to stabilize the economy, optimized the prevention and control measures for the COVID-19 pandemic, deepened the reform of financial system, strived to stabilize employment and prices, taken advantages of effective investment as a key role, consolidated and expanded the upward trend of economic stability, and promoted the overall improvement of economic operation.

The year 2023 represents the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. China has embarked on a new journey to comprehensively build a modern socialist country. The region of Shenyang, Liaoning where the Bank's headquarters is located will deepen the financial supply-side structural reform, and promote the healthy development of inclusive finance, science and technology finance. Shenyang will focus on the overall goal of "promoting comprehensive revitalization in the new era, making new breakthroughs in all-round revitalization, and striving to build a national central city", strive to strengthen the construction of key financial industry clusters, improve the multi-level financial market system, and enhance the influence of financial radiation. Standing at a new historical starting point, Shengjing Bank will deeply grasp the internal and external development environment, focus on the strategic vision of "building a sound bank", adhere to the positioning of "serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents", deeply implement the strategy of "focusing on deposit growth, customer group construction, value creation, and capacity improvement", and comprehensively promote the model of "integration, characteristics, lightweight, and digital", strive to improve the management efficiency, actively integrate into the local economic development pattern, give back to the society and citizens with our own development, and make every effort to write a new chapter of sustainable and high-quality development.



SIGNIFICANT EVENTS

RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the CBIRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank did not conduct any acquisition and disposal of assets or any business merger.

REPLENISHMENT OF OTHER TIER-ONE CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT

In order to actively implement the government's special bond policy of RMB200 billion to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Bank carried out the convertible negotiated deposit business to replenish other tier-one capital. On 16 September 2022, the Bank held the 2022 first extraordinary general meeting, the 2022 first domestic share class meeting and the 2022 first H share class meeting to consider and approve the replenishment of other tier-one capital through a convertible negotiated deposit of the Bank.

The Bank and Shenyang Finance Bureau entered into the agreement on replenishing the "convertible negotiated deposit" of small and medium sized banks' capital with the special bonds (the "**Agreement**"). Pursuant to the Agreement, the Bank received up to RMB15 billion in tranches of agreed deposits, and all funds were used to replenish other tier-one capital of the Bank.

The parties agreed that the conversion of the convertible negotiated deposit into the ordinary Shares of the Bank shall be subject to the following conditions:

1. the core tier-one capital adequacy ratio of the Bank is lower than 5.125%; and
2. the class and number of the converted Ordinary Shares and the shareholding structure of the Bank after the conversion shall satisfy the particular requirement of the Hong Kong Stock Exchange for the minimum public float.

Before the conversion, the interest rate of the convertible negotiated deposit shall match with the corresponding local government special bonds issuance interest rate and shall not exceed 3.8%. If the interest rate of the special bonds exceeds such range, the Bank will submit to the Shareholders' general meeting for approval separately.

SIGNIFICANT EVENTS (CONTINUED)

The term of the Agreement started from the issuance date of the special bonds to the earlier of the following: (i) the date on which the shares held by the designated subject are withdrawn, (ii) the maturity date of the special bonds, or (iii) the expiry date of 10 years from the issuance date of the special bonds.

As of the Last Practicable Date, the conversion conditions set out in the Agreement have not been satisfied, and the Bank has not issued any Shares pursuant to the Agreement. Please refer to the circular of the Bank and the announcement of the Bank dated 31 August 2022 for details of the replenishment of additional tier-one capital by convertible negotiated deposit business.

Save for the above, during the Reporting Period, the Bank did not enter into or renew any other equity-linked agreements.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As at 31 December 2022, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there were no changes in the such shares.

	31 December 2021		Changes during the Reporting Period			31 December 2022	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	6,334,384,089	72.01	Nil	Nil	Nil	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	2,685,567,665	30.53	Nil	615,188,760	615,188,760	3,300,756,425	37.52
1.2 Shareholding of private legal persons	3,648,816,424	41.48	Nil	-615,188,760	-615,188,760	3,033,627,664	34.49
2. Shareholding of domestic natural persons	121,553,611	1.38	Nil	Nil	Nil	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Note:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of the end of the Reporting Period, the total number of domestic shareholders of the Bank was 3,465, and the total number of H Share shareholders was 126. Among domestic shareholders, there are 41 state-owned legal person shareholders, 109 private legal person shareholders, and 3,315 natural person shareholders.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.1 PARTICULARS OF SHAREHOLDINGS OF THE SHAREHOLDERS

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

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司("Shengjing Finance Holdings"))	State-owned	1,829,225,327	20.79	0
2	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恆信國有資產經營集團有限公司) (Shenyang Hengxin)	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司("Liaoning Huibao"))	Private	400,000,000	4.55	400,000,000
4	Founder Securities Co., Ltd. (方正證券股份有限公司) (“Founder Securities”)	Private	300,000,000	3.41	0
5	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司)	Private	300,000,000	3.41	80,000,000
6	Shenyang Heping District State-Owned Assets Management Co., Ltd. (瀋陽市和平區國有資產經營有限公司)	State-owned	250,000,000	2.84	0
7	Shenyang Hi-Tech Development Investment Holding Group Co., Ltd. (瀋陽高新發展投資控股集團有限公司)	State-owned	250,000,000	2.84	0
8	Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司)	Private	200,000,000	2.27	0
9	Lianmei Group Co., Ltd. (聯美集團有限公司)	Private	200,000,000	2.27	0
10	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
Total			4,409,061,661	50.12	480,000,000

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

1. Interests of Substantial Domestic Shareholders

As at 31 December, 2022, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
Shengjing Finance Holdings ⁽¹⁾	Beneficial owner	1,829,225,327 (Long position)	28.33	20.79
Shenyang Hengxin ⁽²⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) ⁽²⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45

Notes:

- (1) According to the Register of Shareholders of the Bank as at 31 December 2022, Shengjing Finance Holdings held 1,829,225,327 Domestic Shares. Shengjing Finance Holdings was 67.42% owned by Shenyang SASAC. By virtue of the SFO, Shenyang SASAC is deemed to be interested in the Shares held by Shengjing Finance Holdings.
- (2) According to the Register of Shareholders of the Bank as at 31 December 2022, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly-owned by Shenyang Industrial Investment Development Group Co., Ltd., which was 98.16% owned by Shenyang SASAC. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and Shenyang SASAC are deemed to be interested in the Shares held by Shenyang Hengxin Holdings.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

2. Interests of Substantial H Shareholders

As at 31 December, 2022, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
PEAK TRUST COMPANY-NV ⁽²⁾	Interest of a controlled corporation	406,761,000 (Long position)	17.38	4.62
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/Beneficial owner	324,651,500 (Long position)	13.87	3.69
Nu Kenson Limited ⁽⁴⁾	Beneficial owner	190,000,000 (Long position)	8.12	2.16
Oshidori International Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	293,034,000 (Long position)	12.25	3.33
Murtsa Capital Limited ⁽⁵⁾	Beneficial owner	203,676,000 (Long position)	8.70	2.32
Satinu Resources Group Ltd. ⁽⁵⁾	Interest of a controlled corporation	204,284,000 (Long position)	8.73	2.32
Cheng Yu Tung Family(Holdings II) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁶⁾	Interest of a controlled corporation/Beneficial owner	179,518,060 (Long position)	7.67	2.04



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Notes:

(1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.

(2) Cordoba Homes Limited held 6,761,000 H Shares of the Bank through its wholly-owned subsidiary, Cordoba Homes Treasury Limited (registered in the British Virgin Islands); Terra Firma Cordoba Limited held 61.98% of the equity of Cordoba Homes Limited; Terra Firma Cordoba Limited was wholly owned by Terra Firma Holdings Limited; Terra Firma Holdings Limited was wholly owned by PEAK TRUST COMPANY-NV. By virtue of the SFO, Cordoba Homes Limited, Terra Firma Cordoba Limited, Terra Firma Holdings Limited and PEAK TRUST COMPANY-NV are deemed to be interested in the Shares held by Cordoba Homes Treasury Limited.

Future Capital Group Limited held 400,000,000 H shares of the Bank. Future Capital Group Limited was wholly owned by Core Heaven Group Limited; Core Heaven Group Limited was wholly owned by Cordoba Homes Treasury Limited; Cordoba Homes Treasury Limited was wholly owned by Cordoba Homes Limited. By virtue of the SFO, Core Heaven Group Limited, Cordoba Homes Treasury Limited and Cordoba Homes Limited are all deemed to be interested in the Shares held by Future Capital Group Limited.

(3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by CC Land Holdings Limited; CC Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, CC Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.

(4) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Winds Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

Kenson Investment Limited held 100,000,000 H Shares of the Bank. Kenson Investment Limited is wholly owned by Uptown WW Holdings Limited; Uptown WW Holdings Limited is wholly owned by Uptown WW Capital Group Limited; Uptown WW Capital Group Limited (registered in British Virgin Islands) is wholly owned by Uptown WW Capital Group Limited (registered in the Cayman Islands); Uptown WW Capital Group Limited is wholly owned by Enerchina Investments Limited; Enerchina Investments Limited is wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Uptown WW Holdings Limited, Uptown WW Capital Group Limited, Enerchina Investments Limited and Oshidori International Holdings Limited are deemed to be interested in the shares held by Kenson Investment Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (5) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Satinu Capital (HK)Limited; Satinu Capital (HK)Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK)Limited, Satinu Holdings Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited.

Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited, HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.

- (6) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding)Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings)Limited and Cheng Yu Tung Family (Holdings II) Limited respectively. By virtue of the SFO, Chow Tai Fook (Holding)Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2022 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

7.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shengjing Finance Holdings and Shenyang Hengxin held 1,829,225,327 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 20.79% and 5.45% of the Bank's total share capital, respectively.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF DOMESTIC SHARES AND DE FACTO CONTROLLERS

Below is the information on the Bank's substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries as at the end of the Reporting Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks(《商業銀行股權管理暫行辦法》) issued by the CBIRC.

No.	Name of shareholder	Number of Shares held	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (number)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Shengjing Finance Holdings	1,829,225,327	20.79%	Holding 5% or more of the Bank's shares, being appointed supervisor	0	Shenyang SASAC	Shenyang SASAC	Nil	Shengjing Finance Holdings
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	Shenyang SASAC	Nil	Shenyang Hengxin
3	Zhongyou Tianbao	190,000,000	2.16%	Appointed director	0	Liu Xinfu	Liu Xinfu	Nil	Zhongyou Tianbao

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.5 ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

As at the end of the Reporting Period, details of the debt securities issued by the Bank are set out in the “Debt Securities Issued” section of Chapter 5.2.2.2 of this Report and note 30 to the section “NOTES TO THE FINANCIAL STATEMENTS”.

2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2020 annual general meeting of the Bank held on 25 May 2021 that, subject to necessary approval by the governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, of which capital bonds with no fixed terms would not exceed RMB15 billion, and other types of financial bonds would not exceed RMB15 billion. Capital bonds with no fixed terms will have no fixed term, with the date of triggering event being the date of maturity, while the maturity of other types of financial bonds has a term of not more than 10 years (inclusive). The interest rate of the bonds will be determined based on the market interest rate. The proceeds from the issuance of the bonds will be used to optimise the structure of the Bank’s assets and liabilities, stabilise the medium- and long-term funding sources and support the medium and long-term asset business, and will be used to issue loans to customers such as green finance, small and micro enterprises and mass entrepreneurship and innovation enterprises. The proceeds from the capital bonds with no fixed terms after deducting issuance expenses will be used to supplement tier-one capital of the Bank, optimise the capital structure of the Bank and improve the level of capital adequacy, thereby supporting the sustainable and stable development of the business.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Mr. SHEN Guoyong (沈國勇)	52	Executive Director, President
Ms. LIU Xu (柳旭)	54	Executive Director, Executive Vice President
Mr. SHI Yang (石陽)	58	Executive Director, member of the Party committee
Ms. LI Ying (李穎) ^{Note 1}	55	Executive Director and Vice President
Mr. SU Qingxiang (蘇慶祥) ^{Note 2}	57	Non-executive Director and vice Chairman of the Board
Mr. LIANG Zhifang (梁志方)	51	Non-executive Director
Mr. WANG Jun (王軍)	57	Non-executive Director
Mr. JIANG Aiguo (江愛國)	50	Non-executive Director
Mr. XING Tiancai (邢天才)	61	Independent Non-executive Director
Mr. TAI Kwok Leung, Alexander (戴國良)	65	Independent Non-executive Director
Mr. LI Jinyi (李進一)	59	Independent Non-executive Director
Mr. WANG Mo (王沫)	58	Independent Non-executive Director
Ms. LV Dan (呂丹)	44	Independent Non-executive Director
Mr. HAN Li (韓力)	61	Shareholder Representative Supervisor, Chief Supervisor
MS. YANG Xiu (楊秀)	52	Shareholder Representative Supervisor
Mr. YUEN Wing Shing (袁永誠)	76	Shareholder Representative Supervisor
Mr. BA Junyu (巴俊宇)	67	External Supervisor
Mr. SUN Hang (孫航)	56	External Supervisor
Ms. CHENG Hua (程華)	43	External Supervisor
Mr. YU Xiaolong (于小龍)	45	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	46	Employee Representative Supervisor
Mr. CHEN Shijun (陳世俊)	48	Employee Representative Supervisor
Mr. WANG Yigong (王亦工)	56	Vice President
Mr. ZHANG Xuewen (張學文)	55	Vice President
Ms. ZHANG Jun (張璿)	52	Vice President
Mr. HE Yixuan (何一軒) ^{Note 3}	39	Vice President
Mr. SUN Yingpin (孫英品) ^{Note 4}	48	Assistant to President
Mr. BAO Hong (包宏)	51	Chief Financial Officer
Mr. ZHOU Zhi (周峙)	54	Secretary to the Board
Mr. WU Tienan (吳鐵男) ^{Note 5}	53	Chief Executive Officer
Ms. XU Li (徐麗) ^{Note 6}	51	Chief Audit Officer

^{Note 1} The eligibility of Ms. LI Ying as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note 2} The eligibility of Mr. SU Qingxiang as the vice Chairman of the Board of the Bank is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note 3} The eligibility of Mr. HE Yixuan as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note 4} The eligibility of Mr. SUN Yingpin as the Assistant to President is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note 5} The eligibility of Mr. WU Tienan as the Chief Executive Officer is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note 6} The eligibility of Ms. XU Li as the Chief Audit Officer is subject to formal approval by the CBIRC Liaoning Bureau.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors and Senior Management

Reference is made to the announcement of the Bank dated 30 March 2022. Mr. ZHU Jialin has requested to resign as a non-executive Director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the Bank due to personal work arrangement; Mr. JI Kun has requested to resign as a non-executive Director and a member of the risk control and consumers' rights protection committee of the Bank due to personal work arrangement; and Mr. PAN Darong has resigned as a proposed non-executive Director of the Bank due to personal work arrangement.

Reference is made to the announcement of the Bank dated 11 May 2022. Ms. ZHANG Jun has requested to resign as an Executive Director and Deputy Director of the Related Transaction Control Committee of the Board of Directors of the Bank due to the work arrangement; Mr. NI Guoju has requested to resign as an Independent Non-executive Director, Director of the Nomination and Remuneration Committee of the Board of Directors and a member of the Related Transaction Control Committee of the Board of Directors of the Bank due to his desire to devote more time to his personal affairs; Mr. JIANG Ce has requested to resign as an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the Board of Directors of the Bank due to personal work arrangement. In addition, the resignation of Ms. ZHANG Jun became effective from 11 May 2022, but she will continue to serve as the vice president of the Bank and the chairman of Shengjing Bank Consumer Finance Co., Ltd. (盛銀消費金融有限公司), a subsidiary of the Bank. The resignation of the Mr. NI Guoju and Mr. KEUNG Chak has been approved by the Board on 11 May 2022. However, Mr. NI and Mr. KEUNG will continue to perform their duties as independent non-executive Directors prior to the approval of qualifications of the newly appointed independent non-executive Directors by the CBIRC Liaoning Bureau.

Reference is made to the announcement of the Bank dated 11 May 2022, the circular dated 13 May 2022, the poll results announcement at the 2021 Annual General Meeting dated 27 May 2022 and the announcement dated 14 November 2022. Upon shareholder approval at the 2021 Annual General Meeting held on 27 May 2022, Ms. LIU Xu was elected as an executive director of the Bank, Mr. WANG Jun and Mr. JIANG Aiguo were elected as Non-executive Directors of the Bank, and Mr. WANG Mo and Ms. LV Dan were elected as Independent Non-executive Directors of the Bank. The qualifications of these new directors were approved by the CBIRC Liaoning Bureau on 8 November, 2022.

As approved by the Board of Directors, Ms. XU Li was proposed to be the Chief Audit Officer of the Bank, and her eligibility was subject to formal approval by the CBIRC Liaoning Bureau.

Ms. LI Ying resigned as Chief Risk Officer in November 2022.

After the resolution of the Board of Directors, Mr. HE Yixuan was appointed as the Vice President of the Bank on 26 December 2022, and the eligibility of Mr. HE Yixuan as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

Reference is made to the announcement of the Bank dated 17 February 2023, Mr. QIU Huofa has resigned from the positions of chairman of the Board, executive Director of the Bank, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee under with effect from 15 February 2023 due to age reasons. In accordance with the relevant provisions of the Company Law of the People's Republic of China and the articles of association of the Bank, the Bank convened the 14th meeting of the seventh session of the Board on 17 February 2023. After unanimous vote of all directors, Mr. Shen Guoyong, executive director and president of the Bank, will perform the duties of chairman of the Board, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee under the Board, prior to the appointment of the new chairman of the Board and the approval of qualification of such positions by the CBIRC Liaoning Bureau.

Mr. YANG Liya resigned as Chief Approval Officer in March 2023.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Changes in Supervisors

Reference is made to the announcement of the Bank dated 11 May 2022. Mr. PAN Wenge has resigned as a Shareholder Representative Supervisor and a member of the Supervisory Committee of the Board of Supervisors of the Bank due to personal work arrangement, with effect from 11 May 2022.

Upon approval of the shareholders at the 2021 Annual General Meeting held on 27 May 2022, Ms. YANG Xiu was elected as a Shareholder Representative Supervisor of the Bank.

Reference is made to the announcement of the Bank dated 23 August 2022. In accordance with the relevant laws and regulations and the Articles of Association of the Bank, Ms. XU Li has resigned as an Employee Representative Supervisor of the Bank and as a member of the Nomination Committee of the Board of Supervisors of the Bank due to her proposed appointment as the Chief Audit Officer of the Bank, with effect from 22 August 2022.

Mr. CHEN Shijun was elected as an Employee Representative Supervisor of the Bank at the employee representative' general meeting held on 22 August 2022. His term of office shall commence from 22 August 2022 until the end of the term of the current session of the Board of Supervisors.

8.3 BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biographies of Directors

Executive Directors

Mr. SHEN Guoyong (沈國勇), aged 52, was elected as an executive Director of the Bank in October 2020. Since August 2020, Mr. SHEN has been serving as the president of the Bank, and the party committee member of the Bank since May 2019. From February 2020 to August 2020, Mr. SHEN served as the executive vice president of the Bank. From January 2019 to February 2020, Mr. SHEN served as the vice president of the Bank and the president and party secretary of its Beijing Branch. Before joining the Bank, Mr. SHEN held various positions at China CITIC Bank, mainly including the general manager of the corporate business department of its head office, the general manager of the factoring business center of the head office, the president and party secretary of the Harbin branch and deputy general manager of the sales department of the head office of China CITIC Bank (Beijing branch).

Mr. SHEN obtained a bachelor's degree in economics from the China University of Finance (currently known as the University of International Business and Economics) in July 1992 and a master's degree in business administration from the Chinese University of Hong Kong in December 2007. Mr. SHEN has the senior economist title.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. LIU Xu (柳旭), aged 54, was elected as an Executive Director of the Bank in May 2022. Before joining the Bank, Ms. LIU served as a member of the CPC Committee and Vice President of the Northeast Institute of China Construction Bank Research and Training Center (formerly Northeast College of China Construction Bank University) from September 2021 to May 2022. From September 2016 to September 2021, Ms. LIU served as a member of the Party Committee and Vice President of the Liaoning Branch of China Construction Bank. From July 1990 to September 2016, Ms. LIU held various positions in Liaoning Branch of China Construction Bank, mainly including member of the Party Committee, Assistant to President, General Manager of the Corporate Business Department and Director of the Corporate Pension Center, Vice President (in charge of work) of the branch of Nanhu Science and Technology Development Zone, Deputy General Manager of Asset Insurance and Deputy General Manager of the International Business Department.

Ms. LIU obtained a bachelor's degree in economics from Liaoning University in July 1990. Ms. LIU has the senior economist title.

Mr. SHI Yang (石陽), aged 58, was elected as an executive Director of the Bank in October 2020. Mr. SHI has been serving as a member of the Party Committee of the Bank since February 2020, the president of the Shenyang branch of the Bank since January 2015, and the Party Committee secretary of the Shenyang branch of the Bank since July 2015. From June 2014 to October 2020, Mr. SHI served as an employee representative supervisor of the Bank. Mr. SHEN joined the Bank in March 1987 and held various positions in the Bank (including its predecessors), mainly including the deputy secretary to the Party Committee and vice president of the Shenyang branch, the president of the Dandong branch, the president of Yuhong sub-branch, the president of Yuanlu sub-branch, vice president of Tiexi sub-branch of the Bank.

Mr. SHI graduated from the Party School of the Liaoning Committee of the Chinese Communist Party (中共遼寧省委黨校) in March 1997, majoring in economic management, and obtained a diploma of post-graduation studies in political economics from Northeast Normal University in December 2000. He has the senior economist title.

Ms. LI Ying (李穎), aged 55, was elected as an executive Director of the Bank in October 2020. Ms. LI has been serving as a member of the Party Committee of the Bank since June 2020, appointed as the vice president of the Bank in March 2021. Ms. LI has been serving as the chief risk officer of the Bank since July 2020 to November 2022, and from July 2020 to May 2021, Ms. LI served as the general manager of the legal security department of the Bank, the general manager of the Special Asset Management Center. Before joining the Bank, Ms. LI held various positions in China Everbright Bank, mainly including the deputy general manager of the risk management department and the deputy general manager of the special asset management department of its head office, the risk director and vice president of the Taiyuan branch, the risk director and a member of the Party Committee of the Changchun branch, the general manager of the international business department and the general manager of the risk management department of the Shenyang branch. Before joining China Everbright Bank, Ms. LI served in Shenyang branch of the Bank of China.

Ms. LI obtained a bachelor's degree in engineering in industrial accounting from Nanjing University of Science and Technology in July 1990. Ms. LI holds the professional qualification of senior accountant and the professional qualification of senior certified credit analyst.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Non-executive Directors

Mr. SU Qingxiang (蘇慶祥), aged 57, was elected as a Non-executive Director and vice Chairman of the Board of the Bank in October 2020. Since August 2013, Mr. Su has been serving as the Party Committee Secretary, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. From March 2013 to August 2013, Mr. SU served as the preparatory group leader, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. From February 2009 to March 2013, Mr. SU served as the general manager and the chairman of Shenyang Infrastructure Construction and Development Group Co., Ltd. From November 2001 to February 2009, Mr. SU served as a Party leadership group member and the deputy director of the finance office of the Shenyang Municipal Government. From August 1987 to November 2001, Mr. SU worked for the People's Bank of Liaoning Province, Shenyang Municipal Government and the Standing Committee of the Shenyang Municipal People's Congress.

Mr. SU graduated from Harbin Finance College (哈爾濱金融專科學院) with a major in city finance in August 1987 and obtained an MBA from Party School of Liaoning Provincial Party Committee in December 2008. Mr. SU has the intermediate economist title.

Mr. LIANG Zhifang (梁志方), aged 51, was elected as a Non-executive Director of the Bank in October 2020. serves as deputy general manager of Shenyang Industrial Investment & Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) now. From July 2020 to March 2022, Mr. LIANG has been serving as the director of Shenyang Hengxin. From April 2002 to July 2020, Mr. LIANG successively served as a deputy general manager, a deputy secretary of the Party committee, a secretary of the discipline inspection commission of Shenyang Hengxin. From January 2001 to April 2002, Mr. LIANG served as the manager of the operation department of Shenyang Hengxin Asset Management and Development Co., Ltd. Mr. LIANG served as a project manager of the technical transformation fund office of Shenyang Economic and Trade Commission from July 1997 to December 2000.

Mr. LIANG obtained a bachelor's degree in economics from Northeastern University in July 1995, a master's degree in engineering from the same university in September 1997, and a master's in public administration from Illinois Institute of Technology in August 2011. Mr. LIANG has the economist title.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. WANG Jun (王軍), aged 57, was elected as a Non-executive Director of the Bank in May 2022. Since April 2022 to present, Mr. WANG has been serving as the Party Committee Secretary, Chairman of the Board and General Manager of Shenyang Hengxin State-owned Assets Management Group Co., LTD. From August 2020 to April 2022 Mr. WANG served as the General Manager of Shenyang Hengxin State-owned Assets Management Group Co., LTD. From December 2006 to August 2020, Mr. WANG served as the Deputy General Manager of Shenyang Hengxin State-owned Assets Management Group Co., LTD. From August 2003 to December 2006, Mr. WANG served as the General Manager of Shenyang Hengxin Asset Custody Co., LTD. From March 2002 to August 2003, Mr. Wang successively served as the Head and Manager of the Revenue Department of Shenyang Hengxin State-owned Assets Management Co., LTD. Mr. WANG also served in the Investment Department of Shenyang Asset Management Co., LTD., the Shanghai Securities Headquarters of Northeast Securities, and the Shenyang Securities Department and Shanghai Securities Department of Liaoning Trust and Investment Corporation.

Mr. WANG received his bachelor's degree in engineering from Shenyang University of Technology in July 1986 and his master's degree in engineering from Northeastern University in March 1995. Mr. Wang has the qualification of senior engineer.

Mr. JIANG Aiguo (江愛國), aged 50, was elected as a non-executive Director of the Bank in May 2022. Since January 2023, Mr. JIANG has been serving as the executive director and general manager of Northeast Pharmaceutical Group Co., Ltd., as well as the secretary to the board of directors and the head of the Administration Department of Shenyang Industrial Investment and Development Group Co., Ltd.. Since April 2022 to present, Mr. JIANG has been serving as the General Manager of Northeast Pharmaceutical Group Co., LTD., Secretary of the Board of Directors and Director of the General Affairs Department of Shenyang Industrial Investment & Development Group Co., LTD. From December 2016 to April 2022, Mr. JIANG served as the Director of the General Department of Shenyang Industrial Investment & Development Group Co., LTD., and concurrently as the Secretary of the Board of Directors since May 2021. From September 2013 to December 2016, Mr. JIANG served as Deputy Director of the Comprehensive Department of Shenyang Industrial Investment & Development Group Co., LTD. From January 2009 to September 2013, Mr. JIANG served as Deputy Director of the Office of Shenyang Hengxin State-owned Assets Management Co., LTD. From September 2004 to January 2009, Mr. JIANG served as an employee of Shenyang Hengxin State-owned Assets Management Co., LTD. Mr. JIANG also served in Xinyi Local Tax Bureau of Jiangsu Province and Pizhou Local Tax Bureau of Jiangsu Province. Mr. JIANG is currently Director of Shenyang Pension Industry Group Co., LTD and Shenyang Port Group Co., LTD. He served as a director of Northeast Pharmaceutical Group Co., LTD. (Stock Code: 000597 at Shenzhen Stock Exchange) from December 2019 to November 2021.

Mr. JIANG received his Bachelor of Science degree from Lanzhou University in July 1995.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Independent non-executive Directors

Mr. XING Tiancai (邢天才), aged 61, elected as an independent non-executive Director of the Bank in February 2018. Since October 2017, he has been serving as an independent director of Datong Securities Company Limited (大通證券有限公司). Since September 2021, Mr. XING has been the dean of the Institute of Monetary and Financial Studies of Dongbei University of Finance and Economics (東北財經大學) and the executive dean of Qingdao Institute of Finance (青島金融研究院). He has been serving as the dean of the Graduate School of Dongbei University of Finance and Economics from May 2017 to September 2021. From December 2016 to May 2017, he served as the head of the development planning and disciplinary construction department of Dongbei University of Finance and Economics. From December 2006 to December 2016, he served as the dean of the School of Finance of Dongbei University of Finance and Economics. From September 1999 to December 2006, he served as the dean of the Vocational Technical School of Dongbei University of Finance and Economics. From August 1986 to September 1999, Mr. XING served as a deputy director of the research section under the School of Investments, a deputy director of the Graduate Department, the head of Higher Education Research successively at Dongbei University of Finance and Economics.

Mr. XING obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics (遼寧財經學院) in July 1984 and a master's degree in economics and a doctoral degree in economics from Dongbei University of Finance and Economics in September 1987 and April 2003, respectively. He was elected as a professor in December 2000, and was approved as a national second-level professor in 2011. Mr. XING was awarded the title of "Excellent Expert" by the Dalian Municipal People's Government and approved as an expert to enjoy special government allowance from the State Council in 2013 and was granted the "May 1 Labour Medal" of Liaoning Province in 2015 and was granted the "Leader of the National Specially Supported Program for High-level Talent's (Leader of the National Ten-thousand Talents Program)" from the Organization Department of the Central Committee of the Communist Party of China and the Ministry of Human Resources and Social Security.

Mr. TAI Kwok Leung, Alexander (戴國良), aged 65, elected as an Independent Non-executive Director of the Bank in February 2018, is a partner of VMS Securities Limited. Mr. TAI was previously the manager of the Hong Kong and Australian offices of PricewaterhouseCoopers, the director of corporate finance of Standard Chartered Asia Limited, the director of China Corporate Finance Limited, the managing director of Orchid Asia Group Management Ltd., and the managing director and the head of the corporate finance department of Investec Capital Asia Limited. Mr. TAI is licensed by the Hong Kong Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. TAI is currently an independent non-executive director of Qingdao Youwu Smart Home Technology Co., Ltd., AAG Energy Holdings Limited (SEHK stock code: 2686), G & M Holdings Limited (SEHK stock code: 6038) and Jiayuan International Group Limited (SEHK stock code: 2768). Mr. TAI was an independent non-executive director of Luk Fook Holdings (International) Limited (SEHK stock code: 590) and Anhui Conch Cement Company Limited (SEHK stock code: 914).

Mr. TAI graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in commerce and administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. LI Jinyi (李進一), aged 59, elected as an independent non-executive Director of the Bank in February 2018. He has served as a senior partner and a part-time lawyer of Guangdong Shenglun Law Firm (廣東勝倫律師事務所) since 2017. He has been serving as a lecturer at the School of Economics and subsequently an associate professor at the Management School of Jinan University (暨南大學) since April 1991. From 2002 to 2017, he was a part-time lawyer at Guangdong Xindesheng Law Firm. From 1996 to 2002, he was a part-time lawyer at Guangdong Jinan Law Firm. He is currently an independent director of GRG Banking Equipment Co., Ltd. (SZSE stock code: 002152), Guangzhou Restaurant Group Co., Ltd. (SSE stock code: 603043), Guangdong Aofei Data Technology Co., Ltd. (SZSE stock code: 300378) and Gmg International Tendering Co., Ltd. (BSE stock code: 831039). Mr. LI has served as an independent director of GRG Banking Equipment Co., Ltd. (from 2006 to 2012), Guangzhou Haige Communications Group Incorporated Company (SZSE stock code: 002465), Sotech Smarter Equipment Co., Ltd (SZSE stock code: 300173) and Comefly Outdoor Co., Ltd. (SSE stock code: 603908).

Mr. LI obtained his bachelor's degree and master's degree in law from Southwest University of Political Science and Law in July 1985 and January 1991, respectively. He was elected as an associate professor in December 1998.

Mr. WANG Mo (王沫), aged 58, Since February 1996, he has been serving as the Chief Partner and Chairman of Liaoning Guangming Accounting Firm Co., Ltd. From August 1988 to February 1996, Mr. WANG worked at Shenyang Accounting Firm. Mr. WANG currently serves as an Independent Director of Shenyang Blower Group Co., LTD and Shenyang Zhongcheng State-owned Assets Management Group Co., LTD.

Mr. WANG graduated from Dongbei University of Finance and Economics in July 1988, majoring in finance and credit. Mr. WANG has the professional qualification of Certified Public Accountant in China.

Ms. LV Dan (呂丹), aged 44, has been the Deputy Dean of the School of Public Administration, Dongbei University of Finance and Economics since December 2012. From April 2004 to December 2012, Ms. LV served as a teacher at the School of Public Administration of Dongbei University of Finance and Economics, and from January 2008 to April 2011, she was engaged in postdoctoral research at the Postdoctoral Station of Political Science in Nanjing University.

Ms. LV received her bachelor's degree in economics from Dongbei University of Finance and Economics in July 2001 and her master's degree and doctor's degree in economics from Dongbei University of Finance and Economics in April 2004 and December 2007, respectively. Ms. LV was credited as a professor in July 2021.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Biographies of Supervisors

Shareholder Representative Supervisors

Mr. HAN Li (韓力), aged 61, has been serving as a Shareholder Representative Supervisor and Chairman of the Board of Supervisors of the Bank since October 2020. Since May 2019, Mr. HAN has been serving as a Party committee member of the Bank. From February 2013 to May 2019, Mr. HAN served as the director, deputy secretary of the Party leadership group, Party leadership group secretary of Shenyang Audit Bureau, as well as the director of the General Office of the audit committee of the Shenyang Municipal Committee. From March 2005 to July 2008, Mr. HAN served as the deputy director of Shenyang Audit Bureau. From September 2002 to March 2005, he served as an assistant inspector of Shenyang Audit Bureau. From November 1999 to September 2002, Mr. HAN served as an assistant to the director and the director of the General Office of Shenyang Audit Bureau. From September 1996 to November 1999, Mr. HAN served as the director of the General Office of Shenyang Audit Bureau. From February 1992 to September 1996, he served as the deputy director of the agriculture and forestry department of Shenyang Audit Bureau. From August 1983 to February 1992, Mr. HAN served as a staff member, a section member and the deputy director of the industry and transportation department of Shenyang Audit Bureau.

Mr. HAN obtained his master's degree in applied sociology from Chinese Academy of Social Sciences in July 1998. Mr. HAN has an Auditor title.

Ms. YANG Xiu (楊秀), aged 52, has been serving as a Shareholder Representative Supervisor of the Bank since May 2022. Since November 2020, Ms. YANG Xiu has been serving as the Chairwoman of Shenyang Technology Venture Capital Co., LTD., and concurrently served as the Chairwoman of Shenyang Shengjing Financing Guarantee Co., Ltd. from February 2020 to August 2022, and the Chairwoman of Shenyang Hengxin Antai Equity Investment Fund Management Co., Ltd. since August 2022. From May 2000 to November 2020, Ms. YANG served successively as the Department Head and Deputy Head of Investment Department of Shenyang Technology Venture Development Business Center, the Deputy Head of Shenyang Torch High-tech Industry Development Center, and the Managing Director and principal of Shenyang Technology Venture Capital Co., LTD. From July 1994 to May 2000, Ms. YANG served as the Head of the Guarantee Fund Department of Shenyang Private Science and Technology Institutions Coordination Service Center.

Ms. YANG received her Bachelor's degree in engineering from Dalian University of Technology in July 1994 and her master's degree in National economics from Dongbei University of Finance and Economics in July 2004. Ms. YANG has the professional qualifications of Senior Engineer and Senior Management Accountant.

Mr. YUEN Wing Shing (袁永誠), aged 76, has been serving as a Shareholder Representative Supervisor of the Bank since October 2020. Mr. YUEN served as a non-executive Director of the Bank during the period of February 2018 to October 2020. He is currently an executive director of The Cross-Harbour (Holdings) Limited (SEHK stock code:32) and Y. T. Realty Group Limited (SEHK stock code: 75), all of which are public companies listed on the Stock Exchange. He was an executive director and a managing director of Planetree International Development Limited (formerly known as Yugang International Limited, (SEHK stock code:613) and resigned on 30 April 2019. He also held as a senior management position with a major bank in Hong Kong for over 20 years.

Mr. YUEN obtained a Diploma in Management Studies awarded jointly by the then Hong Kong Polytechnic and Hong Kong Management Association.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

External Supervisors

Mr. BA Junyu (巴俊宇), aged 67, has been serving as an External Supervisor of the Bank since February 2018. He served as an Independent Non-executive Director of the Bank from June 2010 to February 2018. He has been served as an independent non-executive director of Asia Resources Holding Limited (SEHK stock code: 899) since July 2018. Mr. BA has been a professor at Shenyang Ligong University (瀋陽理工大學) since September 2001, and served as the principal, a professor and a researcher of the social economy research institute of Shenyang Ligong University from September 2001 to May 2009. Prior to that, he served as an associate professor and the head of the economic research institute at Shenyang University from April 1996 to August 2003. From August 1985 to April 1996, he served as a vice dean, a deputy principal and an associate professor of the market economy research institute of Shenyang Institute of Finance and Economics. He used to work at the teaching and research office of Shenyang Accounting School (瀋陽市財會學校) as a deputy director, a director and a lecturer from August 1982 to August 1985.

Mr. BA graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in July 1982, majoring in commercial enterprise management. He has been a researcher as accredited by the Human Resources Department of Liaoning Province since August 2008.

Mr. SUN Hang (孫航), aged 56, has been serving as an External Supervisor of the Bank since February 2018. He has been the director of the Enterprise Management Research Centre of Liaoning Academy of Social Sciences since March 2016. He served as an independent non-executive Director of the Bank from May 2014 to February 2018. Prior to that, he served as the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences from April 2007 to March 2016, the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, a deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and a manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998.

Mr. SUN graduated from Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance & Economics (安徽財貿學院)) in July 1988, majoring in merchandising. He has been a senior economist as accredited by the Human Resources Department of Liaoning Province since December 2001, and a researcher as accredited by the department of human resources and social security of Liaoning Province since September 2011.

Ms. CHENG Hua (程華), aged 43, was elected as an External Supervisor of the Bank in October 2020. Since June 2021, Ms. Cheng has served as an independent director of Shandong Buchang Pharmaceuticals Co., Ltd. (SSE stock code: 603858). Ms. CHENG has been serving as an independent non-executive director of Xiangcai Co., Ltd. (SSE stock code: 600095) since August 2020. Since September 2011, Ms. CHENG has served as a senior accountant on the Accounting Standards Board of the Ministry of Finance. From August 2006 to September 2011, Ms. CHENG worked as a senior accountant at the Accounting Standards Committee of the Ministry of Finance of China.

Ms. CHENG obtained her bachelor's degree in management from Shandong University of Finance and Economics in July 2001, a master's degree in management from Tongji University in November 2003 and a doctoral degree in management from Shanghai University of Finance and Economics in September 2006. Ms. CHENG is qualified as a senior accountant and certified public accountant.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Employee Representative Supervisors

Mr. YU Xiaolong (于小龍), aged 45, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. YU has served as the party secretary of the Party Committee and the president of the Beijing branch of the Bank since July 2020. From February 2020 to July 2020, he served as the deputy party secretary of the Party Committee and the acting president of the Beijing branch of the Bank. Before joining the Bank, Mr. YU held various positions in China Everbright Bank. From November 2018 to January 2020, Mr. YU served as the secretary of the Disciplinary Committee (a level equal to vice president of the tier 1 branch) at its Dalian branch. From February 2015 to November 2018, Mr. YU successively served as the general manager of the Party affairs supervision department (security department) and the general manager of the General Office at its Beijing branch. From March 2011 to February 2015, Mr. YU served as the president of its Beijing Dongcheng sub-branch. From July 1997 to March 2011, Mr. YU served successively in the Head Office of the Bank as a clerk, business director, business head of business office, deputy director of the business office settlement department, director of the comprehensive management division of the agency payment department, director of the collection management division of the agency payment department, and deputy general manager of the agency payment department (in charge of work) at the sales department.

Mr. YU obtained a bachelor's degree in law from Beijing Institute of Technology in October 2005 and a master's degree in engineering from Beihang University in January 2012.

Mr. NIU Jiao (牛角), aged 46, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. NIU has served as the Party secretary of the Party Committee and the president of the Dalian branch of the Bank since November 2020. From October 2020 to November 2020, Mr. NIU served as the Party secretary of the Party Committee of the Dalian branch. From January 2020 to October 2020, he served as the general manager of the strategic clients department and general manager of the business department of the Bank. From May 2019 to January 2020, Mr. NIU served as member of the Party Committee of the Tianjin branch of the Bank. Before joining the Bank, Mr. NIU held various positions in Shanghai Pudong Development Bank. From January 2017 to May 2019, Mr. NIU served as the general manager of the sales department and general manager of the retail marketing department at its Dalian branch. From October 2010 to January 2017, Mr. NIU served as the president of its Anshan branch. From March 2005 to October 2010, Mr. NIU served successively as a senior clients manager, vice president of the Democracy Square sub-branch and president of the Xigang sub-branch at its Dalian branch. From July 1998 to March 2005, Mr. NIU served as a loan officer and head of credit section at Dalian Bank.

Mr. NIU obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in June 1998 and a master's degree in business administration from the Chinese University of Hong Kong in December 2009.

Mr. CHEN Shijun (陳世俊), aged 48, has been serving as an Employee Representative Supervisor of the Bank since August 2022. Since August 2022, Mr. CHEN has been serving as the General Manager of the Audit Department of the Bank. From April 2020 to August 2022, Mr. CHEN served as Deputy Head of the Office and Head of the Infrastructure Office of the Bank. From August 1997 to April 2020, Mr. CHEN served as Deputy Head of Information Department, Deputy Head of Social Security Audit Department and Office Head of Shenyang Municipal Audit Bureau.

Mr. CHEN received his Bachelor's degree in science from Fushun Petroleum Institute in July 1997 and his Master's degree in Computer Systems Engineering from Northeastern University in July 2009. Mr. CHEN has the professional qualification of an auditor.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

3. Biographies of Senior Management

For the biography of Mr. SHEN Guoyong (沈國勇), please refer to “Directors, Supervisors, Senior Management and Employees –Biographies of Directors”.

For the biography of Ms. LIU Xu (柳旭), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Ms. LI Ying (李穎), please refer to “Directors, Supervisors, Senior Management and Employees –Biographies of Directors”.

Mr. WANG Yigong (王亦工), aged 56, has been serving as the vice president of the Bank since January 2013. Mr. Wang served as an executive Director of the Bank from August 2013 to October 2020, and served as chief risk officer of the Bank from January 2013 to November 2019. Mr. Wang held the position of general manager of the credit and loan management department of the Bank from January 2006 to January 2013. He served as deputy general manager of the asset security department, the president of Liaoshen Sub-branch, president of Zhenghao Sub-branch of the Bank from June 1998 to January 2006. Mr. WANG served for Industrial and Commercial Bank of China.

Mr. WANG graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995. He has obtained the “Shenyang May 1 Labor Medal awarded” by Shenyang General Labor Union in April 2015.

Mr. ZHANG Xuewen (張學文), aged 55, was appointed as the vice president of the Bank in January 2019. He served as the party secretary and the president of the Changchun branch of the Bank from January 2014 to January 2019; the general manager of the marketing department of the Bank from August 2012 to January 2014; and the vice president of the Changchun branch of the Bank from April 2011 to August 2012. From September 2003 to April 2011, Mr. ZHANG served as a supervisory researcher at the Deputy Department Director level of the Central Bank Department of the Jilin Banking Regulatory Bureau, the Director of the Second Corporate On-site Inspection Department of the Jilin Banking Regulatory Bureau and the Contact Group for Improving Small Enterprises ‘Financial Services of the Jilin Banking Regulatory Bureau. From December 1998 to September 2003, he served as a senior staff member of the Second Inspection Department of the Changchun Financial Regulation Bureau, director staff member of the Central Bank Department. Mr. ZHANG worked in the Jilin People’s Bank and from August 1991 to December 1995.

Mr. ZHANG received his master’s degree in political economics from Dongbei Normal University in December 2001 and has a title of economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. ZHANG Jun(張琚), aged 52, has been serving as a member of the Party committee of the Bank since August 2019. Since August 2020, Ms. ZHANG has been serving as the Vice President of the Bank and the Chairlady of Shengyin Consumer Finance Co., Ltd, the subsidiary of the Bank. From October 2020 to May 2022, Ms. ZHANG served as an Executive Director of the Bank. From November 2019 to August 2020, Ms. ZHANG successively served as the Chief Risk Officer of the Bank and director of Shengjing Bank Consumer Finance Co., Ltd. Before joining the Bank, Ms. ZHANG held various positions in China Everbright Bank, mainly including the deputy general manager of the credit approval department, the approval officer of the credit approval department and the director of the Auto Finance Center of the corporate business department, the general manager of the retail business department of the Beijing branch and the general manager of the corporate business department of its Beijing branch. Before joining China Everbright Bank, Ms. ZHANG held various positions in the Haidian sub-branch of China Construction Bank, mainly including the general manager of the corporate business department, the general manager of Shangdi branch office and the deputy general manager of the international business department.

Ms. ZHANG obtained her bachelor's degree in economics from the Capital University of Economics and Business in July 1992, and her master's degree in economics from Renmin University of China in July 2003. Ms. ZHANG has the senior economist title.

Mr. HE Yixuan (何一軒), aged 39, was appointed as the Vice President of the Bank in December 2022. From March 2022 to December 2022, Mr. HE has been serving as the director of Corporate Business of the Bank. From August 2019 to August 2022, Mr. HE served as the General Manager of the Institutional Business Department and from January 2020 to October 2021 as the Deputy President of the Shenyang Branch. From August 2016 to August 2019, Mr. HE successively served as a member of the Party Committee of the Beijing Branch of the Bank, Deputy General Manager of the Investment Banking Department of the Head Office of the Bank and Head of the Office of the President. From July 2007 to August 2016, Mr. HE successively worked at Shenzhen Yitian Group Co., Ltd., Beijing Tianrun Holdings Group Co., Ltd., and Liaoning Fangda Group Industrial Co., Ltd.

Mr. HE received his Bachelor's degree in law from Peking University in July 2005 and his Master's degree in law from Peking University in July 2007. Mr. HE has the title of intermediate economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. SUN Yingpin (孫英品), aged 48, was appointed as the Assistant to President of the Bank in August 2021, and concurrently as the General Manager of the Digital Finance Department of the Bank. From September 2019 to August 2021, Mr. SUN successively served as the general manager of the Retail Banking Department of the Head Office, the director of the retail business of the Bank, and from June 2020 to August 2021, he also served as the general manager of Internet Finance Department (renamed Digital Finance Department since June 2021). From November 2016 to September 2019, he served as the general manager of the Retail Banking Department of the Head Office and concurrently served as the general manager of the Comprehensive Management Department for Wealth Management Business of the Head Office from November 2016 to March 2018. From March 2018 to October 2018, Mr. SUN also served as the general manager of the Wealth Management Department of the Head Office. From April 2011 to November 2016, Mr. SUN served successively as the manager of the Marketing Department, president assistant, the Party committee secretary and vice president (in charge of work) of the Anshan Branch of the Bank. From November 1997 to April 2011, Mr. SUN also held various positions in the Anshan Branch of the Agricultural Bank of China, mainly including the section head of the Business Department, the vice president of the Xiuyan sub-branch and the vice president of Haicheng sub-branch.

Mr. SUN received his bachelor's degree in management from Northeastern University in July 1997, and has the title of intermediate economist.

Mr. BAO Hong (包宏), aged 51, was appointed as the Chief Financial Officer of the Bank in March 2020. Mr. BAO joined Shenyang Cooperative Bank, the precedent of the Bank in August 1992 and has held various important positions in the Bank. Mr. BAO has been serving as the director of Shengyin Consumer Finance Co., Ltd. since June 2019, and general manager of the Planning Financial Management Department of the Bank since March 2019. From January 2015 to March 2019, Mr. BAO successively served as the vice president of Tianjin Branch, Changchun Branch of the Bank, the Deputy Director of the President's Office of the Bank (in charge of work), the general manager of the Assets and Liabilities Management Department of the Bank. From January 2009 to January 2015, Mr. BAO successively served as the deputy director of the Board Office (in charge of work) and the deputy director of the development strategy research center of the Bank, the executive vice president of Beijing Branch of the Bank, the deputy general manager of Shenyang Business Management Department of the Bank, the chief financial officer of the Bank, the director of the Board Office, the director of the President's Office, the secretary of the Board, and the director of the Listing Promotion Office. From August 1992 to January 2009, Mr. BAO held several positions at the Baogong Branch, the foreign exchange business department, and Binhe Branch of the Bank.

Mr. BAO obtained his master's degree in business administration from Coventry University in the United Kingdom in November 2002. Mr. BAO obtained the professional qualification of senior accountant recognised by Liaoning Provincial Department of Human Resources and Social Security in September 2005.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. ZHOU Zhi (周峙), aged 54, has been appointed as the Secretary of the Board of the Bank since February 2015. Mr. ZHOU joined the Nanhu Sub-branch of Shenyang Cooperative Bank, the Bank's predecessor in August 1991. From June 2006 to September 2019, Mr. ZHOU successively served as the director of the Supervisors' office, the deputy director and director of the strategic development research center of the Bank. From May 2005 to June 2006, Mr. ZHOU served as the deputy director of the president's office of the Bank. From May 1998 to May 2005, he served as the assistant to the general manager and deputy general manager of the market development department and deputy director of the development strategy research center. From August 1991 to May 1998, Mr. ZHOU successively worked as a staff member of the securities department and the City Plaza business department of the Bank (including its predecessor).

Mr. ZHOU obtained his master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning Province since 2003.

Mr. WU Tienan (吳鐵男), aged 53, was proposed to be appointed as the Chief Information Officer of the Bank in March 2021. Mr. WU joined the Bank in February 2019 and has served as the General Manager of the Information Technology Department of the Bank since February 2019. From February 2004 to February 2019, Mr. WU held various positions at Huaxia Bank, including Project Management Office Manager of Science and Technology Development Center, Information Resource Management Office Manager of Information Technology Department, and Deputy Head of Development Division 2 of Information Technology Department. From April 2001 to February 2004, Mr. WU worked for Shenzhen Development Bank as the Deputy General Manager and General Manager of the Information Technology Department of its Beijing Branch. From February 1998 to April 2001 Mr. WU worked as a software engineer in the Information Technology Department of Guangdong Development Bank Beijing Branch.

Mr. WU received his Bachelor's degree in engineering from Northeastern University in July 1993. Mr. Wu has the title of assistant engineer.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. XU Li (徐麗), aged 51, was proposed to be the Chief Audit Officer of the Bank in August 2022. From October 2020 to August 2022, Ms. XU served as the Employee Supervisor of the Bank. From March 2020 to November 2020, Ms. XU served as the deputy general manager of the planning and financial management department of the Bank. Before joining Shengjing Bank, Ms. XU held various positions in China Everbright Bank, mainly including the general manager of the planning and finance department at its Shenyang branch, the general manager of the sales department at its Shenyang branch, the president of the Heping subbranch, the assistant to the general manager of the corporate business management department at its Shenyang branch, the manager of the sales department at its Huanggu branch, the manager of the sales department at its Jincheng branch, and the head of the business department (under preparation) at its Wuxi branch. Ms. XU also served as the deputy general manager of the business department of the Hangzhou branch of Ping An Bank.

Ms. XU graduated from Liaoning University majoring in finance in July 1994, and has the qualifications of intermediate economist and international certified internal auditor.

4. Biographies of Joint Company Secretaries

Mr. ZHOU Zhi (周峙), aged 54, is one of the joint company secretaries of the Bank and was appointed in February 2015. For the biography of Mr. ZHOU, please refer to “Directors, Supervisors, Senior Management and Employees –Biographies of Senior Management”.

Ms. KWONG Yin Ping Yvonne (鄺燕萍), aged 67, is one of the joint company secretaries of the Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. KWONG has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a director of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. KWONG received a bachelor’s degree in accounting from Hong Kong Polytechnic University in November 1997. She is a fellow member of both The Hong Kong Institute Chartered Governance and The Chartered Governance Institute since 2012.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.4 EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK

The remuneration of executive Directors of the Bank is determined in accordance with the Remuneration Management Measures of the Bank, which specifically includes basic remuneration, performance remuneration and other benefits, wherein the basic remuneration of executive Directors is determined based on their management positions in the Bank, performance remuneration is determined based on the Bank's operating performance and personal assessment (mainly based on aspects such as their implementation of the Board's decision and deployment, performance of job responsibilities, operating performance, management performance, and comprehensive evaluation), and other benefits include statutory pension, medical and housing provident fund, enterprise annuity, etc.

The remuneration of Non-executive Directors and Independent Non-executive Directors of the Bank is determined in accordance with the Allowance System for Directors and Supervisors of the Bank. No remuneration is received by Non-executive Directors from the Bank. The basic remuneration of Independent Non-executive Directors of the Bank is RMB10,000 per month. The basic remuneration of External Supervisors of the Bank is RMB8,000 per month. At the same time, Independent Non-executive Directors and External Supervisors may receive reward remuneration based on their duty performance (mainly including their working hours, meeting attendance, advice and suggestions and participation in corporate governance and other responsibilities and risk-taking factors) each year, the reward remuneration shall be no more than RMB30,000 per year.

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.

8.5 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As at 31 December 2022, the Group had a total of 8,553 employees.

In terms of compensation policies, the Bank implements compensation policies that are consistent with the Bank's sustainable development goals, unified with corporate governance requirements, adapted to the risk management system, and matching with the value contribution of employees. Employee compensation consists of fixed compensation, variable compensation, welfare income, etc., which can effectively play the long-term role of short-term incentive and long-term incentive. In the process of salary payment, the supervision regulations are strictly enforced, and the deferred payment is implemented for middle and senior management personnel and personnel in positions with important influence on risk to strengthen risk control. In terms of training plan, adhering to the business philosophy of "Developing the Bank through talents", the Bank practically carries out training activities at all levels, aiming to continuously improve the comprehensive quality and professional ability of all employees, and focusing on compliance operation, risk prevention and control, and ability improvement.

CORPORATE GOVERNANCE REPORT

The Bank strives to enhance the transparency and accountability in corporate governance to ensure a high standard of corporate governance to protect shareholders' rights and enhance corporate value and commitment.

In 2022, the Bank complied with relevant laws and regulations in all material respects. The Bank also conducted performance appraisals on the Board of Directors, senior management, and their members, and further upgraded its standards of information disclosure and standardized its work on management of investor relations, to continuously enhance the level of corporate transparency and governance.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of inside information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

The Bank will strive to continuously review and strengthen its corporate governance to ensure that its corporate governance continues to meet the requirements of the Code and meet the higher expectations of shareholders and investors.

GENERAL MEETING

Information of General Meeting

In 2022, the Bank convened four General Meetings, details of which are set out below:

At the 2021 Annual General Meeting of the Bank convened on 27 May 2022, proposals were considered and approved on the following matters including 2021 work report of the Board of Directors, 2021 Work report of the Board of Supervisors, 2021 final financial accounts and 2022 financial budget report, 2021 profit distribution plan, election of Ms. LIU Xu as an Executive Director of the Bank, election of Mr. WANG Jun and Mr. JIANG Aiguo as non-executive Directors of the Bank, election of Mr. WANG Mo and Ms. LV Dan as independent non-executive Directors of the Bank, election of Ms. YANG Xiu as an shareholder representative supervisor of the Bank, appointment of auditors for 2022, and the general mandate to issue new shares.

At the Bank's 2022 First Extraordinary General Meeting, the 2022 First H Share Class Meeting and the 2022 First Domestic Share Class Meeting convened on 16 September 2022, the Bank considered and approved the proposal to amend the "Allowance System for Directors and Supervisors" and the proposal on the replenishment of other tier-one capital through a convertible negotiated deposit of the Bank.

The above General Meetings were convened in compliance with the procedures as required by the relevant laws and regulations



CORPORATE GOVERNANCE REPORT (CONTINUED)

THE BOARD AND SPECIAL COMMITTEES

Implementation of Resolutions of General Meetings by the Board

In 2022, the Board implemented the resolutions passed at the General Meeting regarding, among other things, the report on final financial accounts in 2021 and financial budget for 2022, the 2021 profit distribution plan, the appointment of auditors for 2022 and the appointment of directors and supervisor.

Composition of the Board

As at the Latest Practicable Date, the Board of the Bank comprises a total of 13 Directors, including four Executive Directors, namely, Mr. SHEN Guoyong, Ms. LIU Xu, Mr. SHI Yang and Ms. LI Ying; four Non-executive Directors, namely, Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. WANG Jun and Mr. JIANG Aiguo; and five Independent Non-executive Directors, namely, Mr. XING Tiancai, Mr. TAI Kwok Leung, Alexander, Mr. LI Jinyi, Mr. WANG Mo and Ms. LV Dan.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination and remuneration committee, the strategic development committee, the related party transactions control committee and the risk control and consumers' rights protection committee. Details of such committees are set out in this report.

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision A.2.1 of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Changes in Directors

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.

Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and interim meetings when necessary. Board meetings may be conducted by way of on-site meetings or voting via video conference. The agenda for a regular meeting of the Board is prepared after consulting the Directors, which will be notified to all Directors and Supervisors in writing 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The president reports regularly to the Board and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he or she is materially interested, and must not be counted in the quorum for such proposal.

The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure, equity management of the Bank and other routine matters.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at shareholders' general meetings;
- (2) implement resolutions adopted at shareholders' general meetings;
- (3) make decisions on the Bank's business plans and investment plans, formulate the Bank's operational development strategies;
- (4) formulate the Bank's annual financial budgets and accounts;
- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities;
- (7) formulate plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;
- (8) decide on matters within the scope authorised at a shareholders' general meeting, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management, related transactions, etc.;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president, vice president and other senior management officers in accordance with the recommendations of the chairman, and determine their remunerations, rewards and punishment;
- (11) formulate proposals on the remuneration and subsidies of the Directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to the Articles of Association of the Bank;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's information into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at a shareholders' general meeting the engagement, replace or discontinuance of engagement of an accounting firm of the Bank;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (16) supervise and evaluate the work performance of the Directors and senior management officers of the Bank, listen to the president's work report and inspect the president's work;
- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit for senior management officers set by the Board of Directors;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or asset;
- (19) draw up share incentive and equity repurchase plans of the Bank; and decide on the measures to link employees' salaries with the operational performance of the Bank;
- (20) report to the relevant authorities of the government in accordance with the laws and regulations with respect to significant events involving operational risks and financial security as well as major decisions that are likely to lead to financial risks and financial security issues before such decisions are made;
- (21) be responsible for the management of equity affairs of the Bank, and take the ultimate responsibility for the management of equity affairs;
- (22) be responsible for the protection of consumer rights, and take the ultimate responsibility for the protection of consumer rights, take the protection of consumer rights into each segment of corporate governance, incorporate the protection of consumer right into our business development strategies and corporate culture;
- (23) be responsible for anti-money laundering management work of the Bank, and take the ultimate responsibility for the management of money laundering risks;
- (24) implement requirements of the laws, administrative regulations, departmental rules or the Articles of Association as well as other duties and powers granted by the shareholders' general meeting.

The resolutions of the above matters of the Board must be approved by more than half of all the Directors, but in respect of matters required by Article 184 of the Articles of Association, the resolutions must be approved by more than two-thirds of all the Directors.

Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings

Pursuant to the Code, the Board is required to convene regular meetings at least four times every year. Such regular meetings do not include obtaining Board approval through circulating written resolutions.

In 2022, the Board convened 7 meetings in total (including voting via video conference), at which 44 proposals were considered and approved, and 5 matters were heard, mainly including: 2021 Work Report of the Board of Directors, Annual Financial Report 2021, Report on Financial Accounts in 2021 and Financial Budget for 2022, 2021 Profit Distribution Plan, Annual Report 2021, 2021 Annual Performance Appraisal of Senior Managers, Comprehensive Risk Management Policy, 2022 Institutional Network Construction and Development Plan, 2021 Total Risk Management Report, Report on the Work of Consumer Rights Protection in 2021, Report on Internal Audit Work 2021, Report on Evaluation of Internal Control Compliance 2021, Interim Report for 2022, appointment of senior management personnel, addition of directors, change of accounting firm for 2022, supplement of other Tier 1 capital with equity transfer agreement deposits, redemption of Tier 2 capital bonds, and the amendment of the "Allowance System for Directors and Supervisors of Shengjing Bank Co., Ltd.", etc.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2022 are set out below:

Members of the Board	Attendance in person/by proxy/required attendance (times)						
	Board	Audit Committee	Nomination and Remuneration Committee	Strategic Development Committee	Related Party Transactions Control Committee	Risk Control and Consumers' Rights Protection Committee	General Meetings
Executive Directors							
SHEN Guoyong	7/0/7			4/0/4		1/1/2	4/0/4
LIU Xu	2/0/2						
SHI Yang	7/0/7				2/0/2		4/0/4
LI Ying	7/0/7					2/0/2	4/0/4
Non-executive Directors							
SU Qingxiang	6/1/7			3/1/4			1/3/4
LIANG Zhifang	7/0/7	4/0/4					1/3/4
WANG Jun	2/0/2		1/0/1				
JIANG Aiguo	2/0/2						
Independent non-executive Directors							
XING Tiancai	7/0/7	4/0/4	1/0/1		2/0/2	2/0/2	4/0/4
TAI Kwok Leung, Alexander	7/0/7	4/0/4				2/0/2	4/0/4
LI Jinyi	7/0/7	5/0/5	4/0/4	2/0/2			1/3/4
WANG Mo	2/0/2						
LV Dan	2/0/2		1/0/1				
Former Directors							
QIU Huofa	7/0/7		5/0/5	4/0/4			4/0/4
ZHANG Jun	1/0/1				1/0/1		
NI Guoju	5/0/5		4/0/4		2/0/2		4/0/4
KEUNG Chak	5/0/5	4/0/4	4/0/4				1/3/4

CORPORATE GOVERNANCE REPORT (CONTINUED)

Notes:

- (1) Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.
- (2) Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
- (3) Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.
- (4) Certain Directors were unable to attend the general meeting of the Bank due to the arrangements for the prevention and control of the COVID-19 in 2022.

Board Independence

The Bank has established the following mechanisms to ensure the Board will provide independent opinions and views:

- (1) During the Reporting Period, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.
- (2) The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.
- (3) Independent Non-executive Directors’ independence is assessed upon appointment, annually, and from time to time where the circumstances warrant reconsideration. The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.
- (4) During the Reporting Period, the Bank’s independent non-executive Directors duly attended the meetings of the Board and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board and relevant special committees by application of their professional capabilities and industrial experiences. They are encouraged to express freely their independent views and constructive challenges during the Board and/or special committee meetings. The Bank’s independent non-executive Directors strengthened their communication with the senior management business departments and external auditors and thoroughly studied the operation and management of the Bank. They effectively fulfilled their fiduciary and diligent obligations and provided strong support to the Board for it to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.
- (5) External independent professional advice is available to all Directors, including Independent Non-executive Directors, whenever deemed necessary. Directors would be reimbursed for any professional fees in relation to their fulfilment of the roles and responsibilities.

The Board has reviewed the mechanisms above and confirmed that they effectively ensure the Board has access to independent opinions and views.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2022.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2022, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

The newly appointed Director of the Bank received a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

The Bank has attached great importance to the continuous professional development and training of its Directors, and provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will have sufficient information and comply with good corporate governance codes. During the Reporting Period, the Bank invited intermediaries and institutions and departments within the industry to hold seminars and trainings on the continuing obligations of directors of listed companies, Corporate Governance Guidelines for Banking and Insurance Institutions, the comprehensive risk management of commercial banks, and equity management laws and regulations of commercial banks. The Bank attaches great importance to construction of the Party integrity and clean government and anti-corruption work. The Bank, through the coordination of the leaders of the Party committee and the discipline inspection commission, has conducted 77 regular anti-corruption trainings. The Bank constantly strengthen the internal construction of the Board, and enhance the performance of Directors. In 2022, the Directors have participated in continuous professional development and training as below:

CORPORATE GOVERNANCE REPORT (CONTINUED)

Types of continuous professional development training

Executive Directors

SHEN Guoyong	A, B
LIU Xu	A, B
SHI Yang	A, B
LI Ying	A, B

Non-executive Directors

SU Qingxiang	A, B
LIANG Zhifang	A, B
WANG Jun	A, B
JIANG Aiguo	A, B

Independent non-executive Directors

XING Tiancai	A, B
TAI Kwok Leung, Alexander	A, B
LI Jinyi	A, B
WANG Mo	A, B
LV Dan	A, B

Former Directors

Qiu Huofa	A, B
ZHANG Jun	A, B
NI Guoju	A, B
KEUNG Chak	A, B

A: Attending press briefings and/or training sessions

B: Reading articles, journals, newspapers and/or other materials

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

The Board has the following committees: audit committee, nomination and remuneration committee, strategic development committee, related party transactions control committee and risk control and consumers' rights protection committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in members of the Board of Directors of the Bank.

(I) Audit Committee

As of 31 December 2022, the Audit Committee of the Bank consisted of five Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, Mr. LIANG Zhifang as the vice chairman, Mr. WANG Jun, Mr. XING Tiancai and Mr. WANG Mo as members. The composition of the Audit Committee of the Bank complies with Rule 3.21 of the Listing Rules and paragraph D3 of the Code.

The primary duties of the Audit Committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, review the completeness of the Bank's financial information, including financial statements an annual report and accounts, interim reports (if any) and quarterly reports (if any), and review the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;

CORPORATE GOVERNANCE REPORT (CONTINUED)

2. with respect to external auditors:
 - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal of the external auditors;
 - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
 - (3) develop and implement policy on engaging external auditors to provide non-audit services;
 - (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
 - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
 - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. perform other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.



CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Audit committee Convened 4 meetings, at which 14 proposals were considered, mainly including the 2021 Financial Report, Financial Results for 2021 and Financial Budget Report for 2022, the 2021 Profit Distribution Plan, the engagement of accounting firm for 2022, 2021 annual results announcement, Annual Report 2021, the Report on Evaluation of Internal Control Compliance 2021, the Report on Internal Audit Work 2021, change of accounting firm for 2022, and amendment of rules and regulations related to the internal audit of Shengjing Bank Co., Ltd. In addition, the Audit Committee held 2 meetings with the auditors and 2 meetings with the auditors in the absence of the management in accordance with the provisions of the Code of Corporate Governance.

(II) Nomination and Remuneration Committee

As at 31 December 2022 and as of the Latest Practicable Date, the Bank's Nomination and Remuneration Committee consisted of 4 Directors, including Mr. XING Tiancai as the chairman, Mr. WANG Jun, Mr. LI Jinyi and Ms. LV Dan as members. The composition of the Nomination and Remuneration Committee of the Bank complies with Rule 3.25 of the Listing Rules and paragraph B3 of the Code of Corporate Governance.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;
3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairman and President of the Bank;
6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairman or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior managers;

CORPORATE GOVERNANCE REPORT (CONTINUED)

9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. perform other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the Nomination and Remuneration Committee convened 5 meetings, at which 14 proposals were considered, mainly including matters such as the 2021 annual performance review of senior management, the appointment of senior management, the appraisal report of the Board on the performance of duties by Directors for 2021, the report on the work of independent non-executive Directors for 2021, the addition of directors and the amendment of the Allowance System for Directors and Supervisors of Shengjing Bank Co., Ltd. In the process of electing directors, the Nomination and Remuneration Committee fully evaluated the skills, knowledge and experience of the candidates, and preliminarily reviewed the candidate's qualifications in accordance with relevant laws and regulations. The nomination and remuneration committee make recommendations to the Board in conjunction with relevant policies of the Bank, including but not limited to, the diversity policy of the Board.

The diversity policy of the Board is summarised as follows:

The Board believes that a board of directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality and efficiency of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the Nomination and Remuneration Committee consider multiple factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The diversity policy of the Board of directors of the Bank has set quantifiable targets. As of now, it intends to add one executive director seat and one non-executive director position. The Nomination and Remuneration Committee reports annually on the composition of the Board from the perspective of diversity. The Board considers that the current structure and composition of the Board is appropriate to enable it to carry out its responsibilities of leadership and monitoring of the Bank.



CORPORATE GOVERNANCE REPORT (CONTINUED)

As at the Latest Practicable Date, the Board comprised 13 Directors, of whom 1 Director was ordinarily resident in Hong Kong and 3 female directors. The Board is diverse in terms of gender, education background, professional experience, skills knowledge and service term of its members. The Board is expected to maintain its female proportion at a minimum of current level and will continue to increase the proportion of female Directors in the future if suitable candidates are identified.

The Bank adheres to the principles of diversity and anti-discrimination in employment. In the recruitment, training, promotion and remuneration systems, the Bank treats all employees of different races, nationalities, beliefs, genders, ages, marital status and those under special legal protection equally. It strives to provide equal opportunities for employees in all aspects, and actively builds a respectful, open and inclusive corporate culture. The Bank values the diverse talents of employees. The Bank adheres to the principle of gender equality in employment, actively increases the number of female employees, and carries out training and education activities for female management positions. In addition, the Bank also encourages female employees to participate in various activities through various ways to enrich their spare time. Up to now, the Bank has 4,749 female employees, accounting for 55.5% of the total.

(III) Strategic Development Committee

As of 31 December 2022 and the Latest Practicable Date, the Strategic Development Committee of the Bank consisted of 4 Directors, including Mr. SU Qingxiang as the vice chairman, and Mr. SHEN Guoyong, Mr. JIANG Aiguo and Mr. LI Jinyi as members.

The primary duties of the strategic development committee include:

1. review and provide advice to the Board on the Bank's mid- and long-term development strategies;
2. supervise and assess the implementation of the Bank's development strategies;
3. review and provide advice to the Board on the annual budget and final accounts;
4. supervise and inspect the implementation of annual operation plans and investment plans;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management;
6. review the Bank's plans for establishment of branches and sub-branches, material investment and financing, disposal of assets, mergers and acquisitions;
7. inspect and assess the integrity of the Bank's corporate governance structure; and
8. review the Bank's information technology strategic plan and annual business continuity management plan.

During the Reporting Period, the Strategic Development Committee held 4 meetings, at which 19 proposals were considered, mainly including The 2021 Work Report of the Board of Directors, the Summary of the Business Work in 2021 and the Arrangement for Business Work in 2022, the amendment of the "Authorization of the Board of Directors to the Senior Management of Shengjing Bank Co., Ltd.", the 2022 Institutional Network Construction Plan, the supplement of other Tier 1 capital with equity transfer agreement deposits, and the improvement of the relevant system of corporate governance and the strategic risk management method.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) Related Party Transactions Control Committee

As of 31 December 2022, the Related Party Transactions Control Committee of the Bank consisted of 5 Directors, including Mr. LI Jinyi as the chairman, Ms. LIU Xu as the vice chairwoman, and Mr. SHI Yang, Mr. XING Tiancai and Ms. LV Dan as members.

The primary duties of the related party transactions control committee include:

1. identify related parties of the Bank and report to the Board of Directors and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties;
2. conduct review of related party transactions subject to review by the Board and submit such related party transactions to the Board for review, or review the related party transactions within its scope of authority;
3. supervise related party transactions conducted by the Bank; and
4. review the Bank's annual related party transactions and the plan for related party transactions control, and submit the same to the Board for review.

During the Reporting Period, the Related Party Transactions Control Committee held 2 meetings, at which 4 proposals were considered, mainly including the confirmation of unrelated parties of Shengjing Bank Co., Ltd. at the end of 2021, the situation of related transactions in 2021, the quota control plan for related transactions in 2022, the 2021 work review and 2022 work plan of the Related Transaction Control Committee of the Board of Directors, and the confirmation of related parties of Shengjing Bank Co., Ltd. at the end of the first half of 2022.

(V) Risk Control and Consumers' Rights Protection Committee

As of 31 December 2022, the Risk Control and Consumers' Rights Protection Committee of the Bank consisted of 5 Directors, including Mr. WANG Mo as the chairman, Mr. SHEN Guoyong as the vice chairman, Ms. LI Ying, Mr. JIANG Aiguo and Mr. TAI Kwok Leung, Alexander as members.

The primary duties of the risk control and consumers' rights protection committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;
3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and



CORPORATE GOVERNANCE REPORT (CONTINUED)

6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, based on the overall risk management strategies of the Bank, the Risk Control and Consumers' Rights Protection Committee reviewed and amended the Bank's risk management policies, regularly reviewed the risk reports submitted by the senior management to further understand the Bank's risk management work and the effectiveness of relevant measures, and made recommendations to the Board.

During the Reporting Period, the Risk Control and Consumers' Rights Protection Committee held 2 meetings, at which 29 proposals were considered, mainly including the 2021 Debt Quality Management Report, 2021 Information Technology Risk Management Report, 2022 Risk Preference Statement, Development of business continuity strategy, 2021 Stress Test Work Report and 2022 Stress Test Work Plan, 2021 Comprehensive Risk Management Report, 2021 Liquidity Risk Management Report, Self-assessment Report on Case Prevention Work 2021, 2021 Annual Report on the Work of Consumer Rights and Interests Protection, the Overall Scheme for Reform of Village Banks to Reduce Risks, etc.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors comprised 9 Supervisors, including 3 Shareholder Representative Supervisors, namely, Mr. HAN Li, Ms. YANG Xiu and Mr. YUEN Wing Shing; three External Supervisors, namely, Mr. BA Junyu, Mr. SUN Hang and Ms. CHENG Hua, and three Employee Representative Supervisors, namely, Mr. YU Xiaolong, Mr. NIU Jiao and Mr. CHEN Shijun.

Chairman of the Board of Supervisors

Mr. HAN Li serves as the chairman of the Board of Supervisors and is responsible for organising the performance of duties of the Board of Supervisors.

Meetings of the Board of Supervisors

In 2022, the Board of Supervisors held a total of 7 meetings, at which 44 proposals were considered and heard, and approved on matters including 2021 Work Report of the Board of Supervisors, 2021 Supervision and Evaluation Report, Annual Report 2021, 2021 Comprehensive Risk Management Report, 2021 Evaluation Report on Internal Control, the Report on Financial Accounts in 2021 and Financial Budget for 2022, 2021 Profit Distribution Plan and the Performance Appraisal by Board of Supervisors on the Directors, Supervisors and Senior Management of the Bank.

During the Reporting Period, the External Supervisors performed their supervisory duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors, and actively participated in the special supervision and research activities of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)		
	Board of Supervisors	Supervision Committee	Nomination Committee
Shareholder Representative Supervisors			
HAN Li	7/0/7	3/0/3	2/0/2
YANG Xiu	5/0/5	2/0/2	
YUEN Wing Shing	7/0/7		2/0/2
External Supervisors			
BA Junyu	7/0/7	3/0/3	
SUN Hang	7/0/7		2/0/2
CHENG Hua	7/0/7	3/0/3	
Employee Representative Supervisors			
YU Xiaolong	7/0/7		2/0/2
NIU Jiao	7/0/7	3/0/3	
CHEN Shijun	4/0/4		
Former Supervisors			
PAN Wenge	1/0/1	1/0/1	
XU Li	3/0/3		2/0/2

Notes:

- (1) Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Supervisors of the Bank.
- (2) Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Committees under the Board of Supervisors

The Bank has established a supervision committee and a nomination committee under the Board of Supervisors. The committees operate in accordance with terms of reference established by the Board of Supervisors.

(I) Supervision Committee

As at 31 December 2022, the Bank's Supervision Committee under the Board of Supervisors consisted of 5 Supervisors, including Mr. BA Junyu as the chairman, Mr. HAN Li as the vice chairman, and Ms. YANG Xiu, Ms. CHENG Hua and Mr. NIU Jiao as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board;
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the Supervision Committee held 3 meetings, at which 25 proposals were considered and 6 proposals were heard on the matters mainly including the 2021 Work Report of the Supervision Committee under the Board of Supervisors, the 2021 Comprehensive Risk Management Report, the 2021 Evaluation Report of Internal Control Compliance, strategic risk management approach, audit reports of some branches and business lines.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) Nomination Committee

As at 31 December 2022, the Bank's Nomination Committee under the Board of Supervisors consisted of 5 Supervisors, including Mr. SUN Hang as the chairman, Mr. HAN Li as the vice chairman, and Mr. YUEN Wing Shing, Mr. YU Xiaolong and Mr. CHEN Shijun as members.

The primary duties of the supervision committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research on the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the rationality and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the Nomination Committee held 2 meetings, at which 4 proposals were considered on the matters including the 2021 Work Report of the Nomination Committee of the Board of Supervisors, the 2021 Report of the Board of Supervisors on the Performance Evaluation of Directors, Supervisors and Senior Management, the Proposal on the performance appraisal of senior management in 2021.



CORPORATE GOVERNANCE REPORT (CONTINUED)

SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President has the right to organise and conduct business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific rules and regulations;
6. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
7. authorise persons in charge of internal departments and branches to conduct operational activities;
8. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
9. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking regulatory authority of the State Council and the Board of Directors and the Board of Supervisors; and
10. other powers and rights conferred by the Articles of Association and by the Board of Directors.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Total before tax remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of individuals
Nil to RMB2,000,000	5
RMB2,000,001 to RMB3,000,000	5
RMB3,000,001 to RMB4,000,000	0

DELEGATION OF POWER BY THE BOARD

The management led by the Board exercises its powers in accordance with its responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure items must be approved by the Board through the annual budget proposal before execution. Any items that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

Such authorized matters also include loans and guarantees, related party transactions, asset mortgage financing and guarantees, inter-bank fund business, purchase of fixed assets, disposal of assets, disposal of non-performing assets and mortgaged assets, write-off of assets, donations to external bodies, and the establishment, withdrawal and relocation of non-independent accounting branches, provided that the amount does not exceed a certain limit. For details, please refer to the section headed "Corporate Governance Report – The Board and Special Committees".

CORPORATE GOVERNANCE REPORT (CONTINUED)

CHAIRMAN AND PRESIDENT

The Bank agrees to the principles as set out in the Code of Corporate Governance (Appendix 14 to the Hong Kong Listing Rules). From 1 January 2022 to 31 December 2022, the Bank has been in full compliance with the Code 2.1 of the Code of Corporate Governance, except as at the Latest Practicable Date for the following:

According to the code C.2.1 of the Code of Corporate Governance, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Reference is made to the announcement of the Bank dated 17 February 2023. Mr. QIU Huofa has resigned from the positions of chairman of the Board, executive director, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee of the Board of the Bank with effect from 15 February 2023 due to age reasons. In accordance with the relevant provisions of the Company Law of the People's Republic of China and the articles of association of the Bank, the Bank convened the 14th meeting of the seventh session of the Board on 17 February 2023. After unanimous vote of all directors, Mr. Shen Guoyong, executive director and president of the Bank, will perform the duties of chairman of the Board, chairman of the Strategic Development Committee and vice chairman of the Nomination and Remuneration Committee, prior to the appointment of the new chairman of the Board and the approval of qualification of such positions by the CBIRC Liaoning Bureau. The Board will complete the by-election of the new Chairman, Directors and members of the relevant Board Committees in due time and in accordance with the statutory procedures. For details of the President of the Bank, please refer to the section headed "Directors, Supervisors, Senior Management and Employees".

The Chairman of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for the day-to-day operation and management.

During the Reporting Period, the Chairman held two meetings with the independent non-executive Directors in the absence of other Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report”.

According to the Administrative Measures on the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises (Caijin [2020] No.6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)) issued by the Ministry of Finance of the PRC, financial enterprises shall employ the same accounting firm for no more than 8 consecutive years. As of 2021, the Bank has engaged KPMG and KPMG Huazhen LLP (collectively referred to as “KPMG”) as auditors of the Bank for eight consecutive years and is therefore required to retire. At the 2021 Annual General Meeting of the Bank held on 27 May 2022, shareholders approved the appointment of Crowe (HK) CPA Limited (“Crowe”) as the international and domestic auditors of the Bank for 2022, while KPMG ceased to serve as international and domestic auditors of the Bank.

For the year ended 31 December 2022, the fees as agreed to be paid by the Bank to Crowe for annual audit and interim review services of the financial statements were RMB3,900,000 and RMB2,600,000, respectively.

The Bank has agreed to pay Crowe a fee of RMB 1,495,000 for non-audit services as of 31 December, 2022.



CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL

Risk Management and Internal Control

(I) *Management System*

The Board is responsible for the establishment and implementation of a sound risk management (including ESG risks) and internal control system as well as regularly conducting comprehensive assessment. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board and senior management. The senior management is responsible for the day-to-day operation of risk management and internal control across the Bank. Meanwhile, the Board has established the Audit Committee, the Risk Control and Consumers' Rights Protection Committee and the Related Party Transactions Control Committee to fulfill the corresponding responsibilities of risk management and internal control and evaluate the effectiveness of such risk management and internal control. Such systems are designed to manage rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board attaches great importance to the construction of risk management (including ESG risks) and internal control, and has established a risk management system featuring "uniform leadership, vertical management and hierarchical accountability" to identify, assess and manage the major risks related to the Bank. In particular, the Bank complies with the requirements on the establishment of risk management and internal control under the PRC Commercial Banking Law, the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Guidelines on Compliance Risk Management in Commercial Banks (《商業銀行合規風險管理指引》) and the guidelines issued by the Basel Committee on Banking Supervision. Accordingly, the Bank developed a risk management and internal control system which covers such five aspects as internal environment, risk identification and assessment, internal control activities, information and communication, and internal supervision and is in line with the Bank's development strategies, operating scale, scope of business and risk appetite. The Board, the Board of Supervisors and senior management constantly pay attention to the effectiveness of risk management and internal control, actively promote relevant rectification and reforms and optimise its system rules, procedures and information technology system, thereby encouraging its functional departments and all branches and sub-branches to strengthen risk control in order to improve business quality.

(II) *Annual Assessment*

During the Reporting Period, in accordance with the "Commercial Banks Law of the PRC", the "Banking Supervision Law of the PRC", the "Guidelines on the Internal Control of Commercial Banks", the "Guidelines for the Comprehensive Risk Management of Banking Financial Institutions" and other laws, regulations and regulatory requirements, the Bank carried out comprehensive evaluations according to the "Measures of Shengjing Bank on Risk Control Assessment and Evaluation" and "Risk Reporting System of Shengjing Bank" and other rules and regulations by means of business line inspection, risk management department assessment and interview, combining with the internal audit and external inspection during the Reporting Period. The evaluations cover all critical monitoring of the Bank, including financial monitoring, operational monitoring and compliance monitoring, as well as risk management functions. During the Reporting Period, the Board has conducted an annual review of the effectiveness of the Bank's internal control and risk management. The Board reviewed the risk management report eight times and the internal control report once. The Board considers the Bank's risk management (including ESG risks) and internal control systems effective and adequate. Meanwhile, the Board believes that the resources, qualifications and experience of staff of the Bank's accounting, internal audit and financial reporting functions as well as providing them adequate trainings and financial budgets. There was no significant matter of concern during the Reporting Period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Management of Inside Information

The Bank attaches great importance to its information disclosure, is in strict compliance with all regulations in the listing venues, adheres to the principles of timeliness, fairness, accuracy, truthfulness and completeness as to its information disclosure. The Bank has established procedures for information disclosure to designate the department responsible for managing inside information to satisfy the requirements of SFO and other applicable laws on information disclosure. The Bank also constantly improves its efforts in information disclosure and investor relations management, and carries out information disclosures in accordance with applicable laws.

For further details of risk management and internal control of the Bank, please refer to the sections headed “Management Discussion and Analysis – Risk Management” and “Internal Control” in this report.

COMPANY SECRETARY

Mr. Zhou Zhi is one of the joint company secretaries of the Company, while Ms. Kwong Yin Ping Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary fulfilling the relevant qualification requirements of the Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication among the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Bank. Each Director can discuss with, seek advice from and obtain data from the company secretary. The main contact in the Bank for Ms. Kwong Yin Ping Yvonne is Mr. Zhou Zhi.

Each of Mr. Zhou Zhi and Ms. Kwong Yin Ping Yvonne has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period.

INFORMATION DISCLOSURE

During the Reporting Period, the Bank was in strict compliance with the requirements of carrying out true, accurate, complete and timely information disclosure under relevant laws and regulations. The Bank simultaneously published 45 announcements on HKEx News and the Bank's website to enhance the transparency of the company's governance.

Effective Communication with Shareholders

The Bank attaches great importance to communication with shareholders and investors, and strives to improve mutual understanding and communication with shareholders and investors through various channels including general meeting, performance briefings, promotion roadshows, visitor reception and telephone enquiries. The Bank ensures effective, equitable and timely communication of information to shareholders and investors at all times and regularly reviews the effectiveness of its communication channels. The Bank has considered the participation and communication activities of shareholders and investors held by the Group in 2022, which meet the requirements for full and effective implementation of the shareholder communication policy.

Articles of Association

The revised Articles of Association have been approved by the first extraordinary general meeting of shareholders in 2020 and approved by CBIRC Liaoning Bureau on 14 January 2021, with effect from the same date.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' RIGHTS

Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receipt date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.

The Board of Supervisors shall give notice of a Shareholders' General Meeting or a class shareholder meeting within five days from receipt of the request upon agreeing to convene an extraordinary Shareholders' General Meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting within the stipulated period, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' General Meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Proposals at General Meetings

The Board and the Board of Supervisors as well as Shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PROFIT AND DIVIDEND DISTRIBUTION POLICY

According to the Articles of Association, the profit and dividend distribution policy of the Bank are as follow:

- (I) According to Article 280 of the Articles of Association, the Bank shall set aside 10% of the profits from the after-tax profits for the year to its statutory reserve fund. The Bank needs not allocate further amounts if the accumulated amount of the statutory reserve fund is over 50% of its registered capital. If the statutory reserve fund is not sufficient to cover the losses incurred in the previous year, the profits of the current year shall be used to cover such losses before any allocation to the statutory reserve fund is made in accordance with the provisions of the previous paragraph. After the Bank has set aside statutory reserve fund from the after-tax profits, the Bank, subject to the approval of the Shareholders' general meeting, may make allocation to the discretionary reserve fund from the aftertax profits after setting aside general reserves in accordance with the relevant provisions. The balance of the aftertax profits of the Bank after making up losses and setting aside statutory reserve fund may be distributed to the Shareholders in pro rata to their shareholding unless it is otherwise stipulated in the Articles of Association that the profits shall not be distributed in pro rata to the shareholding of the Shareholders. Where the Shareholders' general meeting distributes profits to Shareholders in violation of the foregoing provisions before the Bank's making up losses and setting aside statutory reserve funds, the Shareholders concerned must return to the Bank the profits distributed in violation of the provisions. Shares of the Bank held by the Bank shall not participate in the distribution of profits.
- (II) According to Article 286 of the Articles of Association, the profit distribution policy of the Bank shall emphasize the reasonable investment return to the investors and be in the interest of the Bank's long-term development. The Bank may distribute profits via bonus issue, payment of cash dividend and so on.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Bank considers its employees as its core assets. The Bank has established a performance-based compensation system to encourage a fair and friendly working environment. The Bank has also developed and implemented proper strategies and plans to support the career path and professional advancement of its employees.

Paying close attention to the customers' demands, the Bank has continuously diversified its products and services as well as expanded its sales channels, with a view to optimising the customer experience and expanding its client base. The Bank will continue its endeavors to provide its customers with quality products and services.

INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24)2253 5633
Fax: +86 (24)2253 5930
E-mail: ir@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:
Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong



CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' ENQUIRIES

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

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

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

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24)2253 5633
Fax: +86 (24)2253 5930

ADDITIONAL INFORMATION

The Bank currently holds a Financial License institution number: B0264H221010001 issued by the CBIRC Liaoning Bureau, and a Business License unified social credit code: 91210100117809938P issued by the Market Supervision Administration of Shenyang. The Bank is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry out banking and/or deposit-taking business in Hong Kong.

REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL BUSINESS

The Bank engages in banking businesses and the related financial services.

BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the section headed "Management Discussion and Analysis". The key financial performance indicators are set out in the section headed "Financial Highlights". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, in the section headed "Corporate Governance Report". Analysis on the relationship with key stakeholders can also be found in the section headed "Corporate Governance Report".

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Bank are set out in "Management Discussion and Analysis – Risk Management".

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There are no important events affecting the Bank that have occurred since the end of the Reporting Period.

FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to the "Management Discussion and Analysis – Future Outlook and Development Strategy".

PROFITS AND DIVIDEND

The profit distribution policy of the Bank attaches importance to reasonable investment returns to investors and adheres to the principles that are conducive to the long-term development of the Bank. The profit distribution of the Bank may be made by way of bonus shares, cash dividends, etc. The Board of Directors is responsible for formulating profit distribution plan. A profit distribution plan should be determined by two-thirds or more of our Directors and approved at a general meeting by way of ordinary resolution. The independent Directors should express their opinions on the profit distribution plan to the Board of Directors. The Board of Supervisors should review the profit distribution plan and express its opinions on the compliance and appropriateness of such proposals. The Bank will determine whether to distribute any dividends, and in what amount, based on factors, including the Bank's results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, the Bank's Shareholders' interests, statutory and regulatory restrictions on the Bank's dividend distribution.

The Bank's revenue for the year ended 31 December 2022 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements".



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Pursuant to the resolutions passed at the 2021 Annual General Meeting of the Bank held on 27 May 2022, it was resolved that no final dividend for 2021 would be distributed to all Shareholders.

As approved at the meeting of the Board of the Bank held on 24 March 2023, it is proposed that no final dividend for 2022 be declared to all Shareholders. Such resolution for no distribution of dividend will be considered at the 2022 Annual General Meeting.

The independent non-executive Directors of the Company also expressed independent opinions on such profit distribution plan. The amounts of cash dividend and ratios of cash dividend to profit for the year of the Bank for the past three years are as follows:

	2021	2020	2019
	<i>RMB Million, except percentages</i>		
Cash dividend (tax inclusive)	0	0	0
As a percentage of profit for the year	0	0	0

CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank and of the reserves available for distribution for the year ended 31 December 2022 are set out in the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Bank for the year ended 31 December 2022 are set out in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2022 is set out in the "Financial Highlights".

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2022 are set out in Note 22 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Bank to employees are set out in Note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at 31 December 2022 are set out in the "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

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

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities of the Bank.

PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank. These Articles of Association provide that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, or otherwise as permitted by the laws and administrative regulations.

MAJOR CUSTOMERS

The Bank is not dependent too much on a single major depositor/borrower. As at the end of the Reporting Period, the operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The Directors of the Bank and its connected persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

SHARE CAPITAL

Details of the change in the share capital of the Bank during the year are set out in Note 33 to the financial statements.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Details of the Directors, Supervisors, senior management and employees are stated in the section headed "Directors, Supervisors, Senior Management and Employees".

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and considered that all the existing independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the chief executive and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were set out as follows:

Domestic shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held	Percentage of the Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
SHI Yang (石陽)	Executive Director	Beneficial owner	107,684	0.0017	0.0012
		Interest of spouse	5,722	0.0001	0.0001

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

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

ARRANGEMENTS FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as at 31 December 2022 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any material transaction, arrangement or contract (excluding service contracts) in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors nor Supervisors has entered into any service contract with the Bank that is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

MANAGEMENT CONTRACT

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

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or Supervisors have any interest in businesses that compete with the business of the Bank.

CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the "Corporate Governance Report". In addition, the Bank's environmental policies are discussed in the "Social Responsibility Report". Also see the Bank's 2022 Environment, Social and Governance Report, which will be published in April 2023. For more details, please visit the Bank's website at www.shengjingbank.com.cn.

RELATED PARTY TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the certain connected transactions of the Bank during the Reporting Period can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the 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. Certain related party transactions set out in Note 37 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitute any discloseable connected transaction as defined under the Listing Rules.

REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the guidance of the relevant policies of the PRC, the Bank continues to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The remuneration structure implemented by the Bank consists of basic remuneration, performance bonus and other benefits. The Bank makes contributions to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the latest practicable date, the Bank has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited regarding the public float.

AUDITORS AND REVIEW OF ANNUAL RESULTS

Crowe (HK) CPA Limited was appointed as the international and domestic auditor of the Bank for 2022.

Crowe has audited the Bank's financial report for 2022 prepared according to the International Financial Reporting Standards and issued an auditor's report with no qualified opinions. The audit committee of the Board of Directors of the Bank has reviewed the results and financial reports for the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance coverage for directors' and officers' liabilities in respect of potential legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.



REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in accordance with regulatory regulations and the Articles of Association, aimed at strengthening supervision and inspection, safeguarding the interests of shareholders and employees, and promoting the improvement of corporate governance, faithfully and diligently performed its statutory duties, continuously strengthened system construction, and effectively carried out key work such as conference supervision, special supervision, performance evaluation, research and inspection to put forward targeted supervision opinions and promote the implementation of rectification, and continue to promote the steady operation and development of the Bank.

I. REPORT ON MAJOR WORK

Convening of meetings for supervision in a timely manner. In 2022, the Bank convened 7 meetings of the Board of Supervisors and 5 meetings of special committees, listened to and considered 79 resolutions, including important topics such as the work report of the Board of Supervisors, the annual business work report, the financial report and the total risk management report. The Supervisors were able to put forward and promote the implementation of objective and independent supervisory opinions and suggestions on matters deliberated at the meeting, and practically fulfilled their statutory duties.

Conscientiously supervising the performance of duties. The Board of Supervisors revised and improved the “Measures of the Board of Supervisors for Evaluating the Performance of Duties of Directors, Supervisors and Senior Management” to clarify the basic responsibilities of Directors and Supervisors and senior managers in performing their duties, improve the evaluation dimensions and priorities, optimize the evaluation procedures and methods, and further improve the comprehensiveness and objectivity of the evaluation of directors and supervisors in performing their duties. In addition, it formulated the annual work plan for performance evaluation, sorted out the performance evaluation files of Directors, Supervisors and senior managers, held on-site evaluation meetings for senior managers, completed the evaluation, self-evaluation and mutual evaluation of the Board of Supervisors in a standardized manner, formed evaluation reports on the performance of Directors, Supervisors and senior managers, and submitted them to the regulatory authorities and the shareholders’ General Meeting on time.

Carrying out special supervision and inspection in an orderly manner. Firstly, carried out regular supervision of business activities to deeply understand the financial indicators and business conditions of the Bank, issued special supervision reports on a quarterly basis, and put forward supervision opinions and suggestions. Secondly, carried out special supervision on the progress of the three-year action plan for comprehensive risk and internal control compliance, put forward opinions and suggestions on organizational structure, guidance and implementation, and evaluation mechanism, and communicated the special supervision report to senior management to promote the implementation of the rectification and ensure the practicability and continuity of the supervision work. Thirdly, carried out post-evaluation of the development strategy to evaluate the scientificity, rationality and effectiveness of the development strategies in 2021. It is suggested to further strengthen strategic risk management, refine the indicator system, strengthen the transmission and implementation of the strategy and organize its implementation, and improve the effectiveness of strategic planning.



REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

Carrying out continuous research and investigation. Focusing on the key work of Party building, business development, risk compliance management, asset quality and implementation of regulatory opinions, the Board of Supervisors of the Bank conducted research on 6 branches in Dalian and Yingkou, listened to the reports on the operation and management of the branches, and urged relevant departments to solve the problems and requirements in a timely manner, so as to enhance the quality and efficiency of the Supervisors' supervision work.

Continuously strengthening the system construction. Firstly, revised and issued seven work systems of the Board of Supervisors to provide system guarantees for the Board of Supervisors to perform its duties in accordance with the laws and operate effectively. Secondly, formulated the annual work plan for strengthening supervision of the Board of Supervisors, further clarified the organizational structure, system, key points of supervision and inspection as well as the departments, scope and time limit for reporting data as required, and established a corresponding coordination mechanism for special committees of the Board of Supervisors to further normalize, standardize and processize the work of supervision and inspection.

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

1. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Board of Directors and senior management of the Bank operated in a standardized manner in accordance with the provisions of the "Company Law", "Corporate Governance Standards for Banking or Insurance Institutions", the Articles of Association of the Bank and regulatory requirements. The corporate governance structure was continuously optimized, and the management measures were reasonable and effective to maintain a steady operation and development.

2. Truthfulness of Financial Report of the Bank

During the Reporting Period, the Bank prepared the 2022 Financial Report according to the International Accounting Standards and relevant provisions of the Listing Rules of the Hong Kong Stock Exchange, which was audited by Crowe (HK) CPA Limited and a standard unqualified audit report was issued. The audit report gave a true, accurate and complete view of the financial position and operating results of the Bank.

3. Related-party Transactions

During the Reporting Period, the Bank's related-party transactions were fairly and reasonably priced and were not detrimental to the interests of the Shareholders or the benefits of the Bank.

4. Acquisition and Disposal of Assets by the Bank

During the Reporting Period, no insider trading nor activities that may damage the shareholders' rights and interests or cause a loss of assets has been identified in respect of any material acquisition or disposal of assets.



REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

5. Internal Control

During the Reporting Period, adhering to the concept of compliance, the Bank continuously improved the internal control system and strengthened the internal control risk management. The Bank was not aware of any material defect in the design or implementation of the Bank's internal control system.

6. Implementation of the Resolutions of Shareholders' General Meetings

During the Reporting Period, the Board of Supervisors of the Bank had no objection to any resolution or report submitted by the Board of Directors to the shareholders' general meetings in 2022, and the Board of Directors and the senior management had duly implemented the resolutions of the shareholders' general meetings.



SOCIAL RESPONSIBILITY REPORT

During the Reporting Period, the Bank closely focused on the strategic vision of “building a sound bank”, based on the positioning of “the bank of the citizens and the bank of the city”, actively integrated into the special action of “Revitalise New Breakthroughs: I Want to be a Pioneer”, deeply grasped the nature of financial work of serving for the politics and the people, and built differentiated competitive advantages by combining its own resource endowment and policy orientation to give full play to the role of local financial institutions as the main force in promoting the development of regional real economy and promoting high-quality transformation.

FULLY SUPPORTING THE HIGH-QUALITY DEVELOPMENT OF REGIONAL ECONOMY AND INDUSTRY

Focusing on regional industrial characteristics and industry layout, the Bank provide professional and integrated industry solutions for ten industries including equipment manufacturing, digital technology, public livelihood, modern agriculture, medical treatment, new retail, urban renewal, iron and steel metallurgy, petrochemical energy and government finance.

Integrating regional financial resources to give full support to the synergistic effect of financial synergy to support the real economy. The Bank successfully hosted the “Revitalise New Breakthroughs: Finance as the Pioneer” trade exchange meeting, on which the Special Action Proposal for “Revitalise New Breakthroughs, Finance as the Pioneer” was passed, calling on financial forces to make greater contributions to the development of the real economy in Liaoshen region.

Innovating the service model and product systems to serve the comprehensive needs of enterprises. The Bank put forward the “four focuses” business strategy, with professional operation of industry finance as the main line, deeply applied the business mode of integrating funds exchange, resources integration, capital operation and asset management in its business.

ACTIVELY PRACTICING THE CONCEPT OF INCLUSIVE FINANCE TO HELP SMALL AND MICRO ENTERPRISES REDUCE COSTS AND INCREASE EFFICIENCY

As a local headquarters bank, the Bank actively responded to the call of the state to implement the “23 Financial Articles”, 108 measures of Liaoning Province and other preferential policies for enterprises, firmly implemented the concept of inclusive financial services of “Finance for the people”. With customers as the center, the Bank constantly promoted the innovation of service concept, service content and service mode, and actively created “one-stop” inclusive financial services to develop “chain” finance and improve the availability, coverage and satisfaction of inclusive finance.

The Bank made continuous efforts in the innovation of inclusive products, and introduced products such as “Liaoning Sci-tech Loan”, “Liaoning IP Loan”, “Shengjing Yield Loan” and “Tax e Loan”. The Bank adopted a differentiated and refined pricing system to reduce the financing costs of small, medium and micro enterprises by integrating the main qualifications, operating conditions, loan methods and loan term of small, medium and micro enterprises to offer them interest rate concessions and fee waivers. The Bank increased product adaptation and model innovation, focused on the development of “chain” finance, and vigorously supported “Specialized, Sophisticated, Special and New” small and micro enterprises to inject “fresh blood” into the dynamic market players.

SOCIAL RESPONSIBILITY REPORT (CONTINUED)

PROTECTING THE RIGHTS AND INTERESTS OF FINANCIAL CONSUMERS TO BEING A GOOD FINANCIAL GUARDIAN

Adhering to the people-centered development philosophy, the Bank earnestly improved the professionalism of consumer rights and interests protection work, continued to improve the new realm of finance for the people, and constantly enhance the sense of gain, happiness and security of financial consumers.

With protecting consumer rights and interests as the strategy of the Bank, the Bank established the “Double Consumer Protection Committee” consumer rights and interests protection management system with clear objectives, reasonable structure, adequate guarantee and effective implementation to drive the development of financial consumer protection work.

Adhering to the “customer-centered” service concept, the Bank earnestly fulfilled its social responsibilities, constantly enriched elderly-oriented financial services, and sincerely provided standardized, professional and customized services for special groups of the “elderly and young”.

Innovating financial publicity methods, the Bank enriched publicity content to make in-depth and practical work of financial publicity and education. Through normalized anti-fraud training, anti-fraud publicity, police bank cooperation and other work measures, the Bank constantly improved the professional ability of anti-fraud work to effectively protect the property security of the people, and protect the “money bag” of the citizens.

PAYING TAXES PROACTIVELY TO SUPPORT PUBLIC WELFARE

During the Reporting Period, the Bank made various tax payment of RMB3.969 billion, of which RMB3.213 billion was paid in Shenyang area, ranking top among tax contribution. The Bank attached great importance to public welfare and philanthropy, thoroughly implemented the poverty alleviation policies of the Shenyang Municipal Party Committee and Municipal government, and carried out assistance and sympathy activities to designated poverty alleviation units in Zhoutuozi Town, Xinmin City.



INTERNAL CONTROL

Internal control refers to the dynamic process and mechanism in which the Board of Directors, the Board of Supervisors, the senior management and all employees of the Bank participate in the development and implementation of systematic systems, processes and methods to achieve control objectives.

During the Reporting Period, adhering to the overall principle of “stability, standard, efficiency and law compliance”, the Bank firmly established the internal control concept of management institutionalization, system processization and process informatization to embed risk management and compliance management requirements into various business processes, and gradually achieved the control goal of “strengthening internal control, preventing risks and promoting compliance” by continuously strengthening internal control management. Firstly, strengthening the top-level design of internal control. Guided by the three-year action plan for total risk management and internal control compliance, the Bank promoted the implementation of the action plan according to 33 specific work requirements from the aspects of system construction, risk management, team construction, and scientific and technological support, and comprehensively improved the management quality of internal control. Secondly, reshaping the institutional management system. A pyramid system hierarchy of “basic system – management method – specific rules – branch system” has been constructed, and a clear, scientific, reasonable, practical and effective institutional system has been gradually formed. Thirdly, continuously optimizing the internal control process. The Bank introduced third-party consulting agencies to match advanced peers, comprehensively analysed process design and implementation at company level and process level, and formed 114 risk control matrices to embed risk management and internal control compliance requirements into the business and operation management process to ensure clear rights and responsibilities, effective restriction, efficient operation, scientific reasonableness. Fourthly, strengthening internal audit supervision function. The Bank further clarified the function and orientation of the audit work, and constantly optimized the audit work process. Focusing on the regulatory requirements and the main risk points of the Bank’s operation and management, the Bank enhanced the depth and breadth of audit work, and promoted the transformation of audit results to give full potential of the supervisory role of internal audit.



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Independent auditor's report to the shareholders of Shengjing Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 138 to 292, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Boards For Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for 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

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to note 19,20,39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

The determination of loss allowances using the expected credit loss model is subject to 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, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

The determination of the expected credit loss model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the Reporting Period.

We identified the impairment of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of those business and loss allowance, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the parameters in the expected credit loss 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 adjustments;

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19,20,39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original documentary agreements, we compared the total balance of the loan and financial investments list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investments information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investments list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the management's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard 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;
- for key parameters 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;



INDEPENDENT AUDITOR'S REPORT

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19,20,39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- evaluating the validity of management's assessment on whether the credit risk of the loan and advance granted and the financial investments at amortised cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. 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;
- for selected samples of loans and financial investments measured at amortised cost that are credit-impaired, evaluating 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, considered the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 month and lifetime credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; and
- evaluating whether the disclosures on impairment of loans and financial investments measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to note 20(a), 20(b) and 46 to the consolidated financial statements and the accounting policies in note 40.

The Key Audit Matter

Financial instruments measured at fair value are one of the significant assets held by the Group and the fair value adjustments may affect profit or loss or other comprehensive income.

The valuation of the Group's financial instruments at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;
- evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and
- assessing whether the consolidated financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the relevant accounting standards.



INDEPENDENT AUDITOR'S REPORT

CONSOLIDATION OF STRUCTURED ENTITIES

Refer to note 42,43 and 46 to the consolidated financial statements and the accounting policies in note 46(f).

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard.
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
 - reviewing 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 exposure, or rights, to variable returns from the Group's involvement in such an entity;
 - reviewing management's analyses of the structured entity including qualitative analyses and calculations 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;
 - assessing management's judgement over whether the structured entity should be consolidated or not; and
- considering the disclosures in the consolidated financial statements in relation to structured entities with reference to the disclosure requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.
- 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.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Chiu Lung Sang.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong,
24 March 2023

Chiu Lung Sang
Practising Certificate Number P08091



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2022	2021
Interest income		43,348,175	40,915,676
Interest expense		(30,494,491)	(28,528,067)
Net interest income	3	12,853,684	12,387,609
Fee and commission income		614,886	1,060,026
Fee and commission expense		(350,614)	(630,556)
Net fee and commission income	4	264,272	429,470
Net trading gains/(losses)	5	171,359	(708,318)
Net gains arising from investments	6	2,814,803	3,293,256
Other operating income	7	48,993	64,594
Operating income		16,153,111	15,466,611
Operating expenses	8	(5,790,240)	(5,855,054)
Net impairment losses on assets	11	(9,171,622)	(9,507,962)
Profit before taxation		1,191,249	103,595
Income tax (expense)/credit	12	(171,980)	327,288
Profit for the year		1,019,269	430,883
Net profit attributable to:			
Equity shareholders of the Bank		979,898	401,961
Non-controlling interests		39,371	28,922
		1,019,269	430,883

The notes on pages 146 to 292 form part of these financial statements.

	Note	2022	2021
Profit for the year		1,019,269	430,883
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(4,210)	(7,990)
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	34(d)	(678,688)	(20,122)
Items that may be reclassified subsequently to profit or loss			
– Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	34(d)	220,862	(163,075)
– net movement in the provision reserve	34(e)	376,921	216,696
Other comprehensive income net of tax		(85,115)	25,509
Total comprehensive income		934,154	456,392
Total comprehensive income attributable to:			
Equity shareholders of the Bank		894,783	427,470
Non-controlling interests		39,371	28,922
		934,154	456,392
Basic and diluted earnings per share (<i>in RMB</i>)	13	0.11	0.05

The notes on pages 146 to 292 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in thousands of RMB, unless otherwise stated)

	Note	31 December 2022	31 December 2021
Assets			
Cash and deposits with central bank	14	75,258,358	72,330,736
Deposits with banks and other financial institutions	15	7,207,614	8,842,567
Placements with banks and other financial institutions	16	6,232,027	1,250,301
Derivative financial assets	17	665,994	574,444
Financial assets held under resale agreements	18	9,377,937	2,261,877
Loans and advances to customers	19	630,599,417	583,443,518
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	128,735,653	93,378,132
Financial assets at fair value through other comprehensive income	20(b)	45,032,269	34,165,805
Financial assets measured at amortised cost	20(c)	155,843,638	184,456,811
Property and equipment	22	5,105,886	5,376,309
Deferred tax assets	23	8,509,694	7,289,160
Other assets	24	9,844,622	12,756,593
Total assets		1,082,413,109	1,006,126,253
Liabilities			
Borrowings from central bank	25	1,190,119	1,631,922
Deposits from banks and other financial institutions	26	52,716,547	59,942,166
Placements from banks and other financial institutions	27	2,838,696	581,595
Financial liabilities at fair value through profit or loss		2,421,778	6,504,990
Derivative financial liabilities	17	601,799	564,291
Financial assets sold under repurchase agreements	28	128,661,609	89,271,137
Deposits from customers	29	788,752,335	754,880,674
Income tax payable		897,205	804,983
Debt securities issued	30	16,979,868	8,427,431
Other liabilities	31	5,916,058	3,014,123
Total liabilities		1,000,976,014	925,623,312

The notes on pages 146 to 292 form part of these financial statements.

	<i>Note</i>	31 December 2022	31 December 2021
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34(a)	26,931,360	26,931,360
Surplus reserve	34(b)	7,411,839	7,319,347
General reserve	34(c)	14,797,531	14,013,554
Fair value reserve	34(d)	(1,274,532)	(816,706)
Provision reserve	34(e)	1,239,049	862,128
Deficit on remeasurement of net defined benefit liability	34(f)	(28,848)	(24,638)
Retained earnings	34(g)	22,901,106	22,797,677
Total equity attributable to equity shareholders of the Bank		80,774,185	79,879,402
Non-controlling interests		662,910	623,539
Total equity		81,437,095	80,502,941
Total liabilities and equity		1,082,413,109	1,006,126,253

Approved and authorised for issue by the board of directors on 24 March 2023.

Shen Guoyong

(perform duty on behalf of chairman)
President

Bao Hong

Chief Financial Officer

Yang Xi

person in charge of Accounting Institution

Company chop

The notes on pages 146 to 292 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total			
Balance at 1 January 2022	8,796,680	26,931,360	7,319,347	14,013,554	(816,706)	862,128	(24,638)	22,797,677	79,879,402	623,539	80,502,941	
Profit for the year	-	-	-	-	-	-	-	979,898	979,898	39,371	1,019,269	
Other comprehensive income	-	-	-	-	(457,826)	376,921	(4,210)	-	(85,115)	-	(85,115)	
Total comprehensive income	-	-	-	-	(457,826)	376,921	(4,210)	979,898	894,783	39,371	934,154	
Appropriation of profit:												
- Appropriation to surplus reserve	35	-	-	92,492	-	-	-	(92,492)	-	-	-	
- Appropriation to general reserve (Note (i))	35	-	-	783,977	-	-	-	(783,977)	-	-	-	
Subtotal	-	-	92,492	783,977	-	-	-	(876,469)	-	-	-	
Balance at 31 December 2022	8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095	

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB70.64 million.

The notes on pages 146 to 292 form part of these financial statements.

	Note	Attributable to equity shareholders of the Bank							Total	Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability				Retained earnings
Balance at 1 January 2021		8,796,680	26,931,360	7,283,589	13,676,444	(633,509)	645,432	(16,648)	22,768,584	79,451,932	594,617	80,046,549
Profit for the year		-	-	-	-	-	-	-	401,961	401,961	28,922	430,883
Other comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	-	25,509	-	25,509
Total comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	401,961	427,470	28,922	456,392
Appropriation of profit:												
– Appropriation to surplus reserve	35	-	-	35,758	-	-	-	-	(35,758)	-	-	-
– Appropriation to general reserve (Note (i))	35	-	-	-	337,110	-	-	-	(337,110)	-	-	-
Subtotal		-	-	35,758	337,110	-	-	-	(372,868)	-	-	-
Balance at 31 December 2021		<u>8,796,680</u>	<u>26,931,360</u>	<u>7,319,347</u>	<u>14,013,554</u>	<u>(816,706)</u>	<u>862,128</u>	<u>(24,638)</u>	<u>22,797,677</u>	<u>79,879,402</u>	<u>623,539</u>	<u>80,502,941</u>

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB33.38 million..

The notes on pages 146 to 292 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

(Expressed in thousands of RMB, unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		1,191,249	103,595
<i>Adjustments for:</i>			
Impairment losses on assets		9,171,622	9,507,962
Depreciation and amortisation		643,640	598,913
Interest expense on leased assets		30,332	22,582
Net gains on unrealised foreign exchange		38,740	(19,820)
Disposal of long-term assets (gains)/losses		(42)	609
Dividend income		(116,207)	(83,062)
Net trading gains of financial assets at fair value through profit or loss		(675,623)	(105,300)
Net gains arising from investments		(2,022,973)	(3,122,502)
Interest expense on debt securities issued		526,287	1,349,523
Interest income on financial investments		(6,890,230)	(8,336,823)
		<u>1,896,795</u>	<u>(84,323)</u>
<i>Changes in operating assets</i>			
Net decrease in deposits with central bank		2,182,015	7,851,395
Net (increase)/decrease in deposits and placements with bank and other financial institutions		(2,052,881)	3,176,325
Net increase in loans and advances to customers		(52,899,859)	(39,116,546)
Net decrease/(increase) in other operating assets		3,777,787	(17,898,221)
		<u>(48,992,938)</u>	<u>(45,987,047)</u>
<i>Changes in operating liabilities</i>			
Net decrease in borrowings from central bank		(441,803)	(1,137,431)
Net decrease in deposits and placements from banks and other financial institutions		(4,968,518)	(35,044,235)
Net increase/(decrease) in financial assets sold under repurchase agreements		39,390,472	(381,438)
Net increase in deposits from customers		33,871,661	55,628,195
Income tax paid		(1,272,197)	(1,903,537)
Net increase in other operating liabilities		2,855,337	1,297,802
		<u>69,434,952</u>	<u>18,459,356</u>
Net cash flows generated from/(used in) operating activities		<u>22,338,809</u>	<u>(27,612,014)</u>

The notes on pages 146 to 292 form part of these financial statements.

	Note	2022	2021
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		930,321,291	721,104,061
Proceeds from disposal of property and equipment and other assets		2,107	207
Payments on acquisition of investments		(945,797,136)	(679,518,462)
Payments on acquisition of property and equipment, intangible assets and other assets		(215,526)	(201,994)
Net cash flows (used in)/generated from investing activities		(15,689,264)	41,383,812
Cash flows from financing activities			
Net proceeds from new debt securities issued	36(b)	42,212,087	17,981,120
Repayment of debt securities issued	36(b)	(33,649,528)	(54,486,369)
Interest paid on debt securities issued	36(b)	(536,409)	(1,679,480)
Payment of lease liabilities		(211,054)	(165,748)
Net cash flows generated from/(used in) financing activities		7,815,096	(38,350,477)
Effect of foreign exchange rate changes on cash and cash equivalents		(543,159)	(339,275)
Net increase/(decrease) in cash and cash equivalents		13,921,482	(24,917,954)
Cash and cash equivalents as at 1 January		24,289,535	49,207,489
Cash and cash equivalents as at 31 December	36(a)	38,211,017	24,289,535
Net cash flows used in operating activities include:			
Interest received		18,669,852	21,029,937
Interest paid (excluding interest expense on debt securities issued)		(30,416,327)	(25,475,124)

The notes on pages 146 to 292 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No.149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No.103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the China Banking Regulatory Commission (the former “CBRC”) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the former CBRC Liaoning Branch. The Bank obtained its business license No. 91210100117809938P from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2022, the share capital of the Bank is RMB8,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2022. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the former CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance and basis of preparation (Continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2022 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 46.

The measurement basis used in the preparation of the financial statements is the historical cost basis, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised IFRSs (including International Accounting Standards (“IASs”)) are as follows:

Amendments to IFRS 3 Reference to the Conceptual Framework

Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 (the “Conceptual Framework”) without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combinations that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

Amendments to IFRSs Annual Improvements to IFRSs 2018- 2020

Annual Improvements to IFRSs 2018–2020 set out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- Amendments to IFRS 1 permit a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. These amendments are also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Group as it is not a first-time adopter.
- Amendment to IFRS 9 Financial Instruments clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.
- Amendment to IFRS 16 Leases removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This amendment removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
- Amendments to IAS 41 remove the requirement to exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(n)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(f) Financial instruments

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets*

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss (“FVTPL”).

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer’s perspective.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

- Financial assets at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

- Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

- Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

- Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVTPL

The financial liabilities include trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities are subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) *Impairment*

The Group recognises provision for expected credit loss on:

- Financial assets measured at amortised cost;
- Financial guarantees;
- Debt instruments at FVOCI; and
- Credit commitments.

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

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

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

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

The Group's measurement of expected credit losses is described in Note 39(a).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) Impairment (Continued)

Presentation of provision for ECLs

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the consolidated statement of financial position. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

Write-off

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

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

(vi) **Derecognition of financial assets and financial liabilities**

Financial assets are derecognised when the following conditions are met:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(vi) *Derecognition of financial assets and financial liabilities (Continued)*

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

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

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

(vii) *Offsetting*

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

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

(g) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(h) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fair value measurement (Continued)

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

(i) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss (Note 2(n)). Construction in progress ("CIP") is stated in the consolidated statement of financial position at cost less impairment loss (Note 2(n)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20 – 30 years	3%	4.85% – 3.23%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5 – 10 years	0%	20.00% – 10.00%
Others	3 – 5 years	3%	32.33% – 19.40%



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily branches or office premises. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(i) Group acting as a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with (Note 2(j)); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.
- The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(f)(ii), 2(s)(i) and 2(f)(v)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(i) *Group acting as a lessee (Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in ‘other assets’ and lease liabilities in ‘other liabilities’ in the consolidated statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(i) *Group acting as a lessee (Continued)*

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in (Note 2(k)(i)), then the Group classifies the sub-lease as an operating lease.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(n)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software	5 – 10 years
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(m) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(n) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- intangible assets
- investments in subsidiaries and associates
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provision for impairment losses on non-financial assets (Continued)

A Cash-Generating Unit (the "CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(ii) *Supplementary retirement benefits*

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(f)(v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

The specific accounting policies related to the revenue of Group's principal activities are described below:



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date;
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

(iii) *Other income*

Other income is recognised on an accrual basis.

(iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.

(t) Expenses recognition

(i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) *Other expenses*

Other expenses are recognised on an accrual basis.

(u) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
 - (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or the group's parent.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

3 NET INTEREST INCOME

	2022	2021
Interest income arising from		
Deposits with central bank	1,039,001	1,211,821
Deposits and placements with banks and other financial institutions	198,681	69,680
Loans and advances to customers		
– Corporate loans and advances	27,793,938	23,487,589
– Personal loans and advances	5,537,278	5,958,314
– Discounted bills	1,493,161	1,512,220
Financial assets held under resale agreements	395,886	339,229
Financial investments	6,890,230	8,336,823
	<hr/>	<hr/>
Subtotal	43,348,175	40,915,676
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Interest expense arising from		
Borrowings from central bank	(69,985)	(128,758)
Deposits and placements from banks and other financial institutions	(3,182,741)	(2,176,860)
Deposits from customers	(25,023,993)	(23,049,452)
Financial assets sold under repurchase agreements	(1,691,485)	(1,823,474)
Debt securities issued	(526,287)	(1,349,523)
	<hr/>	<hr/>
Subtotal	(30,494,491)	(28,528,067)
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Net interest income	<u>12,853,684</u>	<u>12,387,609</u>

Note:

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***4 NET FEE AND COMMISSION INCOME**

	2022	2021
Fee and commission income		
Agency and custody services fees	400,177	802,285
Settlement and clearing services fees	42,153	83,790
Bank card services fees	172,556	173,951
	<hr/>	<hr/>
Subtotal	614,886	1,060,026
Fee and commission expense	(350,614)	(630,556)
	<hr/>	<hr/>
Net fee and commission income	264,272	429,470
	<hr/> <hr/>	<hr/> <hr/>

5 NET TRADING GAINS/(LOSSES)

	2022	2021
Net gains from debt securities	41,946	10,289
Net losses from derivatives and others	(26,679)	(342,209)
Net foreign exchange gains/(losses)	156,092	(376,398)
	<hr/>	<hr/>
Total	171,359	(708,318)
	<hr/> <hr/>	<hr/> <hr/>

6 NET GAINS ARISING FROM INVESTMENTS

	2022	2021
Net gains on disposal of financial assets measured at amortised cost	1,445,631	2,601,928
Net gains on disposal of financial assets at fair value through other comprehensive income	577,342	234,762
Net gains on financial assets at fair value through profit or loss	675,623	373,504
Dividends from designated as financial assets at fair value through other comprehensive income	116,207	83,062
	<hr/>	<hr/>
Total	2,814,803	3,293,256
	<hr/> <hr/>	<hr/> <hr/>

7 OTHER OPERATING INCOME

	2022	2021
Net gains on disposal of property and equipment	42	32,558
Rental income	6,868	12,227
Government grants	8,458	11,361
Handling charge income	99	292
Others	33,526	8,156
	<hr/>	<hr/>
Total	48,993	64,594
	<hr/> <hr/>	<hr/> <hr/>

8 OPERATING EXPENSES

	2022	2021
Staff costs		
– Salaries, bonuses and allowances	2,185,903	2,258,812
– Pension and annuity	319,307	243,605
– Other social insurance	270,422	249,243
– Housing allowances	174,464	152,814
– Supplementary retirement benefits	5,119	4,423
– Others	235,789	169,129
	<hr/>	<hr/>
Subtotal	3,191,004	3,078,026
Office expenses	296,100	458,559
Depreciation and amortisation	412,720	450,360
Tax and surcharges	331,254	247,589
Depreciation of the right-of-use assets	177,747	148,553
Rental and property management expenses	147,255	129,994
Interest expense of the lease liability	30,332	22,582
Other general and administrative expenses (Note(a))	1,203,828	1,319,391
	<hr/>	<hr/>
Total	5,790,240	5,855,054
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Auditor's remuneration for annual audit and interim review services were RMB3.90 million and RMB2.60 million for the year ended 31 December 2022, respectively (2021: RMB6.50 million).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	2022						
	Fees	Salaries	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
Executive directors							
Qiu Huofa (Note (f))	-	2,243	360	-	2,603	175	2,428
Shen Guoyong	-	1,811	610	138	2,559	300	2,259
Liu Xu (Note (c))	-	1,003	350	90	1,443	175	1,268
Zhang Jun (Note (b))	-	1,505	555	138	2,198	275	1,923
Shi Yang	-	1,211	4,729	117	6,057	1,887	4,170
Li Ying	-	1,505	560	138	2,203	275	1,928
Non-executive directors							
Su Qingxiang	-	-	-	-	-	-	-
Liang Zhifang	-	-	-	-	-	-	-
Zhu Jialin (Note (a))	-	-	-	-	-	-	-
Ji Kun (Note (a))	-	-	-	-	-	-	-
Wang Jun (Note (c))	-	-	-	-	-	-	-
Jiang Aiguo (Note (c))	-	-	-	-	-	-	-
Pan Darong (Note (a))	-	-	-	-	-	-	-
Independent non-executive directors							
Ni Guoju (Note (b))	-	182	90	-	272	-	272
KEUNG Chak (Note (b))	-	182	90	-	272	-	272
TAI Kwok Leung	-	192	90	-	282	-	282
Xing Tiancai	-	192	90	-	282	-	282
Li Jinyi	-	192	90	-	282	-	282
Wang Mo (Note (c))	-	10	-	-	10	-	10
Lv dan (Note (c))	-	10	-	-	10	-	10
Supervisors							
Yu Xiaolong	-	1,000	2,450	138	3,588	976	2,612
Niu Jiao	-	727	951	117	1,795	376	1,419
Han Li	-	653	60	57	770	25	745
YUEN Wing Shing	10	-	-	-	10	-	10
Pan Wenge (Note (b))	10	-	-	-	10	-	10
Ba Junyu	-	186	65	-	251	-	251
Sun Hang	-	186	65	-	251	-	251
Cheng Hua	-	186	60	-	246	-	246
Chen Shijun (Note (d))	-	669	725	117	1,511	290	1,221
Yang Xiu (Note (c))	-	-	-	-	-	-	-
Xu Li (Note (e))	-	728	1,105	117	1,950	468	1,482
Total	20	14,573	13,095	1,167	28,855	5,222	23,633

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Fees	Salaries	Discretionary bonuses	2021		Deferred payment	Actual amount of remuneration paid (pre-tax)
				Contributions to social pension schemes	Total emoluments before tax		
Executive directors							
Qiu Huofa <i>(Note (f))</i>	–	2,238	892	–	3,130	383	2,747
Shen Guoyong	–	1,802	1,338	113	3,253	575	2,678
Zhang Jun <i>(Note (b))</i>	–	1,497	1,128	114	2,739	474	2,265
Shi Yang	–	1,208	2,724	94	4,026	1,090	2,936
Li Ying	–	1,497	1,078	114	2,689	453	2,236
Non-executive directors							
Su Qingxiang	–	–	–	–	–	–	–
Liang Zhifang	–	–	–	–	–	–	–
Zhu Jialin <i>(Note (a))</i>	20	–	–	–	20	–	20
Ji Kun <i>(Note (a))</i>	20	–	–	–	20	–	20
Independent non-executive directors							
Ni Guoju <i>(Note (b))</i>	–	216	20	–	236	–	236
KEUNG Chak <i>(Note (b))</i>	–	216	20	–	236	–	236
TAI Kwok Leung	–	216	20	–	236	–	236
Xing Tiancai	–	216	20	–	236	–	236
Li Jinyi	–	216	20	–	236	–	236
Supervisors							
Yu Xiaolong	–	996	2,276	114	3,386	910	2,476
Niu Jiao	–	720	2,565	94	3,379	1,026	2,353
Xu Li <i>(Note (e))</i>	–	669	1,216	68	1,953	487	1,466
Han Li	–	651	60	94	805	26	779
YUEN Wing Shing	20	–	–	–	20	–	20
Pan Wenge <i>(Note (b))</i>	20	–	–	–	20	–	20
Ba Junyu	–	216	20	–	236	–	236
Sun Hang	–	216	20	–	236	–	236
Cheng Hua	–	216	20	–	236	–	236
Total	80	13,006	13,437	805	27,328	5,424	21,904



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (a) At 30 March 2022, Zhu Jialin, Ji Kun resigned as the executive directors of the Bank. At 30 March 2022, Pan Darong was elected as the non-executive directors of the Bank.
- (b) At 11 May 2022, Zhang Jun resigned as the executive director of the Bank; Ni Guoju and KEUNG Chak resigned as Independent non-executive directors of the Bank; Pan Wenge resigned as Supervisors of the Bank.
- (c) At the Bank's 2021 Annual General Meeting held on 27 May 2022, Liu Xu was elected as executive directors of the Bank; Wang Jun and Jiang Aiguo was elected as Non-executive directors of the Bank, Wang Mo and Lv Dan was elected as Independent non-executive directors of the Bank. At 8 November 2022, The Bank of China reserves the qualifications of these new directors officially approved by the Authority. On 8 November 2022, Yang Xiu was elected as the shareholder supervisor of the Bank.
- (d) At the Bank's Staff Congress on 22 August 2022, Chen Shijun was elected as staff supervisors.
- (e) At 23 August 2022, Xu Li resigned as staff supervisors of the Bank.
- (f) Mr Qiu Huofa resigned as the bank chairman, executive director, director of the Strategic Development Committee and deputy director of the Nomination and Remuneration Committee of the Board of Directors due to age reason at 15 February 2023, and effective from 15 February 2023.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2022, the five individuals with highest emoluments included 1 (2021: 1) director and 0 (2021: 0) supervisor of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the 4 (2021: 4) non-director and non-supervisor highest paid individuals for the year ended 31 December 2022 are as follows:

	2022	2021
Salaries and other emoluments	2,796	2,899
Discretionary bonuses	15,658	15,586
Contributions to pension schemes	510	334
Total	18,964	18,819

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2022	2021
RMB3,000,001 – 4,000,000	2	–
RMB4,000,001 – 5,000,000	–	3
RMB5,000,001 – 6,000,000	1	1
RMB7,000,001 – 8,000,000	1	–
Total	4	4

11 NET IMPAIRMENT LOSSES ON ASSETS

	2022	2021
Loans and advances to customers	5,644,350	6,948,475
Financial investments	3,557,276	1,252,838
Deposits and placements with banks and other financial institutions	402,850	(492,893)
Financial assets held under resale agreements	1,442	(2,643)
Credit commitment	(5,645)	60,257
Others	(428,651)	1,741,928
	<u>9,171,622</u>	<u>9,507,962</u>
Total	<u>9,171,622</u>	<u>9,507,962</u>

12 INCOME TAX EXPENSE/(CREDIT)**(a) Income tax for the year:**

	2022	2021
Current tax	1,364,419	1,447,095
Deferred tax	(1,192,439)	(1,774,383)
	<u>171,980</u>	<u>(327,288)</u>
Total	<u>171,980</u>	<u>(327,288)</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***12 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)****(b) Reconciliations between income tax and accounting profit are as follows:**

	<i>Note</i>	2022	2021
Profit before taxation		1,191,249	103,595
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		297,812	25,899
Non-deductible expenses			
– Impairment losses and write-offs		321,858	297,000
– Entertainment expenses		5,417	7,141
– Others		46,014	8,756
		373,289	312,897
Non-taxable income	12(b)(i)	(500,388)	(683,675)
Adjustments for prior years		1,267	17,591
Income tax		171,980	(327,288)

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.



13 BASIC AND DILUTED EARNINGS PER SHARE

	2022	2021
Net profit attributable to equity shareholders of the Bank	979,898	401,961
Weighted average number of ordinary shares (in thousands)	8,796,680	8,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank (<i>in RMB</i>)	0.11	0.05

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2022	2021
Number of ordinary shares as at 1 January	8,796,680	8,796,680
Increase in weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	8,796,680	8,796,680

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2022	31 December 2021
Cash on hand		786,033	914,758
Deposits with central bank			
– Statutory deposit reserves	14(a)	58,114,589	60,043,992
– Surplus deposit reserves	14(b)	16,230,861	10,992,499
– Fiscal deposits		96,901	348,629
Subtotal		74,442,351	71,385,120
Add: interest receivable		29,974	30,858
Total		75,258,358	72,330,736



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2022	31 December 2021
Reserve ratio for RMB deposits	7.50%	8.00%
Reserve ratio for foreign currency deposits	6.00%	9.00%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in mainland China		
– Banks	4,525,742	5,823,036
– Other financial institutions	1,802,808	265,011
Deposits outside mainland China		
– Banks	1,278,333	2,752,095
Subtotal	7,606,883	8,840,142
Add: interest receivable	3,196	4,038
Less: provision for impairment losses	(402,465)	(1,613)
Total	7,207,614	8,842,567



15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

(b) Movements of provision for impairment losses

	2022	2021
As at 1 January	1,613	494,241
Net charge/(release) for the year	400,852	(492,628)
As at 31 December	402,465	1,613

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in mainland China		
– Banks	498,230	–
– Other financial institutions	5,840,000	1,400,000
Subtotal	6,338,230	1,400,000
Add: interest receivable	46,072	578
Less: provision for impairment losses	(152,275)	(150,277)
Total	6,232,027	1,250,301

(b) Movements of provision for impairment losses

	2022	2021
As at 1 January	150,277	150,542
Net charge/(release) for the year	1,998	(265)
As at 31 December	152,275	150,277



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

17 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

(a) Analysed by nature of contract

	31 December 2022		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	47,350,000	211,059	(175,631)
Currency swaps	9,137,555	87,823	(59,348)
Option contracts	2,914,502	365,717	(365,723)
Foreign forward contract	241,816	1,395	(1,097)
Total	59,643,873	665,994	(601,799)

	31 December 2021		
	Notional amount	Fair value Assets	Liabilities
Option contracts	338,644,614	122,449	(94,276)
Interest rate swaps	49,280,000	438,971	(409,283)
Precious metal derivatives	6,586,619	13,024	(60,732)
Total	394,511,233	574,444	(564,291)



17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Analysed by credit risk-weighted amount

	31 December 2022	31 December 2021
Option contracts	7,286	846,612
Precious metal derivatives	–	16,466
Currency swaps	3,482	–
Total	10,768	863,078

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
In mainland China		
– Banks	6,171,684	2,262,136
– Other financial institutions	3,205,557	–
Subtotal	9,377,241	2,262,136
Add: interest receivable	2,413	16
Less: provision for impairment losses	(1,717)	(275)
Total	9,377,937	2,261,877

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)****(b) Analysed by type of security held**

	31 December 2022	31 December 2021
Debt securities held under resale agreements	5,355,557	270,000
Bill held under resale agreements	4,021,684	1,992,136
Add: interest receivable	2,413	16
Less: provision for impairment losses	(1,717)	(275)
Total	<u>9,377,937</u>	<u>2,261,877</u>

(c) Movements of provision for impairment losses

	2022	2021
As at 1 January	275	2,918
Net charge/(release) for the year	<u>1,442</u>	<u>(2,643)</u>
As at 31 December	<u>1,717</u>	<u>275</u>

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2022	31 December 2021
Measured at amortised cost:		
Corporate loans and advances	408,058,753	405,257,641
Personal loans and advances		
– Residential mortgage	56,976,280	57,516,140
– Personal consumption loans	25,408,964	28,329,721
– Personal business loans	8,468,525	7,542,819
– Credit cards	9,026,045	7,335,915
– Others	–	458
Subtotal	99,879,814	100,725,053
Gross loans and advances to customers measured at amortised cost	507,938,567	505,982,694
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	12,954,610	14,879,025
– Discounted bills	92,469,152	65,170,949
Gross loans and advances to customers measured at fair value through other comprehensive income	105,423,762	80,049,974
Gross loans and advances to customers	613,362,329	586,032,668
Add: interest receivable	44,612,261	22,082,972
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(27,375,173)	(24,672,122)
Net loans and advances to customers	630,599,417	583,443,518

As at 31 December 2022, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB352.03 million (31 December 2021: RMB451.64 million), as detailed in Note 19(f).

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(b) Analysed by economic sector**

	31 December 2022		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	146,667,851	24%	66,823,399
Renting and business activities	92,009,229	15%	52,084,092
Real estate	79,199,510	13%	46,004,271
Manufacturing	35,796,852	6%	7,573,755
Construction	35,248,613	6%	24,630,396
Transportation, storage and postal services	4,924,427	1%	405,128
Production and supply of electricity, heat, gas and water	2,997,032	1%	437,226
Accommodation and catering	2,183,692	0%	2,072,732
Mining	1,463,022	0%	113,763
Culture, sports and entertainment	1,007,244	0%	34,900
Agriculture, forestry, animal husbandry and fishery	618,572	0%	232,376
Household and other services	1,371,865	0%	1,362,340
Others	17,525,454	3%	4,909,536
Subtotal of corporate loans and advances	<u>421,013,363</u>	<u>69%</u>	<u>206,683,914</u>
Personal loans and advances	99,879,814	16%	58,866,395
Discounted bills	<u>92,469,152</u>	<u>15%</u>	<u>92,442,307</u>
Gross loans and advances to customers	<u>613,362,329</u>	<u>100%</u>	<u>357,992,616</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(b) Analysed by economic sector (Continued)**

	31 December 2021		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	150,601,899	26%	69,025,486
Renting and business activities	100,283,745	17%	53,071,003
Real estate	69,734,707	12%	39,563,951
Manufacturing	39,005,576	7%	7,104,668
Construction	28,848,272	5%	19,849,802
Transportation, storage and postal services	8,304,991	1%	404,532
Production and supply of electricity, heat, gas and water	3,337,573	1%	522,664
Accommodation and catering	2,945,073	1%	2,238,034
Mining	2,139,442	0%	113,597
Culture, sports and entertainment	1,078,195	0%	148,000
Agriculture, forestry, animal husbandry and fishery	632,694	0%	172,236
Household and other services	360,300	0%	360,300
Others	12,864,199	2%	4,771,957
Subtotal of corporate loans and advances	420,136,666	72%	197,346,230
Personal loans and advances	100,725,053	17%	62,037,631
Discounted bills	65,170,949	11%	65,170,949
Gross loans and advances to customers	<u>586,032,668</u>	<u>100%</u>	<u>324,554,810</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(c) Analysed by type of collateral**

	31 December 2022	31 December 2021
Unsecured loans	65,487,460	58,923,026
Guaranteed loans	189,794,466	202,554,832
Loans secured by tangible assets other than monetary assets	225,634,878	222,873,962
Loans secured by intangible assets or monetary assets	132,445,525	101,680,848
Gross loans and advances to customers	613,362,329	586,032,668
Add: interest receivable	44,612,261	22,082,972
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(27,375,173)	(24,672,122)
Net loans and advances to customers	630,599,417	583,443,518

(d) Overdue loans analysed by overdue period

	31 December 2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	443,783	640,121	514,178	71,277	1,669,359
Guaranteed loans	5,205,199	2,689,566	3,365,840	3,968,830	15,229,435
Loans secured by tangible assets other than monetary assets	3,364,474	2,730,049	1,081,365	3,288,525	10,464,413
Loans secured by intangible assets or monetary assets	2,409,147	383,668	81,919	79,739	2,954,473
Total	11,422,603	6,443,404	5,043,302	7,408,371	30,317,680
As a percentage of gross loans and advances to customers	1.86%	1.05%	0.82%	1.21%	4.94%

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(d) Overdue loans analysed by overdue period (Continued)**

	31 December 2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	300,412	420,383	377,407	32,841	1,131,043
Guaranteed loans	8,006,563	1,873,515	5,174,617	3,215,382	18,270,077
Loans secured by tangible assets other than monetary assets	2,194,443	1,868,964	2,714,762	2,295,963	9,074,132
Loans secured by intangible assets or monetary assets	1,418,482	363,447	331	79,458	1,861,718
Total	11,919,900	4,526,309	8,267,117	5,623,644	30,336,970
As a percentage of gross loans and advances to customers	2.04%	0.77%	1.41%	0.96%	5.18%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advance and provision for impairment losses

- (i) As at 31 December 2022, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	552,431,568	39,195,942	21,734,819	613,362,329
Add: interest receivable	40,615,613	3,996,648	–	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,183,023)	(7,843,415)	(12,348,735)	(27,375,173)
Net loans and advances to customers	<u>585,864,158</u>	<u>35,349,175</u>	<u>9,386,084</u>	<u>630,599,417</u>

- (ii) As at 31 December 2021, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	529,424,257	30,528,616	26,079,795	586,032,668
Add: interest receivable	20,595,310	1,487,662	–	22,082,972
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(6,421,176)	(7,417,897)	(10,833,049)	(24,672,122)
Net loans and advances to customers	<u>543,598,391</u>	<u>24,598,381</u>	<u>15,246,746</u>	<u>583,443,518</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 31 December 2022, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	6,421,176	7,417,897	10,833,049	24,672,122
Transferred:				
– to ECL over the next 12 months	2,239	(156)	(2,083)	–
– to lifetime ECL- not credit-impaired loans	(80,240)	611,595	(531,355)	–
– to lifetime ECL- credit-impaired loans	(4,008)	(9,175)	13,183	–
Net charge/(release) for the year	843,856	(176,746)	5,076,850	5,743,960
Transfer out	–	–	(2,700,152)	(2,700,152)
Write-offs	–	–	(355,209)	(355,209)
Recoveries	–	–	14,452	14,452
As at 31 December	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	451,638	–	–	451,638
Net release for the year	(99,610)	–	–	(99,610)
As at 31 December	<u>352,028</u>	<u>–</u>	<u>–</u>	<u>352,028</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

As at 31 December 2021, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	7,337,769	6,987,110	6,010,909	20,335,788
Transferred:				
– to ECL over the next 12 months	2,198,461	(1,383,837)	(814,624)	–
– to lifetime ECL- not credit-impaired loans	(218,136)	405,529	(187,393)	–
– to lifetime ECL- credit-impaired loans	(44,732)	(1,885,448)	1,930,180	–
Net (release)/charge for the year	(2,852,186)	3,294,543	6,272,198	6,714,555
Transfer out	–	–	(2,236,251)	(2,236,251)
Write-offs	–	–	(146,435)	(146,435)
Recoveries	–	–	4,465	4,465
As at 31 December	<u>6,421,176</u>	<u>7,417,897</u>	<u>10,833,049</u>	<u>24,672,122</u>

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	217,718	–	–	217,718
Net charge for the year	<u>233,920</u>	–	–	<u>233,920</u>
As at 31 December	<u>451,638</u>	–	–	<u>451,638</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

(ii) (Continued)

Notes:

(a) Analysed by movements in loss allowance

The movements of loss allowance is mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
 - Allowance for new loans and advances to customers recognised;
 - Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
 - The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.
- (b) The ECL movement was caused by origination or purchase as well as changes in probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") and stages as a result of regular update of parameters.
- (c) Provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the losses or gains impairment are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(g) Analysed by geographical sector (Note (i))**

	31 December 2022		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	555,338,658	91%	339,499,771
North China	39,162,002	6%	7,603,522
Others	18,861,669	3%	10,889,323
Gross loans and advances to customers	<u>613,362,329</u>	<u>100%</u>	<u>357,992,616</u>

	31 December 2021		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	515,645,851	88%	299,317,017
North China	50,577,902	9%	10,465,757
Others	19,808,915	3%	14,772,036
Gross loans and advances to customers	<u>586,032,668</u>	<u>100%</u>	<u>324,554,810</u>

Note:

(i) The definitions of the geographical sectors are set out in Note 38(b).

20 FINANCIAL INVESTMENTS

	Note	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	20(a)	128,735,653	93,378,132
Financial assets at fair value through other comprehensive income	20(b)	45,032,269	34,165,805
Financial assets measured at amortised cost	20(c)	<u>155,843,638</u>	<u>184,456,811</u>
Total		<u>329,611,560</u>	<u>312,000,748</u>

20 FINANCIAL INVESTMENTS (CONTINUED)**(a) Financial assets at fair value through profit or loss**

	31 December 2022	31 December 2021
Debt securities at fair value listed outside		
Hong Kong		
– Policy banks	10,091	–
– Banks and other financial institutions	197,132	553,165
– Corporate	1,030,961	1,030,961
	<hr/>	<hr/>
Subtotal	1,238,184	1,584,126
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plans	75,019,074	60,142,337
Investment funds	52,313,130	31,477,776
	<hr/>	<hr/>
Subtotal	127,332,204	91,620,113
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Equity investment		
– Listed	113,781	122,409
– Unlisted	51,484	51,484
	<hr/>	<hr/>
Subtotal	165,265	173,893
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	128,735,653	93,378,132
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**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(b) Financial assets at fair value through other comprehensive income**

	31 December 2022	31 December 2021
Debt securities at fair value listed outside Hong Kong		
– Government	16,337,425	18,148,592
– Policy banks	13,145,472	4,918,953
– Banks and other financial institutions	3,048,825	517,889
– Corporate	3,072,431	2,163,398
	<hr/>	<hr/>
Subtotal	35,604,153	25,748,832
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Commercial banks undated capital bonds	1,090,000	1,020,044
Equity investments		
– Listed	1,278,637	200,053
– Unlisted	6,663,614	6,721,875
	<hr/>	<hr/>
Subtotal	9,032,251	7,941,972
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Add: interest receivable	395,865	475,001
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	45,032,269	34,165,805
	<hr style="border-top: 3px double red;"/>	<hr style="border-top: 3px double red;"/>

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	889	–	696,978	697,867
Net charge for the year	1,297	–	1,477,438	1,478,735
Transfer out	–	–	(876,565)	(876,565)
As at 31 December	<u>2,186</u>	<u>–</u>	<u>1,297,851</u>	<u>1,300,037</u>

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	1,019	–	641,840	642,859
Net (release)/charge for the year	<u>(130)</u>	<u>–</u>	<u>55,138</u>	<u>55,008</u>
As at 31 December	<u>889</u>	<u>–</u>	<u>696,978</u>	<u>697,867</u>

Notes:

- Provision for impairment losses of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position are not reduced.
- The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(c) Financial assets measured at amortised cost**

	31 December 2022	31 December 2021
Debt securities at fair value listed outside Hong Kong		
– Government	30,509,415	39,096,660
– Policy banks	31,686,666	55,696,204
– Banks and other financial institutions	5,982,504	300,000
– Corporate	3,500,883	5,649,801
	<hr/>	<hr/>
Subtotal	71,679,468	100,742,665
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plan	4,428,102	3,815,274
Beneficial investment of trust	79,276,722	80,554,015
	<hr/>	<hr/>
Subtotal	83,704,824	84,369,289
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Add: interest receivable	6,317,030	3,955,775
Less: provision for impairment losses	(5,857,684)	(4,610,918)
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	155,843,638	184,456,811
	<hr style="border-top: 3px double red;"/>	<hr style="border-top: 3px double red;"/>

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	719,400	1,103,626	2,787,892	4,610,918
Transferred:				
– to lifetime ECL – not credit-impaired investments	–	561,279	(561,279)	–
– to lifetime ECL – credit-impaired investments	(8,458)	(335,677)	344,135	–
Net charge/(release) for the year	156,429	(238,139)	2,160,251	2,078,541
Transfer out	–	–	(831,775)	(831,775)
As at 31 December	<u>867,371</u>	<u>1,091,089</u>	<u>3,899,224</u>	<u>5,857,684</u>

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	1,640,198	151,576	1,621,314	3,413,088
Transferred:				
– to ECL over the next 12 months investments	417,900	–	(417,900)	–
– to lifetime ECL – not credit-impaired investments	(50,848)	50,848	–	–
– to lifetime ECL – credit-impaired investments	(647,943)	–	647,943	–
Net charge/(release) for the year	<u>(639,907)</u>	<u>901,202</u>	<u>936,535</u>	<u>1,197,830</u>
As at 31 December	<u>719,400</u>	<u>1,103,626</u>	<u>2,787,892</u>	<u>4,610,918</u>

Note:

- (a) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***21 INVESTMENTS IN SUBSIDIARIES****The Bank**

	31 December 2022	31 December 2021
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	180,000	180,000
Total	<u>326,157</u>	<u>326,157</u>

As at 31 December 2022 and 2021, background of the subsidiaries is as follows:

	<i>Note</i>	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector	Economic nature/type
Shenyang Shenbei	21(a)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin	21(b)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku	21(c)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong	21(d)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei	21(e)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan	21(f)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Consumer		25/02/2016	Liaoning, China	300,000	60%	Consumer finance	Limited company

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Bank (Continued)

Notes:

- (a) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.
- (b) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (c) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (d) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (e) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (f) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2021	4,463,679	1,175,403	2,269,709	1,059,319	88,193	9,056,303
Additions	7,335	5,143	21,881	51,452	–	85,811
CIP transfers	–	4,356	(4,831)	475	–	–
Disposals	(690)	–	–	(23,159)	–	(23,849)
As at 31 December 2021 and 1 January 2022	4,470,324	1,184,902	2,286,759	1,088,087	88,193	9,118,265
Additions	–	29,428	–	56,976	22,765	109,169
Disposals	(124)	–	–	(48,098)	(6,139)	(54,361)
As at 31 December 2022	4,470,200	1,214,330	2,286,759	1,096,965	104,819	9,173,073
Accumulated depreciation						
As at 1 January 2021	(1,723,987)	(782,355)	–	(767,396)	(82,795)	(3,356,533)
Additions	(193,216)	(101,149)	–	(112,855)	(1,236)	(408,456)
Disposals	669	–	–	22,364	–	23,033
As at 31 December 2021 and 1 January 2022	(1,916,534)	(883,504)	–	(857,887)	(84,031)	(3,741,956)
Additions	(187,452)	(85,131)	–	(81,059)	(23,843)	(377,485)
Disposals	32	–	–	46,261	5,961	52,254
As at 31 December 2022	(2,103,954)	(968,635)	–	(892,685)	(101,913)	(4,067,187)
Net book value						
As at 31 December 2021	2,553,790	301,398	2,286,759	230,200	4,162	5,376,309
As at 31 December 2022	2,366,246	245,695	2,286,759	204,280	2,906	5,105,886

The carrying amount of premises without title deeds as at 31 December 2022 was RMB359.69 million (31 December 2021: RMB413.76 million). The Group is still in the progress of applying the title deeds for the above premises. Management of the Group expected that there would be no significant costs in obtaining the title deeds.

22 PROPERTY AND EQUIPMENT (CONTINUED)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2022	31 December 2021
Held in mainland China		
– Long term leases (over 50 years)	201,111	217,042
– Medium term leases (10 – 50 years)	2,009,096	2,168,249
– Short term leases (less than 10 years)	156,039	168,499
Total	2,366,246	2,553,790

23 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	29,078,612	7,269,653	30,321,284	7,580,321
Change in fair value of financial assets at fair value through other comprehensive income	1,696,152	424,038	1,088,940	272,237
Supplementary retirement benefits	106,906	26,727	102,248	25,560
Change in fair value of derivative financial instruments	(64,195)	(16,049)	(2,440)	(610)
Change in fair value of financial assets at fair value through profit or loss	3,221,300	805,325	(2,353,392)	(588,348)
Net deferred income tax	34,038,775	8,509,694	29,156,640	7,289,160

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement

	At 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2022
Allowance for impairment losses	7,580,321	(310,668)	-	7,269,653
Change in fair value of financial assets at fair value through other comprehensive income	272,237	-	151,801	424,038
Supplementary retirement benefits	25,560	(237)	1,404	26,727
Change in fair value of derivative financial instruments	(610)	(15,439)	-	(16,049)
Change in fair value of financial assets at fair value through profit or loss	(588,348)	1,393,673	-	805,325
Net deferred income tax	<u>7,289,160</u>	<u>1,067,329</u>	<u>153,205</u>	<u>8,509,694</u>

	At 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2021
Allowance for impairment losses	5,998,448	1,581,873	-	7,580,321
Change in fair value of financial assets at fair value through other comprehensive income	211,170	-	61,067	272,237
Supplementary retirement benefits	23,619	(722)	2,663	25,560
Change in fair value of derivative financial instruments	(51,522)	50,912	-	(610)
Change in fair value of financial assets at fair value through profit or loss	(658,436)	70,088	-	(588,348)
Net deferred income tax	<u>5,523,279</u>	<u>1,702,151</u>	<u>63,730</u>	<u>7,289,160</u>

24 OTHER ASSETS

	Note	31 December 2022	31 December 2021
Settlement and clearing accounts		3,912,943	5,961,623
Reposessed assets	24(a)	1,454,115	1,580,262
Interest receivable	24(b)	942,029	1,118,882
Right-of-use assets	24(c)	735,925	678,629
Intangible assets	24(d)	370,447	303,297
Land use rights		64,423	68,608
Prepayments		71,204	68,266
Others	24(e)	2,293,536	2,977,026
Total		9,844,622	12,756,593

(a) Reposessed assets

	31 December 2022	31 December 2021
Land use rights and buildings	1,465,878	1,639,702
Less: impairment allowance	(11,763)	(59,440)
Total	1,454,115	1,580,262

(b) Interest receivable

	31 December 2022	31 December 2021
Interest receivable arising from:		
– Loans and advances to customers	942,029	1,118,882

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(c) Right-of-use assets**

	Leased properties and buildings
Cost	
As at 1 January 2021	921,848
Additions	221,456
Disposals	<u>(20,095)</u>
As at 31 December 2021 and 1 January 2022	1,123,209
Additions	<u>280,059</u>
As at 31 December 2022	<u><u>1,403,268</u></u>
Accumulated depreciation	
As at 1 January 2021	(316,122)
Additions	(148,553)
Disposals	<u>20,095</u>
As at 31 December 2021 and 1 January 2022	(444,580)
Additions	<u>(222,763)</u>
As at 31 December 2022	<u><u>(667,343)</u></u>
Carrying amount:	
As at 31 December 2021	<u><u>678,629</u></u>
As at 31 December 2022	<u><u>735,925</u></u>

24 OTHER ASSETS (CONTINUED)**(d) Intangible assets**

	2022	2021
Cost		
As at 1 January	497,869	381,683
Additions	<u>106,357</u>	<u>116,186</u>
As at 31 December	<u>604,226</u>	<u>497,869</u>
Accumulated amortisation		
As at 1 January	(194,572)	(156,848)
Additions	<u>(39,207)</u>	<u>(37,724)</u>
As at 31 December	<u>(233,779)</u>	<u>(194,572)</u>
Net value		
As at 1 January	<u>303,297</u>	<u>224,835</u>
As at 31 December	<u>370,447</u>	<u>303,297</u>

Intangible assets of the Group mainly represent computer software.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(e) Others**

	31 December 2022	31 December 2021
Receivable due from disposal of non-performing assets <i>(Note (i))</i>	653,754	653,754
Others	2,162,993	4,375,026
Subtotal	2,816,747	5,028,780
Less: impairment allowance	(523,211)	(2,051,754)
Total	2,293,536	2,977,026

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

25 BORROWINGS FROM CENTRAL BANK

	31 December 2022	31 December 2021
Borrowings <i>(Note (a))</i>	1,189,401	1,630,812
Add: interest payable	718	1,110
Total	1,190,119	1,631,922

Note:

- (a) Borrowings from central bank mainly include Re-lending operations.

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in mainland China		
– Banks	18,184,065	21,777,947
– Other financial institutions	<u>34,204,061</u>	<u>38,043,592</u>
Subtotal	52,388,126	59,821,539
Add: interest payable	<u>328,421</u>	<u>120,627</u>
Total	<u><u>52,716,547</u></u>	<u><u>59,942,166</u></u>

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in mainland China		
– Banks	2,384,830	430,000
– Other financial institutions	<u>450,000</u>	<u>100,000</u>
Subtotal	2,834,830	530,000
Add: interest payable	<u>3,866</u>	<u>51,595</u>
Total	<u><u>2,838,696</u></u>	<u><u>581,595</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS****(a) Analysed by type and location of counterparty**

	31 December 2022	31 December 2021
In mainland China		
– Banks	87,116,163	60,189,882
– Other financial institutions	41,454,007	29,043,518
Subtotal	128,570,170	89,233,400
Add: interest payable	91,439	37,737
Total	128,661,609	89,271,137

(b) Analysed by type of security held

	31 December 2022	31 December 2021
Debt securities sold under repurchase agreements	55,961,375	64,000,434
Bills sold under repurchase agreements	72,608,795	25,232,966
Subtotal	128,570,170	89,233,400
Add: interest payable	91,439	37,737
Total	128,661,609	89,271,137

29 DEPOSITS FROM CUSTOMERS

	31 December 2022	31 December 2021
Demand deposits		
– Corporate deposits	153,374,794	139,501,418
– Personal deposits	<u>45,902,116</u>	<u>52,119,182</u>
Subtotal	<u>199,276,910</u>	<u>191,620,600</u>
Time deposits		
– Corporate deposits	90,995,460	136,060,819
– Personal deposits	<u>456,761,908</u>	<u>367,723,470</u>
Subtotal	<u>547,757,368</u>	<u>503,784,289</u>
Pledged deposits		
– Acceptances	18,778,793	30,115,039
– Letters of credit	1,354,395	3,133,042
– Letters of guarantees	1,771,874	3,984,421
– Others	<u>691,906</u>	<u>445,045</u>
Subtotal	<u>22,596,968</u>	<u>37,677,547</u>
Inward and outward remittances	<u>1,934,855</u>	<u>3,950,506</u>
Total deposits from customers at amortised cost	771,566,101	737,032,942
Add: interest payable	<u>17,186,234</u>	<u>17,847,732</u>
Total	<u><u>788,752,335</u></u>	<u><u>754,880,674</u></u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

30 DEBT SECURITIES ISSUED

	Note	31 December 2022	31 December 2021
Tier two capital fixed rate debts maturing in December 2032	30(a)	4,999,057	–
Tier two capital fixed rate debts maturing in December 2027	30(b)	–	6,000,000
Certificates of interbank deposit	30(c)	11,980,811	2,417,309
Subtotal		16,979,868	8,417,309
Add: interest payable		–	10,122
Total		16,979,868	8,427,431

Notes:

- (a) Tier two capital fixed rate debts at the nominal amount of RMB5.0 billion with a term of ten years were issued on 27 December 2022. The coupon rate is 4.80%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) Tier two capital fixed rate debts of RMB6.0 billion with a term of ten years were issued on 18 December 2017. The coupon rate is 4.90%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (c) As at 31 December 2022, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB11,841 million (31 December 2021: RMB2,396 million).

31 OTHER LIABILITIES

	<i>Note</i>	31 December 2022	31 December 2021
Lease liabilities	31(a)	677,074	624,831
Expected credit loss of credit commitment	31(b)	599,123	604,768
Taxes payable	31(c)	698,651	598,371
Accrued staff cost	31(d)	215,639	227,339
Payment and collection clearance accounts		2,886,624	147,120
Dividend payable		107,024	108,291
Dormant accounts		79,776	68,239
Others		652,147	635,164
		<u>5,916,058</u>	<u>3,014,123</u>
Total		<u>5,916,058</u>	<u>3,014,123</u>

(a) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2022	31 December 2021
Within one year	193,658	134,205
Between one year and two years	168,771	126,799
Between two years and three years	135,543	104,204
Between three years and five years	212,448	160,349
More than five years	244,832	188,053
	<u>955,252</u>	<u>713,610</u>
Contractual undiscounted cash flows of lease liabilities	<u>955,252</u>	<u>713,610</u>
	<u>677,074</u>	<u>624,831</u>
Ending balance of lease liabilities	<u>677,074</u>	<u>624,831</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(b) Expected credit loss of credit commitment**

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	540,322	10,495	53,951	604,768
Transferred:				
– to ECL over the next 12 months	9,217	(4,510)	(4,707)	–
– to lifetime ECL- not credit-impaired	(24,892)	53,442	(28,550)	–
– to lifetime ECL- credit-impaired	–	(41,242)	41,242	–
Net charge/(release) for the year	<u>9,232</u>	<u>22,286</u>	<u>(37,163)</u>	<u>(5,645)</u>
As at 31 December	<u>533,879</u>	<u>40,471</u>	<u>24,773</u>	<u>599,123</u>

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	534,975	3,018	6,518	544,511
Transferred:				
– to ECL over the next 12 months	1,014	(372)	(642)	–
– to lifetime ECL- not credit-impaired	(7,151)	7,151	–	–
– to lifetime ECL- credit-impaired	(9)	(140)	149	–
Net charge for the year	<u>11,493</u>	<u>838</u>	<u>47,926</u>	<u>60,257</u>
As at 31 December	<u>540,322</u>	<u>10,495</u>	<u>53,951</u>	<u>604,768</u>

31 OTHER LIABILITIES (CONTINUED)**(c) Taxes payable**

	31 December 2022	31 December 2021
Value-added tax and surcharges payable	620,078	524,012
Others	78,573	74,359
Total	<u>698,651</u>	<u>598,371</u>

(d) Accrued staff cost

	Note	31 December 2022	31 December 2021
Salary, bonuses and allowances payable		67,185	80,322
Supplementary retirement benefits payable	31 (d) (i)	106,906	102,248
Housing allowances payable		30,355	30,174
Pension and annuity payable	31 (d) (ii)	4,547	4,324
Other social insurance payable		2,746	6,410
Others		3,900	3,861
Total		<u>215,639</u>	<u>227,339</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits***Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

The Group pays a supplementary retirement benefit to its eligible employees. The amount represents the present value of the total estimated number of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the supplementary retirement benefits were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(1) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2022	31 December 2021
Present value of early retirement plan	10,998	17,072
Present value of supplementary retirement plan	95,908	85,176
Total	106,906	102,248

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2022	2021
As at 1 January	102,248	94,481
Benefits paid during the year	(5,975)	(7,309)
Defined benefit cost recognised in profit or loss	5,019	4,423
Defined benefit cost recognised in other comprehensive income	5,614	10,653
As at 31 December	106,906	102,248

31 OTHER LIABILITIES (CONTINUED)**(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits (Continued)***Supplementary retirement plan (Continued)*

(3) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2022	31 December 2021
Discount rate	2.50%	2.50%
Mortality	<i>Note 31(d) (i) (3) (l)</i>	<i>Note 31(d) (i) (3) (l)</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2022	31 December 2021
Discount rate	3.00%	3.25%
Mortality	<i>Note 31(d) (i) (3) (l)</i>	<i>Note 31(d) (i) (3) (l)</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Note:

- (l) As at 31 December 2022 and 2021 mortality assumptions are based on China Life Insurance Annuity Table (2010–2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits (Continued)***Supplementary retirement plan (Continued)*

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

	31 December 2022 <i>Increase/(decrease)</i>	31 December 2021 <i>Increase/(decrease)</i>
Change in present value of the defined benefit plan obligation		
Up 25 bps in discount rate	(4,468)	(3,964)
Down 25 bps in discount rate	4,789	4,245

(ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the basic social pension schemes for employees arranged by local government labour and social security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the relevant government authorities.

The Group also provides an annuity plan to eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.

32 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2022		8,796,680	26,931,360	7,319,347	13,971,985	(816,706)	862,128	(24,638)	22,716,263	79,756,419
Profit for the year		-	-	-	-	-	-	-	924,925	924,925
Other comprehensive income		-	-	-	-	(457,826)	376,921	(4,210)	-	(85,115)
Total comprehensive income		-	-	-	-	(457,826)	376,921	(4,210)	924,925	839,810
Appropriation of profit:										
- Appropriation to surplus reserve	35	-	-	92,492	-	-	-	-	(92,492)	-
- Appropriation to general reserve	35	-	-	-	776,913	-	-	-	(776,913)	-
Subtotal		-	-	92,492	776,913	-	-	-	(869,405)	-
Balance at 31 December 2022		8,796,680	26,931,360	7,411,839	14,748,898	(1,274,532)	1,239,049	(28,848)	22,771,783	80,596,229

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

32 MOVEMENT IN COMPONENTS OF EQUITY (CONTINUED)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2021		8,796,680	26,931,360	7,283,589	13,668,252	(633,509)	645,432	(16,648)	22,698,176	79,373,332
Profit for the year		-	-	-	-	-	-	-	357,578	357,578
Other comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	-	25,509
Total comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	357,578	383,087
Appropriation of profit:										
– Appropriation to surplus reserve	35	-	-	35,758	-	-	-	-	(35,758)	-
– Appropriation to general reserve	35	-	-	-	303,733	-	-	-	(303,733)	-
Subtotal		-	-	35,758	303,733	-	-	-	(339,491)	-
Balance at 31 December 2021		8,796,680	26,931,360	7,319,347	13,971,985	(816,706)	862,128	(24,638)	22,716,263	79,756,419

33 SHARE CAPITAL

Issued share capital

	31 December 2022	31 December 2021
Number of shares, issued and fully paid at par value (<i>in thousands</i>)	8,796,680	8,796,680

34 RESERVES

(a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% from its net profit to statutory surplus reserve fund, according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”), after offsetting prior year’s accumulated loss. Until the statutory surplus reserve accumulated amount reaches 50% of its registered capital.

The Bank also appropriate discretionary surplus reserve fund in accordance with the resolution of shareholders meeting.

(c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its net profit for the profit distribution which should not be lower than 1.5% of the ending gross risk-bearing assets balance by 31 December 2022.

(d) Fair value reserve

	2022	2021
As at 1 January	(816,706)	(633,509)
Changes in fair value recognised in fair value reserve	(578,268)	(169,714)
Transfer to profit or loss upon disposal	(31,829)	(74,550)
Less: income tax	152,271	61,067
Subtotal	(457,826)	(183,197)
As at 31 December	(1,274,532)	(816,706)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

34 RESERVES (CONTINUED)

(e) Provision reserve

	2022	2021
As at 1 January	862,128	645,432
Changes in fair value recognised in provision reserve	502,561	288,928
Less: income tax	(125,640)	(72,232)
As at 31 December	1,239,049	862,128

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

(g) Retained earnings

As at 31 December 2022, the retained earnings included the statutory surplus reserve of RMB19.66 million (31 December 2021: RMB13.71 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB5.95 million (2021: RMB4.44 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

35 PROFIT DISTRIBUTION

(i) In accordance with the resolution of the Bank's Board of directors meeting on 24 March 2023, the proposed profit distribution plan for the year ended 31 December 2022 is as follows:

- Appropriate RMB92.49 million to the statutory surplus reserve fund;
- Appropriate RMB776.91 million to the general reserve.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(ii) In accordance with the resolution of the Bank's 2021 Annual General Meeting held on 27 May 2022, the proposed profit distribution plan for the year ended 31 December 2021 is as follows:

- Appropriate RMB35.76 million to the statutory surplus reserve fund.



36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Cash on hand	786,033	914,758
Deposits with central bank other than restricted deposits	16,230,861	10,992,499
Deposits with banks and other financial institutions with original maturity of three months or less	7,526,883	8,720,142
Placements with banks and other financial institutions with original maturity of three months or less	4,290,000	1,400,000
Financial assets held under resale agreements with original maturity of three months or less	9,377,240	2,262,136
Total	<u>38,211,017</u>	<u>24,289,535</u>

(b) Reconciliation of liabilities arising from financing activities:

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2022	8,417,309	10,122	8,427,431
Changes from financing cash flows:			
Net proceeds from new debt securities issued	42,212,087	–	42,212,087
Repayment of debt securities issued	(33,649,528)	–	(33,649,528)
Interest paid on debt securities issued	–	(536,409)	(536,409)
Total changes from financing cash flows	8,562,559	(536,409)	8,026,150
Other change:			
Interest expenses (Note 3)	–	526,287	526,287
Total other change	–	526,287	526,287
As at 31 December 2022	<u>16,979,868</u>	<u>–</u>	<u>16,979,868</u>



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)***36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)****(b) Reconciliation of liabilities arising from financing activities: (Continued)**

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2021	44,922,558	340,079	45,262,637
Changes from financing cash flows:			
Net proceeds from new debt securities issued	17,981,120	–	17,981,120
Repayment of debt securities issued	(54,486,369)	–	(54,486,369)
Interest paid on debt securities issued	–	(1,679,480)	(1,679,480)
Total changes from financing cash flows	(36,505,249)	(1,679,480)	(38,184,729)
Other change:			
Interest expenses (Note 3)	–	1,349,523	1,349,523
Total other change	–	1,349,523	1,349,523
As at 31 December 2021	8,417,309	10,122	8,427,431

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

Company Name	Major shareholders	31 December 2022	Major shareholders	31 December 2021
Shenyang Shengjing Financial Holding Investment Co., Ltd.	Y	20.79%	Y	20.79%
Evergrande Group (Nanchang) Co., Ltd.	N	–	Y	14.57%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	Y	5.45%	Y	5.45%
Founder Securities Co., Ltd.	N	3.41%	Y	3.41%
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Y	2.16%	Y	2.16%
Liaoning Huafeng Investment Co., Ltd.	N	1.14%	Y	1.14%

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)***Main condition of major shareholders:*

Company Name	Registered Address	Main business	Company nature	Legal Representative
Shenyang Shengjing Financial Holding Investment Co., Ltd.	Shenyang	Industrial investment; investment management	Limited Liability Company	Wang Linlin
Evergrande Group (Nanchang) Co., Ltd.	Nanchang	Industrial investment; investment management	Limited Liability Company	Zhong Wenyan
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Liang Zhifang
Founder Securities Co., Ltd.	Changsha	Share broking; asset management	Company Limited by Shares	Shi Hua
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Shenyang	Metal materials, electromechanical equipment	Limited Liability Company	Liu Xinfu
Liaoning Huafeng Investment Co., Ltd.	Shenyang	Project investment and project management	Limited Liability Company	Bao Lijun

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)**

Registered capital of major shareholders:

Company Name	Currency	31 December 2022	31 December 2021
Shenyang Shengjing Financial Holding Investment Co., Ltd.	RMB	2,105,300	2,105,300
Evergrande Group (Nanchang) Co., Ltd.	RMB	N/A	99,984,980
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Founder Securities Co., Ltd.	RMB	N/A	8,232,000
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	RMB	20,000	20,000
Liaoning Huafeng Investment Co., Ltd.	RMB	N/A	50,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a) (i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 31 (d)).

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances**

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders**(1) Deposits from customers**

	31 December 2022	31 December 2021
Shenyang Shengjing Financial Holding Investment Co., Ltd.	1,105,248	2,220,859
Evergrande Group (Nanchang) Co., Ltd.	N/A	21
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	6,168	2,476
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	4	11
Liaoning Huafeng Investment Co., Ltd.	N/A	13
Total	<u>1,111,420</u>	<u>2,223,380</u>

(2) Guarantees received

	31 December 2022	31 December 2021
Shenyang Shengjing Financial Holding Investment Co., Ltd.	47,656	–
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	<u>1,184,700</u>	<u>1,118,250</u>
Total	<u>1,232,356</u>	<u>1,118,250</u>



37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions between the Bank and major shareholders (Continued)

(3) Interest expense

	2022	2021
Shenyang Shengjing Financial Holding Investment Co., Ltd.	5,966	26,796
Evergrande Group (Nanchang) Co., Ltd.	N/A	2
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	59	331
Founder Securities Co., Ltd.	N/A	1,311
Total	6,025	28,440

(ii) Transactions between the Bank and subsidiaries

	31 December 2022	31 December 2021
Balances at the end of the year:		
Deposits from banks and other financial institutions	1,177,737	1,409,385
Deposits with banks and other financial institutions	–	345
Placements with banks and other financial institutions	4,260,000	3,790,000
	2022	2021
Transactions during the year:		
Interest income	139,110	170,415
Interest expense	44,854	13,575

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances (Continued)****(iii) Transactions between the Bank and other related parties**

	31 December 2022	31 December 2021
Balances at the end of the year:		
Financial investments	9,959,538	10,034,838
Loans and advances to customers	10,517,647	8,140,674
Deposits from customers	3,980,067	3,424,054
Guarantees received	13,692,340	9,245,777
	2022	2021
Transactions during the year:		
Interest income	1,284,109	1,277,777
Interest expense	9,338	66,573

(c) Key management personnel**(i) Key management personnel remuneration**

Key management personnel refers to those who have authority and are responsible for directly or indirectly planning, command and control the Group's operating. Including members of Board of Directors, Board of Supervisors and Senior managements.

	2022	2021
Salaries and other emoluments	23,994	19,484
Discretionary bonuses	18,360	19,852
Contributions to pension schemes	2,146	1,294
Total	44,500	40,630

(ii) Loans and advances to directors, supervisors and officers

At 31 December 2022 and 2021, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	31 December 2022	31 December 2021
Balances at the end of the year:		
Deposits from customers	26,857	26,137
Loans and advances to customers	285	417
	2022	2021
Transactions during the year:		
Interest income	18	25
Interest expense	155	266

38 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined regarding market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

38 SEGMENT REPORTING (CONTINUED)**(a) Business Segment (Continued)*****Others (Continued)***

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	21,078,687	(12,260,648)	4,035,645	–	12,853,684
Internal net interest (expense)/income	<u>(9,481,804)</u>	<u>15,807,749</u>	<u>(6,325,945)</u>	<u>–</u>	<u>–</u>
Net interest income/(expense)	11,596,883	3,547,101	(2,290,300)	–	12,853,684
Net fee and commission income/(expense)	(237,835)	408,485	93,622	–	264,272
Net trading gains	–	–	171,359	–	171,359
Net gains arising from investments	–	–	2,814,803	–	2,814,803
Other operating income	<u>6,942</u>	<u>99</u>	<u>–</u>	<u>41,952</u>	<u>48,993</u>
Operating income	11,365,990	3,955,685	789,484	41,952	16,153,111
Operating expenses	(3,477,213)	(2,081,473)	(219,008)	(12,546)	(5,790,240)
Impairment losses on assets	<u>(5,638,263)</u>	<u>(118,505)</u>	<u>(3,414,854)</u>	<u>–</u>	<u>(9,171,622)</u>
Profit/(losses) before tax	<u>2,250,514</u>	<u>1,755,707</u>	<u>(2,844,378)</u>	<u>29,406</u>	<u>1,191,249</u>
Other segment information					
– Depreciation and amortisation	<u>352,293</u>	<u>221,433</u>	<u>16,741</u>	<u>–</u>	<u>590,467</u>
– Capital expenditure	<u>405,315</u>	<u>254,760</u>	<u>19,260</u>	<u>–</u>	<u>679,335</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (Continued)*****Others (Continued)***

	31 December 2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	563,778,211	72,792,821	370,146,509	67,185,874	1,073,918,415
Deferred tax assets					<u>8,509,694</u>
Total assets					<u><u>1,082,413,109</u></u>
Segment liabilities/total liabilities	<u>280,257,958</u>	<u>517,346,590</u>	<u>200,519,534</u>	<u>2,851,931</u>	<u>1,000,976,014</u>
Credit commitments	<u>78,723,885</u>	<u>19,157,921</u>	<u>–</u>	<u>–</u>	<u>97,881,806</u>

38 SEGMENT REPORTING (CONTINUED)**(a) Business Segment (Continued)*****Others (Continued)***

	Year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	16,151,927	(8,484,009)	4,719,691	–	12,387,609
Internal net interest (expense)/income	<u>(5,528,163)</u>	<u>12,041,149</u>	<u>(6,512,986)</u>	<u>–</u>	<u>–</u>
Net interest income/(expense)	10,623,764	3,557,140	(1,793,295)	–	12,387,609
Net fee and commission income/(expense)	439,702	7,250	(17,482)	–	429,470
Net trading losses	–	–	(708,318)	–	(708,318)
Net gains arising from investments	–	–	3,210,194	83,062	3,293,256
Other operating income	<u>9,177</u>	<u>292</u>	<u>–</u>	<u>55,125</u>	<u>64,594</u>
Operating income	11,072,643	3,564,682	691,099	138,187	15,466,611
Operating expenses	(3,543,730)	(1,840,932)	(422,070)	(48,322)	(5,855,054)
Net impairment losses on assets	<u>(7,925,606)</u>	<u>(825,054)</u>	<u>(757,302)</u>	<u>–</u>	<u>(9,507,962)</u>
Profit/(losses) before tax	<u>(396,693)</u>	<u>898,696</u>	<u>(488,273)</u>	<u>89,865</u>	<u>103,595</u>
Other segment information					
– Depreciation and amortisation	<u>377,862</u>	<u>206,928</u>	<u>14,123</u>	<u>–</u>	<u>598,913</u>
– Capital expenditure	<u>127,440</u>	<u>69,791</u>	<u>4,763</u>	<u>–</u>	<u>201,994</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	553,643,534	106,998,530	338,195,029	–	998,837,093
Deferred tax assets					<u>7,289,160</u>
Total assets					<u><u>1,006,126,253</u></u>
Segment liabilities/total liabilities	<u>323,230,776</u>	<u>434,526,956</u>	<u>167,724,972</u>	<u>140,608</u>	<u>925,623,312</u>
Credit commitments	<u>154,481,585</u>	<u>17,777,920</u>	<u>–</u>	<u>–</u>	<u>172,259,505</u>

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

38 SEGMENT REPORTING (CONTINUED)**(b) Geographical information (Continued)**

	Operating income	
	2022	2021
North east China	15,604,533	15,170,155
North China	219,340	174,535
Others	329,238	121,921
Total	16,153,111	15,466,611

	Non-current assets (Note i)	
	31 December 2022	31 December 2021
North east China	5,562,567	6,181,396
North China	186,339	215,781
Others	19,182	29,666
Total	5,768,088	6,426,843

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies ensures that all kinds of credit risks in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Definition of credit-impaired financial asset (Continued)

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

Based on whether there is a significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- Probability of default (PD) refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- Exposure at default (EAD) is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- Loss given default (LGD) refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Definition of credit-impaired financial asset (Continued)

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for future years. The results of the calculation for each year are then discounted to the reporting date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using the supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes an adjustment based on the prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained by multiplying the nominal amount of the off-balance sheet items on the reporting date by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Definition of credit-impaired financial asset (Continued)

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

Treasury Business

The Group's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)****Credit business***(i) Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 42(a).

(ii) Loans and advances to customers

Loans and advances to customers were analysed as follows as at 31 December 2022 and 2021.

	31 December 2022	31 December 2021
Gross balance of loans and advances to customers		
– ECL over the next 12 months	552,431,568	529,424,257
– Lifetime ECL – not credit-impaired loans	39,195,942	30,528,616
– Lifetime ECL – credit-impaired loans	21,734,819	26,079,795
	<u>613,362,329</u>	<u>586,032,668</u>
Add: interest receivable		
– ECL over the next 12 months	40,615,613	20,595,310
– Lifetime ECL – not credit-impaired loans	3,996,648	1,487,662
	<u>44,612,261</u>	<u>22,082,972</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(7,183,023)	(6,421,176)
– Lifetime ECL – not credit-impaired loans	(7,843,415)	(7,417,897)
– Lifetime ECL – credit-impaired loans	(12,348,735)	(10,833,049)
	<u>(27,375,173)</u>	<u>(24,672,122)</u>
Net balance		
– ECL over the next 12 months	585,864,158	543,598,391
– Lifetime ECL – not credit-impaired loans	35,349,175	24,598,381
– Lifetime ECL – credit-impaired loans	9,386,084	15,246,746
	<u>630,599,417</u>	<u>583,443,518</u>

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)*****Credit business(Continued)******(ii) Loans and advances to customers (Continued)***

(1) ECL over the next 12 months

	31 December 2022	31 December 2021
Corporate loans and advances	456,617,448	430,514,863
Personal loans and advances	<u>95,814,120</u>	<u>98,909,394</u>
Total gross balance	<u><u>552,431,568</u></u>	<u><u>529,424,257</u></u>

(2) Lifetime ECL – not credit-impaired loans

	31 December 2022			Total
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	28,946,583	475,595	9,322,791	38,744,969
Personal loans and advances	<u>38,267</u>	<u>49,911</u>	<u>362,795</u>	<u>450,973</u>
Total gross balance	<u><u>28,984,850</u></u>	<u><u>525,506</u></u>	<u><u>9,685,586</u></u>	<u><u>39,195,942</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)*****Credit business (Continued)******(ii) Loans and advances to customers (Continued)*****(2) Lifetime ECL – not credit-impaired loans (Continued)**

	Not overdue	31 December 2021		Total
		Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	26,399,951	2,262,746	1,645,666	30,308,363
Personal loans and advances	–	56,577	163,676	220,253
Total gross balance	<u>26,399,951</u>	<u>2,319,323</u>	<u>1,809,342</u>	<u>30,528,616</u>

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	31 December 2022	31 December 2021
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	<u>25,508,333</u>	<u>21,715,488</u>

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

(ii) *Loans and advances to customers (Continued)*

(3) Lifetime ECL – credit-impaired loans

	31 December 2022	31 December 2021
Corporate loans and advances	19,531,903	24,484,389
Personal loans and advances	2,202,916	1,595,406
Total gross balance	21,734,819	26,079,795
% of total loans and advances	3.54%	4.45%
Allowance for impairment losses		
– Corporate loans and advances	11,339,410	9,727,771
– Personal loans and advances	1,009,325	1,105,278
Total	12,348,735	10,833,049
Fair value of collateral held against credit-impaired loans and advances	20,692,198	47,693,656

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)*****Treasury Business******(iii) Amounts due from banks and other financial institutions***

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2022	31 December 2021
Gross amount		
Neither overdue nor impaired		
– grade A to AAA	16,072,561	12,198,598
– grade B to BBB	950,000	1
– unrated (<i>Note (1)</i>)	4,853,016	3,679
Impaired		
– grade C to CCC	1,446,777	300,000
	<u>23,322,354</u>	<u>12,502,278</u>
Add: interest receivable		
– ECL over the next 12 months	<u>51,680</u>	<u>4,632</u>
Less: provision for impairment loss		
– ECL over the next 12 months	(5,084)	(2,165)
– Lifetime ECL – credit-impaired	<u>(551,372)</u>	<u>(150,000)</u>
	<u>(556,456)</u>	<u>(152,165)</u>
Net balance		
– ECL over the next 12 months	21,922,173	12,204,745
– Lifetime ECL – credit-impaired	<u>895,405</u>	<u>150,000</u>
	<u>22,817,578</u>	<u>12,354,745</u>

Note:

(1) All unrated carrying amount are pledged by government debt securities or policy banks debt securities.

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)*****Treasury Business (Continued)****(iv) Debt securities investments*

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	31 December 2022	31 December 2021
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	46,846,840	57,245,252
– Policy banks	44,842,229	60,615,157
– Banks and other financial institutions	9,228,460	1,371,054
– Corporate	4,702,358	4,840,742
– Lifetime ECL – credit-impaired		
– Corporate	2,901,918	4,003,418
	<u>108,521,805</u>	<u>128,075,623</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(10,968)	(7,337)
– Lifetime ECL – credit-impaired	(1,333,849)	(1,255,025)
	<u>(1,344,817)</u>	<u>(1,262,362)</u>
Net balance		
– ECL over the next 12 months	105,608,919	124,064,868
– Lifetime ECL – credit-impaired	1,568,069	2,748,393
	<u>107,176,988</u>	<u>126,813,261</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)*****Treasury Business (Continued)*****(v) *Financial assets measured at amortised cost***

	31 December 2022	31 December 2021
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	133,220,013	159,966,046
– Lifetime ECL – not credit-impaired	10,066,869	13,601,010
– Lifetime ECL – credit-impaired	12,097,410	11,544,898
	<u>155,384,292</u>	<u>185,111,954</u>
Add: Interest receivable	<u>6,317,030</u>	<u>3,955,775</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(867,371)	(719,400)
– Lifetime ECL – not credit-impaired	(1,091,089)	(1,103,626)
– Lifetime ECL – credit-impaired	(3,899,224)	(2,787,892)
	<u>(5,857,684)</u>	<u>(4,610,918)</u>
Net balance		
– ECL over the next 12 months	138,669,671	163,202,421
– Lifetime ECL – not credit-impaired	8,975,780	12,497,384
– Lifetime ECL – credit-impaired	8,198,187	8,757,006
	<u>155,843,638</u>	<u>184,456,811</u>

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's inside and outside the financial statements activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to identifying, measuring, monitoring and control market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Risk Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(1) Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2022					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	75,258,358	816,008	74,442,350	-	-	-
Deposits with banks and other financial institutions	7,207,614	3,195	7,204,419	-	-	-
Placements with banks and other financial institutions	6,232,027	196,072	4,288,384	1,747,571	-	-
Financial assets held under resale agreements	9,377,937	2,413	9,375,524	-	-	-
Loans and advances to customers (Note (i))	630,599,417	16,444,699	249,532,241	186,806,221	149,274,710	28,541,546
Financial investments (Note (ii))	329,611,560	10,521,157	151,782,720	40,934,461	31,668,214	94,705,008
Others	24,126,196	23,460,201	361,536	236,755	65,867	1,837
Total assets	1,082,413,109	51,443,745	496,987,174	229,725,008	181,008,791	123,248,391
Liabilities						
Borrowings from central bank	(1,190,119)	(3,571)	(207,353)	(979,195)	-	-
Deposits from banks and other financial institutions	(52,716,547)	(328,421)	(38,898,126)	(13,490,000)	-	-
Placements from banks and other financial institutions	(2,838,696)	(3,866)	(1,060,000)	(1,774,830)	-	-
Financial assets sold under repurchase agreements	(128,661,609)	(461,877)	(87,247,691)	(40,952,041)	-	-
Deposits from customers	(788,752,335)	(17,186,234)	(338,390,870)	(160,442,794)	(271,898,176)	(834,261)
Debt securities issued	(16,979,868)	-	(4,455,496)	(7,525,315)	-	(4,999,057)
Others	(9,836,840)	(6,341,417)	(482,409)	(2,876,852)	(67,051)	(69,111)
Total liabilities	(1,000,976,014)	(24,325,386)	(470,741,945)	(228,041,027)	(271,965,227)	(5,902,429)
Asset-liability gap	81,437,095	27,118,359	26,245,229	1,683,981	(90,956,436)	117,345,962



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	31 December 2021					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	72,330,736	945,616	71,385,120	-	-	-
Deposits with banks and other financial institutions	8,842,567	4,038	8,838,529	-	-	-
Placements with banks and other financial institutions	1,250,301	150,578	1,099,723	-	-	-
Financial assets held under resale agreements	2,261,877	16	2,261,861	-	-	-
Loans and advances to customers (Note (i))	583,443,518	22,082,972	125,173,604	236,218,504	128,286,560	71,681,878
Financial investments (Note (ii))	312,000,748	13,391,350	158,339,342	37,881,004	65,506,773	36,882,279
Others	25,996,506	25,422,062	-	10	571,863	2,571
Total assets	1,006,126,253	61,996,632	367,098,179	274,099,518	194,365,196	108,566,728
Liabilities						
Borrowings from central bank	(1,631,922)	(1,110)	(361,637)	(1,269,175)	-	-
Deposits from banks and other financial institutions	(59,942,166)	(120,627)	(58,186,539)	(1,635,000)	-	-
Placements from banks and other financial institutions	(581,595)	(51,595)	(430,000)	(100,000)	-	-
Financial assets sold under repurchase agreements	(89,271,137)	(37,737)	(77,711,057)	(11,522,343)	-	-
Deposits from customers	(754,880,674)	(17,847,732)	(291,718,575)	(211,362,289)	(233,952,078)	-
Debt securities issued	(8,427,431)	(10,122)	(1,574,494)	(842,815)	-	(6,000,000)
Others	(10,888,387)	(3,014,123)	(4,562,147)	(2,762,062)	(547,484)	(2,571)
Total liabilities	(925,623,312)	(21,083,046)	(434,544,449)	(229,493,684)	(234,499,562)	(6,002,571)
Asset-liability gap	80,502,941	40,913,586	(67,446,270)	44,605,834	(40,134,366)	102,564,157

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 31 December 2022 included overdue amounts (net of provision for impairment losses) of RMB16,148 million (31 December 2021: RMB15,353 million).
- (ii) As at 31 December, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

(2) Interest rate sensitivity analysis

	31 December 2022 Increase/(decrease)	31 December 2021 Increase/(decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	344,475	(378,330)
Down 100 bps parallel shift in yield curves	(344,475)	378,330
Change in equity		
Up 100 bps parallel shift in yield curves	798,705	(939,354)
Down 100 bps parallel shift in yield curves	(710,807)	988,605

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies, setting limits on synthetic positions in the settlement and sale of foreign exchange, and setting country risk quota, etc.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2022			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with central bank	75,125,302	113,445	19,611	75,258,358
Deposits with banks and other financial institutions	5,353,962	901,041	952,611	7,207,614
Placements with banks and other financial institutions	5,877,811	354,216	–	6,232,027
Financial assets held under resale agreements	9,377,937	–	–	9,377,937
Loans and advances to customers	628,984,473	1,424,621	190,323	630,599,417
Financial investments (Note (i))	328,409,279	1,202,281	–	329,611,560
Others	21,013,356	931,695	2,181,145	24,126,196
Total assets	1,074,142,120	4,927,299	3,343,690	1,082,413,109
Liabilities				
Borrowings from central bank	(1,190,119)	–	–	(1,190,119)
Deposits from banks and other financial institutions	(52,716,547)	–	–	(52,716,547)
Placements from banks and other financial institutions	(2,838,696)	–	–	(2,838,696)
Financial assets sold under repurchase agreements	(128,661,609)	–	–	(128,661,609)
Deposits from customers	(787,633,818)	(930,114)	(188,403)	(788,752,335)
Debt securities issued	(16,979,868)	–	–	(16,979,868)
Others	(3,090,889)	(3,614,543)	(3,131,408)	(9,836,840)
Total liabilities	(993,111,546)	(4,544,657)	(3,319,811)	(1,000,976,014)
Net position	81,030,574	382,642	23,879	81,437,095
Off-balance sheet credit commitments	97,250,314	1,135,899	94,716	98,480,929

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (Continued)****(ii) Currency risk (Continued)**

	31 December 2021			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with central bank	71,883,116	426,599	21,021	72,330,736
Deposits with banks and other financial institutions	2,826,862	5,398,850	616,855	8,842,567
Placements with banks and other financial institutions	1,250,301	–	–	1,250,301
Financial assets held under resale agreements	2,261,877	–	–	2,261,877
Loans and advances to customers	582,016,632	848,070	578,816	583,443,518
Financial investments (Note (i))	312,000,748	–	–	312,000,748
Others	23,882,952	12,934	2,100,620	25,996,506
Total assets	<u>996,122,488</u>	<u>6,686,453</u>	<u>3,317,312</u>	<u>1,006,126,253</u>
Liabilities				
Borrowings from central bank	(1,631,922)	–	–	(1,631,922)
Deposits from banks and other financial institutions	(59,942,166)	–	–	(59,942,166)
Placements from banks and other financial institutions	(581,595)	–	–	(581,595)
Financial assets sold under repurchase agreements	(89,271,137)	–	–	(89,271,137)
Deposits from customers	(749,528,816)	(5,082,263)	(269,595)	(754,880,674)
Debt securities issued	(8,427,431)	–	–	(8,427,431)
Others	(6,655,461)	(1,206,745)	(3,026,181)	(10,888,387)
Total liabilities	<u>(916,038,528)</u>	<u>(6,289,008)</u>	<u>(3,295,776)</u>	<u>(925,623,312)</u>
Net position	<u>80,083,960</u>	<u>397,445</u>	<u>21,536</u>	<u>80,502,941</u>
Off-balance sheet credit commitments	<u>168,114,973</u>	<u>3,939,498</u>	<u>205,034</u>	<u>172,259,505</u>

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2022 Increase/(decrease)	31 December 2021 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	4,065	493
Down 100 bps parallel shift in yield curves	(4,065)	(493)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, Planning and Financial Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting, organising the daily management of the liquidity risk by business departments as well as the assessment and evaluation;
- The Group includes liquidity risk in a comprehensive risk management system. The Risk Management Department initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2022							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	58,211,489	17,046,869	-	-	-	-	-	75,258,358
Deposits with banks and other financial institutions	745,405	6,252,140	60,020	30,010	120,039	-	-	7,207,614
Placements with banks and other financial institutions	150,000	-	3,666,402	654,715	1,760,910	-	-	6,232,027
Financial assets held under resale agreements	-	-	9,377,937	-	-	-	-	9,377,937
Loans and advances to customers	13,335,822	782,542	221,068,149	29,294,903	187,274,875	150,229,274	28,613,852	630,599,417
Financial investments (Note (ii))	32,195,896	-	58,734,144	70,316,884	41,191,714	32,043,344	95,129,578	329,611,560
Others	18,016,097	-	4,194,713	79,766	1,767,916	65,867	1,837	24,126,196
Total assets	<u>122,654,709</u>	<u>24,081,551</u>	<u>297,101,365</u>	<u>100,376,278</u>	<u>232,115,454</u>	<u>182,338,485</u>	<u>123,745,267</u>	<u>1,082,413,109</u>
Liabilities								
Borrowings from central bank	-	(2,853)	(84,720)	(122,755)	(979,791)	-	-	(1,190,119)
Deposits from banks and other financial institutions	-	(30,458,126)	(7,013,850)	(1,536,126)	(13,708,445)	-	-	(52,716,547)
Placements from banks and other financial institutions	-	-	(660,900)	(400,546)	(1,777,250)	-	-	(2,838,696)
Financial assets sold under repurchase agreements	-	-	(42,295,776)	(45,269,731)	(41,096,102)	-	-	(128,661,609)
Deposits from customers	-	(206,368,235)	(59,462,401)	(76,574,706)	(165,321,453)	(280,165,911)	(859,629)	(788,752,335)
Debt securities issued	-	-	(2,824,630)	(1,629,342)	(7,526,839)	-	(4,999,057)	(16,979,868)
Others	-	(4,628,133)	(1,306,104)	(212,549)	(2,979,253)	(456,338)	(254,463)	(9,836,840)
Total liabilities	<u>-</u>	<u>(241,457,347)</u>	<u>(113,648,381)</u>	<u>(125,745,755)</u>	<u>(233,389,133)</u>	<u>(280,622,249)</u>	<u>(6,113,149)</u>	<u>(1,000,976,014)</u>
Long/(short) position	<u>122,654,709</u>	<u>(217,375,796)</u>	<u>183,452,984</u>	<u>(25,369,477)</u>	<u>(1,273,679)</u>	<u>(98,283,764)</u>	<u>117,632,118</u>	<u>81,437,095</u>
Notional amount of derivatives	-	-	5,385,823	6,179,235	36,800,303	11,178,512	100,000	59,643,873



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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2021							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	60,392,621	11,938,115	-	-	-	-	-	72,330,736
Deposits with banks and other financial institutions	-	8,742,547	90,018	10,002	-	-	-	8,842,567
Placements with banks and other financial institutions	150,000	-	1,100,301	-	-	-	-	1,250,301
Financial assets held under resale agreements	-	-	2,261,877	-	-	-	-	2,261,877
Loans and advances to customers	12,499,519	9,531,865	81,140,513	49,940,706	230,431,090	128,217,947	71,681,878	583,443,518
Financial investments (Note (i))	14,171,634	-	24,018,809	78,162,309	58,766,938	72,421,129	64,459,929	312,000,748
Others	15,364,532	1,118,882	5,961,623	-	2,977,035	571,863	2,571	25,996,506
Total assets	102,578,306	31,331,409	114,573,141	128,113,017	292,175,063	201,210,939	136,144,378	1,006,126,253
Liabilities								
Borrowings from central bank	-	-	(360,491)	(1,146)	(1,270,285)	-	-	(1,631,922)
Deposits from banks and other financial institutions	-	(9,440,539)	(28,241,833)	(20,621,498)	(1,638,296)	-	-	(59,942,166)
Placements from banks and other financial institutions	-	-	(300,517)	(130,310)	(150,768)	-	-	(581,595)
Financial assets sold under repurchase agreements	-	-	(72,912,009)	(4,831,911)	(11,527,217)	-	-	(89,271,137)
Deposits from customers	-	(235,219,702)	(20,431,799)	(39,040,437)	(215,132,073)	(241,965,558)	(3,091,105)	(754,880,674)
Debt securities issued	-	-	(1,037,704)	(546,750)	(842,977)	-	(6,000,000)	(8,427,431)
Others	-	(1,592,156)	(844,485)	(4,408,022)	(2,887,693)	(892,429)	(263,602)	(10,888,387)
Total liabilities	-	(246,252,397)	(124,128,838)	(69,580,074)	(233,449,309)	(242,857,987)	(9,354,707)	(925,623,312)
Long/(short) position	102,578,306	(214,920,988)	(9,555,697)	58,532,943	58,725,754	(41,647,048)	126,789,671	80,502,941
Notional amount of derivatives	-	-	10,740,651	3,509,739	21,000,660	359,160,183	100,000	394,511,233

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

Notes:

- (i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,213,528)	(89,507)	(124,402)	(999,619)	-	-
Deposits from banks and other financial institutions	(52,846,466)	(37,479,584)	(1,539,007)	(13,827,875)	-	-
Placements from banks and other financial institutions	(2,890,241)	(662,260)	(405,090)	(1,822,891)	-	-
Financial assets sold under repurchase agreements	(129,446,800)	(42,324,296)	(45,464,886)	(41,657,618)	-	-
Deposits from customers	(839,705,540)	(288,752,629)	(78,658,529)	(171,031,324)	(300,258,103)	(1,004,955)
Debt securities issued	(19,632,166)	(2,840,958)	(1,657,025)	(7,733,525)	(1,200,000)	(6,200,658)
Other financial liabilities	(8,856,390)	(5,007,514)	(135,611)	(2,875,283)	(525,876)	(312,106)
Total non-derivative financial liabilities	(1,054,591,131)	(377,156,748)	(127,984,550)	(239,948,135)	(301,983,979)	(7,517,719)

	31 December 2021					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,662,026)	(361,950)	(1,145)	(1,298,931)	-	-
Deposits from banks and other financial institutions	(60,143,007)	(37,735,316)	(20,713,709)	(1,693,982)	-	-
Placements from banks and other financial institutions	(581,595)	(300,517)	(130,310)	(150,768)	-	-
Financial assets sold under repurchase agreements	(89,611,070)	(73,225,778)	(4,838,219)	(11,547,073)	-	-
Deposits from customers	(754,931,274)	(255,650,756)	(39,038,712)	(215,145,765)	(241,993,708)	(3,102,333)
Debt securities issued	(10,602,473)	(1,034,111)	(619,914)	(1,184,448)	(1,176,000)	(6,588,000)
Other financial liabilities	(10,412,875)	(2,436,641)	(4,393,794)	(2,900,791)	(391,352)	(290,297)
Total non-derivative financial liabilities	(927,944,320)	(370,745,069)	(69,735,803)	(233,921,758)	(243,561,060)	(9,980,630)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Option contracts, Currency swaps, Foreign forward contracts and Precious metal derivatives.

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	35,430	(1,872)	(12,989)	42,361	7,930	–
Foreign forward contracts	398	–	–	398	–	–
Currency swaps	85,275,150	10,120,150	12,685,000	62,470,000	–	–
Derivatives settled on gross basis						
Option contracts						
– cash outflow	(2,914,503)	(733,488)	(818,085)	(1,344,418)	(18,512)	–
– cash inflow	2,914,503	733,488	818,085	1,344,418	18,512	–
Precious metal derivatives						
– cash outflow	(1,367,450)	–	(1,367,450)	–	–	–
– cash inflow	1,368,060	–	1,368,060	–	–	–



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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

	31 December 2021					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	29,688	-	-	-	29,688	-
Derivatives settled on gross basis						
Option contracts						
- cash outflow	(11,415)	(2,361)	(3,390)	-	(5,664)	-
- cash inflow	11,414	2,358	3,384	-	5,672	-
Precious metal derivatives						
- cash outflow	(6,586,620)	(718,340)	(3,150,118)	(2,718,162)	-	-
- cash inflow	6,536,926	673,104	3,154,921	2,708,901	-	-

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk (Continued)

The Group's measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(e) Capital management (Continued)**

The Group calculates the capital adequacy ratios as at 31 December 2022 and 2021 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

	Note	31 December 2022	31 December 2021
Total core tier-one capital			
– Share capital		8,796,680	8,796,680
– Qualifying portion of capital reserve		26,931,360	26,931,360
– Surplus reserve		7,411,839	7,319,347
– General reserve		14,797,531	14,013,554
– Fair value reserve		(1,274,532)	(816,706)
– Provision reserve		1,239,049	862,128
– Retained earnings		22,901,106	22,797,677
– Qualifying portions of non-controlling interests		160,618	121,712
– Others		(28,848)	(24,638)
Core tier-one capital		80,934,803	80,001,114
Core tier-one capital deductions		(385,544)	(303,297)
Net core tier-one capital		80,549,259	79,697,817
Net tier-one capital		80,549,259	79,697,817
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		4,999,057	6,000,000
– Surplus provision for loan impairment		8,529,017	5,929,637
Net tier-two capital		13,528,074	11,929,637
Net capital base		94,077,333	91,627,454
Total risk weighted assets	39(e)(i)	816,537,283	756,282,510
Core tier-one capital adequacy ratio		9.86%	10.54%
Tier-one capital adequacy ratio		9.86%	10.54%
Capital adequacy ratio		11.52%	12.12%

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2022 and 2021.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



NOTES TO THE FINANCIAL STATEMENTS

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40 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and the options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange forward rates, foreign exchange rate volatility, CFETS middle rate and Shanghai interbank offered rate yield curves, etc.

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– currency swaps	–	87,823	–	87,823
– interest rate swaps	–	211,059	–	211,059
– option contracts	–	365,717	–	365,717
– foreign forward contracts	–	1,395	–	1,395
Financial assets at fair value through profit or loss				
– debt instruments	–	1,238,184	–	1,238,184
– investment funds	52,313,130	–	–	52,313,130
– others	113,781	–	75,070,558	75,184,339
Financial assets at fair value through other comprehensive income				
– debt instruments	–	36,000,018	–	36,000,018
– equity instruments	2,368,637	–	6,663,614	9,032,251
Total	54,795,548	37,904,196	81,734,172	174,433,916
Liabilities				
Financial liabilities at fair value through profit or loss				
–	–	(2,421,778)	–	(2,421,778)
Derivative financial liabilities				
– currency swaps	–	(59,348)	–	(59,348)
– interest rate swaps	–	(175,631)	–	(175,631)
– option contracts	–	(365,723)	–	(365,723)
– foreign forward contracts	–	(1,097)	–	(1,097)
Total	–	(3,023,577)	–	(3,023,577)

During the year ended 31 December 2022, there were no significant transfers between instruments in Level 1 and Level 2.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(b) Financial instruments recorded at fair value (Continued)**

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– option contracts	–	122,449	–	122,449
– interest rate swaps	–	438,971	–	438,971
– precious metal derivatives	–	13,024	–	13,024
Financial assets at fair value through profit or loss				
– debt instruments	–	1,584,126	–	1,584,126
– investment funds	31,477,776	–	–	31,477,776
– others	122,408	–	60,193,822	60,316,230
Financial assets at fair value through other comprehensive income				
– debt instruments	–	26,223,833	–	26,223,833
– equity instruments	1,220,097	–	6,721,875	7,941,972
Total	<u>32,820,281</u>	<u>28,382,403</u>	<u>66,915,697</u>	<u>128,118,381</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
– loss	–	(6,504,990)	–	(6,504,990)
Derivative financial liabilities				
– option contracts	–	(94,276)	–	(94,276)
– interest rate swaps	–	(409,283)	–	(409,283)
– precious metal derivatives	–	(60,732)	–	(60,732)
Total	<u>–</u>	<u>(7,069,281)</u>	<u>–</u>	<u>(7,069,281)</u>

During the year ended 31 December 2021, there were no significant transfers between instruments in Level 1 and Level 2.

40 FAIR VALUE (CONTINUED)

(c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to debts securities, of which the fair value is determined with reference to the available market value. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

(d) Level 3 fair value measurement

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value and the movement during the year:

	1 January 2022	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/settlement	Transferred from Level 2 to Level 3	31 December 2022	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss – Other financial investments at fair value through profit or loss	60,193,822	(13,080)	-	17,397,214	(2,507,398)	-	75,070,558	225,280
Financial investments at fair value through other comprehensive income – Equity investments	6,721,875	-	(58,148)	-	(113)	-	6,663,614	-
Total	66,915,697	(13,080)	(58,148)	17,397,214	(2,507,511)	-	81,734,172	225,280



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40 FAIR VALUE (CONTINUED)

(d) Level 3 fair value measurement (Continued)

	1 January 2021	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/settlement	Transferred from Level 2 to Level 3	31 December 2021	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	61,055,295	(385,950)	–	1,844,989	(2,320,512)	–	60,193,822	238,359
Financial investments at fair value through other comprehensive income								
– Equity investments	4,099,206	–	–	2,622,669	–	–	6,721,875	–
Total	65,154,501	(385,950)	–	4,467,658	(2,320,512)	–	66,915,697	238,359

As at 31 December 2022 and 2021, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, investment funds and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. The higher the discount rate, the lower the fair value.

As at 31 December 2022 and 2021, the effects of changes in significant unobservable assumption to reasonably possible alternative assumptions were immaterial.

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value

- (i) Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank and financial investments measured as amortised cost.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) ***Loans and advances to customers***

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) ***Financial assets measured at amortised cost***

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

(iv) ***Financial assets at fair value through other comprehensive income equity instruments***

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

(v) ***Deposits from customers***

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(e) Fair value of financial assets and liabilities not carried at fair value (Continued)****(vi) Debt securities issued**

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	155,843,638	155,480,694	-	68,671,673	86,809,021
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	4,883,155	-	4,883,155	-
– certificates of interbank deposit	11,980,811	11,841,072	-	11,841,072	-
Total	16,979,868	16,724,227	-	16,724,227	-

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	184,456,811	185,381,184	-	98,176,705	87,204,479
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	6,010,122	5,918,562	-	5,918,562	-
– certificates of interbank deposit	2,417,309	2,395,867	-	2,395,867	-
Total	8,427,431	8,314,429	-	8,314,429	-

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2022	31 December 2021
Bank acceptances	65,229,705	128,417,787
Letters of guarantees	6,338,078	13,446,399
Unused credit card commitments	19,231,905	17,777,920
Letters of credit	<u>7,681,241</u>	<u>12,617,399</u>
Total	<u><u>98,480,929</u></u>	<u><u>172,259,505</u></u>

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	31 December 2022	31 December 2021
Credit risk-weighted amount of contingent liabilities and commitments	<u><u>30,600,001</u></u>	<u><u>41,293,559</u></u>

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****(c) Capital commitments**

As at 31 December 2022 and 2021, the authorised capital commitments of the Group are as follows:

	31 December 2022	31 December 2021
Contracted but not paid for	139,285	455,102
Approved but not contracted for	209,475	63,020
Total	348,760	518,122

(d) Outstanding litigations and disputes

As at 31 December 2022 and 2021, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

(e) Pledged assets

	31 December 2022	31 December 2021
Investment securities	92,956,100	92,532,031
Discounted bills	73,574,825	10,579,224
Total	166,530,925	103,111,255

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2022 and 2021, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2022 and 2021 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognised:

	31 December 2022		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	79,447,176	79,447,176	79,447,176
Investment management products under trust scheme	<u>79,276,722</u>	<u>79,276,722</u>	<u>79,276,722</u>
Total	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)****(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)**

	31 December 2021		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	63,957,611	63,957,611	63,957,611
Investment management products under trust scheme	<u>80,554,015</u>	<u>80,554,015</u>	<u>80,554,015</u>
Total	<u><u>144,511,626</u></u>	<u><u>144,511,626</u></u>	<u><u>144,511,626</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the consolidated statement of financial position.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the year ended 31 December 2022, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB161.25 million (2021: RMB392.53 million).

As at 31 December 2022, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB43,819 million (31 December 2021: RMB43,588 million).

During the year ended 31 December 2022, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022, but matured before 31 December 2022, is RMB8,335 million (2021: RMB15,441 million).

43 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products; however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a manager, trustee or agent for clients in a fiduciary act. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2022, the Group has no entrusted loans (31 December 2021: RMB1,750 million).

45 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 31 December 2022 and 2021, the Group doesn't have continuing involvement through acquiring some tranches.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, 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). Refer to Note 39(a) for the explanation of the assumptions and estimation used in measuring ECL.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Consolidation of structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	31 December 2021
Assets			
Cash and deposits with central bank		75,150,517	72,241,443
Deposits with banks and other financial institutions		6,606,350	8,202,895
Placements with banks and other financial institutions		10,375,061	5,089,607
Derivative financial assets		665,994	574,444
Financial assets held under resale agreements		9,377,937	2,261,877
Loans and advances to customers		625,161,773	579,446,151
Financial investments:			
Financial assets at fair value through profit or loss		128,735,654	93,378,132
Financial assets at fair value through other comprehensive income		45,032,269	34,165,805
Financial assets measured at amortised cost		155,843,638	184,456,811
Investments in subsidiaries	21	326,157	326,157
Property and equipment		4,847,148	5,355,719
Deferred tax assets		8,493,734	7,228,921
Other assets		10,040,792	12,699,382
		<u>1,080,657,024</u>	<u>1,005,427,344</u>
Liabilities			
Borrowings from central bank		1,188,874	1,628,242
Deposits from banks and other financial institutions		53,855,443	61,402,545
Placements from banks and other financial institutions		2,135,821	451,043
Financial liabilities at fair value through profit or loss		2,421,778	6,504,990
Derivative financial liabilities		601,799	564,291
Financial assets sold under repurchase agreements		128,661,609	89,271,137
Deposits from customers		787,727,334	753,917,894
Income tax payable		878,515	777,440
Debt securities issued		16,979,868	8,427,431
Other liabilities		5,609,754	2,725,912
		<u>1,000,060,795</u>	<u>925,670,925</u>



47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	31 December 2022	31 December 2021
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34	26,931,360	26,931,360
Surplus reserve	34	7,411,839	7,319,347
General reserve	34	14,748,898	13,971,985
Fair value reserve	34	(1,274,532)	(816,706)
Provision reserve	34	1,239,049	862,128
Deficit on remeasurement of net defined benefit liability	34	(28,848)	(24,638)
Retained earnings	34	22,771,783	22,716,263
Total equity		<u>80,596,229</u>	<u>79,756,419</u>
Total liabilities and equity		<u>1,080,657,024</u>	<u>1,005,427,344</u>

Approved and authorised for issue by the board of directors on 24 March 2023.

Shen Guoyong

(perform duty on behalf of chairman)
President

Bao Hong

Chief Financial Officer

Yang Xi

person in charge of Accounting Institution

Company chop



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

48 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 35.

Mr Qiu Huofa resigned as the bank chairman, executive director, director of the Strategic Development Committee and deputy director of the Nomination and Remuneration Committee of the Board of Directors due to age reason at 15 February 2023, and effective from 15 February 2023. According to the (Company Law of the People's Republic of China) and the (Articles of Association) of the Bank. The Bank hold the 14th meeting of the 7th Board of Directors at 17 February 2023, all directors agree and unanimous vote to let the Mr Shen Guoyong, an executive Director and the President, to perform the duties of Chairman, director of the Strategic Development Committee of the Board of Directors and Deputy Director of the Nomination and Remuneration Committee until the new Chairman is elected and his qualification is approved by the China Banking and Insurance Regulatory Commission Liaoning Regulatory Bureau.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies</i>	1 January 2023
<i>Amendments to IAS 8, Definition of accounting estimates</i>	1 January 2023
<i>Amendments to IAS12, Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
<i>Amendments to IFRS 16, Lease Liability in a Sale and Leaseback</i>	1 January 2024
<i>Amendments to IAS 1, Non-current Liabilities with Covenants (the "2022 Amendments")</i>	1 January 2024
<i>Amendments to IAS 1, Classification of Liabilities as Current or Non-current</i>	1 January 2024 [#]
<i>Amendments to IFRS 10 and IAS 28 (2011), Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date determined yet but available for adoption

As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 31 December 2022	Average for the year ended 31 December 2022	As at 31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currency)	135.91%	141.58%	152.39%	151.37%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the former "CBRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF").

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratios as at 30 June and 31 December.

(b) Leverage ratio

	31 December 2022	31 December 2021
Leverage ratio	6.89%	6.96%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)***(Expressed in thousands of RMB, unless otherwise stated)***2 CURRENCY CONCENTRATIONS**

	31 December 2022			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	4,927,299	2,313,456	1,030,234	8,270,989
Spot liabilities	<u>(4,544,657)</u>	<u>(2,289,464)</u>	<u>(1,030,347)</u>	<u>(7,864,468)</u>
Net long position	<u>382,642</u>	<u>23,992</u>	<u>(113)</u>	<u>406,521</u>

	31 December 2021			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	6,686,453	2,126,830	1,190,482	10,003,765
Spot liabilities	<u>(6,289,008)</u>	<u>(8,701)</u>	<u>(3,287,075)</u>	<u>(9,584,784)</u>
Net long position	<u>397,445</u>	<u>2,118,129</u>	<u>(2,096,593)</u>	<u>418,981</u>



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the 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.

	As at 31 December 2022			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	133,056	1,118,148	1,957,066	3,208,270
North and South America	898,433	574,747	–	1,473,180
Europe	–	508,987	–	508,987
Total	1,031,489	2,201,882	1,957,066	5,190,437

	As at 31 December 2021			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	–	380,200	1,288,750	1,668,950
North and South America	–	2,138,205	–	2,138,205
Europe	–	233,689	–	233,689
Total	–	2,752,094	1,288,750	4,040,844

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)***(Expressed in thousands of RMB, unless otherwise stated)***4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS**

	31 December 2022	31 December 2021
Northeast China	24,034,301	24,807,636
North China	4,886,478	3,952,773
Others	1,396,901	1,576,561
Total	<u>30,317,680</u>	<u>30,336,970</u>

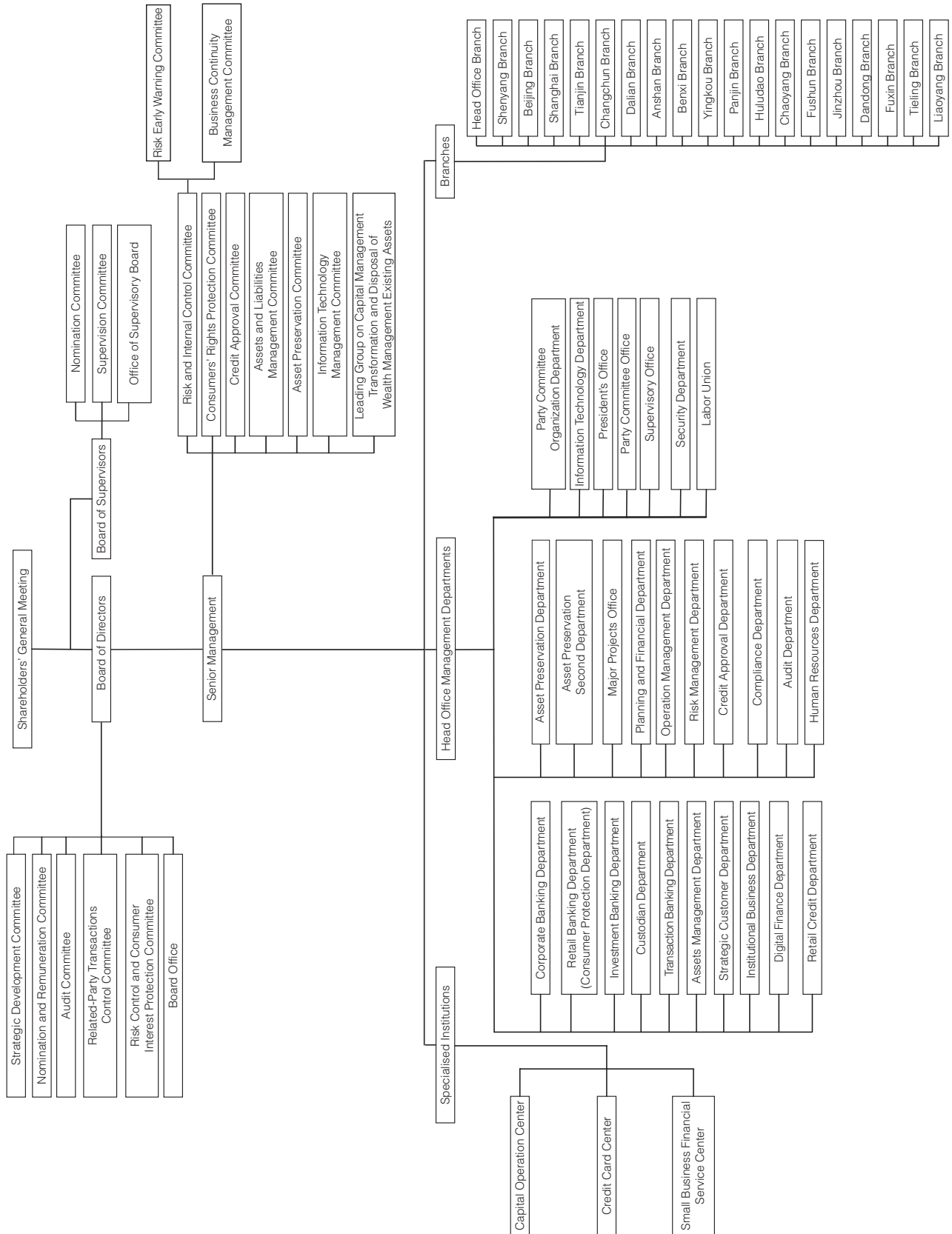
5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	31 December 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	5,909,652	1,355,289
– between 6 months and 1 year (inclusive)	533,753	3,171,020
– over 1 year	12,451,672	13,890,761
Total	<u>18,895,077</u>	<u>18,417,070</u>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.96%	0.23%
– between 6 months and 1 year (inclusive)	0.09%	0.54%
– over 1 year	2.03%	2.37%
Total	<u>3.08%</u>	<u>3.14%</u>



ORGANISATIONAL CHART

ORGANISATIONAL CHART





Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

As at 31 December 2022, the Bank has a total of 213 operating institutions, including one institution with legal person status, three specialised institutions, 18 branches, 187 sub-branches and four small and micro sub-branches, details of which are set out as follows:

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
1	Head Office	Shengjing Bank Co., Ltd.	"No. 109, Beizhan Road, Shenhe District, Shenyang City"	024-22535633	110013	024-22535633
2	"Beijing Municipality"	"Beijing Branch of Shengjing Bank Co., Ltd."	"Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing Municipality"	010-85570028	100026	010-85570028
3		"Beijing Zhongguancun Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 108, 109, Floor 1, No. 8, Haidian North 2nd Street, Haidian District, Beijing Municipality"	010-59718592	100080	010-59718592
4		"Beijing Guanyuan Sub-Branch of Shengjing Bank Co., Ltd."	"Commercial 5 (De Sheng Zone), Building 1, Yard 9, Chegongzhuang Street, Xicheng District, Beijing Municipality"	010-88359470	100044	010-85251177
5		"Beijing Wukesong Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 3, No. 69, Fuxing Road, Haidian District, Beijing Municipality"	010-88199290	100039	010-88199292
6		"Beijing Shunyi Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Tower 1, No 2, Zhanqian East Street, Shunyi District, Beijing Municipality"	010-61426812	101300	010-61426812
7		"Beijing Daxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26, Section 3, Xingye Street, Daxing District, Beijing Municipality"	010-65820066	102600	010-65820066
8		"Beijing Shijingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 107, Floor 1, No.2, Yunquan Xili Zone 1, Shijingshan District, Beijing Municipality"	010-68636855	100040	010-68636855
9		"Beijing Wangjing Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 216-220, Floor 2, Building 8, District 4, Wangjing Dongyuan, Chaoyang District, Beijing Municipality"	010-64391577	100102	010-64391577
10		"Beijing Tongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Room 135 · 136 · 137, Floor 1, Building 1, Yard 3, Guanyin'an North Street, Tongzhou District, Beijing Municipality"	010-60568778	101100	010-69513102
11	Tianjin City	"Tianjin Branch of Shengjing Bank Co., Ltd."	"Shopping Mall of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City"	022-28379999	300201	022-28379999
12		"Tianjin Huayuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 150-04 and No. 150-206, Yingshui Road, Huayuan Industrial Zone"	022-58815628	300384	022-58815628
13		"Tianjin Binhai Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21-18, 2nd Street, Tianjin Development Zone"	022-59835260	300457	022-59835260
14		"Tianjin Beichen Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101, Building 4, Beichen Tower, Beichen District"	022-58687610	300400	022-58687610
15		"Tianjin Xiqing Sub-Branch of Shengjing Bank Co., Ltd."	No. 12-22, Jinfeng Road, Xiqing District	022-58335695	300380	022-58335695
16		"Tianjin Hedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District"	022-24410278	300011	022-24410278



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
17		"Tianjin Hebei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City"	022-58885920	300150	022-58885920
18		"Tianjin Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City"	022-59956312	300051	022-59956312
19		"Tianjin Dongli Sub-Branch of Shengjing Bank Co., Ltd."	"Room 3-110, Guangfu Business Center, Dongli District, Tianjin City"	022-84965926	300301	022-84965926
20		"Tianjin Nankai Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Nanfang Building, Northwest of the intersection of Anshan West Road and West Lake Village Street, Nankai District, Tianjin City"	022-83698133	300073	022-83698133
21		"Tianjin Jingtian Apartment Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"Zone 5-5-101A, Jingtian Apartment, Jiarongli Street, Beichen District, Tianjin City"	022-83904179	300134	022-83904179
22	"Shanghai Municipality"	"Shanghai Branch of Shengjing Bank Co., Ltd."	"Floor 8 (Room 08-1, Room 07, Room 06-1), Room 01-11, Floor 9-13 (Elevator floors 9-12, and 14), No. 309 North Huangpo Road, Huangpu District, Shanghai; Room A101-102, No. 389 West Nanjing Road, Shanghai"	021-32097727	200050	021-32097936
23		"Shanghai Putuo Sub-Branch of Shengjing Bank Co., Ltd."	"Room A8005-A8006, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai Municipality"	021-60290531	200333	021-60290531
24		"Shanghai Songjiang Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1 & 2, No. 2, 4, 6, 8 & 10, Changxin Garden, Lane 1855, Sixian Road, Songjiang District, Shanghai Municipality"	021-67828575	201620	021-67828575
25		"Shanghai Pudong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 968, Pudong Avenue, China (Shanghai) Pilot Free Trade Zone"	021-60191765	200135	021-60191755
26		"Shanghai Changning Anlong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 759, Longan Road, Changning District, Shanghai Municipality"	021-60791282	200336	021-60791282
27		"Shanghai Xuhui Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 107/108, Floor 1 & Shop 210/209, Floor 2, No. 75, Tianlin East Road, Xuhui District, Shanghai Municipality"	021-61270576	200235	021-61270576
28		"Shanghai Huangpu Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 02, Floor 1, No. 689, Guangdong Road, Huangpu District, Shanghai Municipality"	021-33316501	200001	021-33316501
29		"Shanghai Jing'an Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Building No. 1, No.555, Nanjing West Road, Jing'an District, Shanghai Municipality"	021-52897970	200041	021-52897927
30		"Shanghai Yangpu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 166, 168, 170, Guoquan East Road, Yangpu District, Shanghai Municipality"	021-55960667	200433	021-55960667
31		"Shanghai Zhabei Sub-Branch of Shengjing Bank Co., Ltd."	"Room 101-10, 101-11, 101-12, 101-13, No.160, Jiangchang West Road, Jing'an District, Shanghai Municipality"	021-56525171	200040	021-56525171



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
32	Changchun City	"Changchun Branch of Shengjing Bank Co., Ltd."	"No. 61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-81958888	130000	0431-81958888
33		Changchun Linhe Street Sub-branch of Shengjing Bank Co., Ltd.	No. 5320 Linhe Street, Economic Development Zone, Changchun City, Jilin Province	0431-81928705	130000	0431-81928705
34		"Changchun Xi'an Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Xi'an Avenue, Chaoyang District, Changchun City"	0431-89828555	130000	0431-89828555
35		"Changchun Xiangyun of Shengjing Bank Co., Ltd."	"No. 1438, Xiangyun Street, Lvyuan District, Changchun City"	0431-89297707	130000	0431-89297707
36		"Changchun Yongchun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, 4th Road, Nanguan District, Changchun City, Jilin Province"	0431-82008676	130000	0431-82008676
37		"Changchun Ziyou Avenue Sub-Branch of Shengjing Bank Co., Ltd"	"Block C, Yatai Haoyuan Community, No. 1008, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-82008660	130000	0431-82008660
38		"Changchun Dongsheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1999, Jilin Avenue, Erdao District, Changchun City"	0431-81970381	132000	0431-81970381
39		"Jilin City Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 2-4, Post Office Building, No. 2, Songjiang East Road, Changyi District, Jilin City, Jilin Province"	0432-62673888	130000	0432-62673888
40		"Changchun CETDZ Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1138 & 1156, Weixing Road, Changchun Economic and Technological Development Zone"	0431-82008770	130000	0431-82008770
41		"Changchun Jingyang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3310, Jingyang Avenue, Changchun Automobile Economic and Technological Development Zone, Jilin City"	0431-82008706	130000	0431-82008706
42		"Changchun Quan Lou Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 18, Chongqing Hutong, Nanguan District, Changchun City, Changchun Province"	0431-89828555	130000	0431-89828555
43	"Liaoning Province"	"Shenyang Branch of Shengjing Bank Co., Ltd."	"No. 2 A, Wu'ai Street, Shenhe District, Shenyang City"	024-83256969	110016	024-83256978
44		"Shenyang Shenhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Zhong Jie Road, Shenhe District, Shenyang City"	024-84842085	110011	024-24869730
45		"Shenyang Shangyuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 34-A, Shangyuan Road, Dadong District, Shenyang City"	024-88326157	110041	024-88326157
46		"Shenyang Changqing Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6, 7, 8 & 9, No. 17-25, Changqing South Street, Hunnan District, Shenyang City"	024-31263205	110013	024-31263205
47		"Shenyang Jindi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, 5, No. 18-119, Xuecheng Road, Hunnan District, Shenyang City, Liaoning Province"	024-22972532	110015	024-22972532
48		"Shenyang Jiahua Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 8, No. 33-7, Fumin South Street, Hunnan District, Shenyang City, Liaoning Province"	024-24200230	110015	024-24200230
49		"Shenyang Zhongshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 206, Zhongshan Road, Shenhe District, Shenyang City"	024-22852026	110013	024-22852872



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
50		"Shenyang Zhenxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 181A, South 5th Road, Heping District, Shenyang City"	024-23244929	110006	024-23244929
51		"Shenyang Donghuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4 & 5, No. 37, Shentie Road, Dadong District, Shenyang City"	024-22712154	110044	024-22712154
52		"Shenyang Nanliu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16, South 8th Road, Heping District, Shenyang City"	024-23508046	110000	024-23508046
53		"Shenyang Zhaogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3, Block 35, No. 26-A, North 2nd West Road, Tiexi District, Shenyang City"	024-23830881	110026	024-23830881
54		Shenyang Shenfu Demonstration Zone Sub-branch of Shengjing Bank Co., Ltd.	M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province	024-31620376	110000	024-23261166
55		"Shenyang Xinshijie Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5&6, No.7-19, South Sanhao Street, Heping District, Shenyang City"	024-82562359	110057	024-82562359
56		"Shenyang Binhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 92, Da'nian Street, Shenhe District, Shenyang City"	024-24120717	110011	024-24809998
57		"Shenyang Hengxin Sub-Branch of Shengjing Bank Co., Ltd."	"No. 51, Re'nao Road, Shenhe District, Shenyang City"	024-31290373	110064	024-31290373
58		"Shenyang Jinsha Sub-Branch of Shengjing Bank Co., Ltd."	"No. 187, Daxi Road, Shenhe District, Shenyang City"	024-22973779	110014	024-22973779
59		"Shenyang Zhongxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Zhongxing Street, Heping District, Shenyang City"	024-23218962	110006	024-23218962
60		"Shenyang Yuhong New Town Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Xiannvhe Road, Yuhong District, Shenyang City, Liaoning Province (All)"	024-25711310	110107	024-25711310
61		"Shenyang Wanquan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 35, Changqing Street, Shenhe District, Shenyang City"	024-24212158	110015	024-24212158
62		"Shenyang 204 Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Liming 5th Street, Dadong District, Shenyang City"	024-88417845	110043	024-88417845
63		"Shenyang Jiahe Sub-Branch of Shengjing Bank Co., Ltd"	"Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City"	024-24627163	110015	024-24627163
64		"Shenyang Dongmao Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2 & 3, No. 18A-42, Dongling Road, Shenhe District, Shenyang City"	024-88421161	110136	024-88421161
65		"Shenyang North Station Sub-Branch of Shengjing Bank Co., Ltd."	"No. 27, Huigong East 1st Street, Shenhe District, Shenyang City"	024-88522942	110013	024-88522942
66		"Shenyang Zhongjin Qicheng Sub-branch of Shengjing Bank Co., Ltd."	"(Gate 3) (Gate 4) No. 108, Hemu Road, Shenhe District, Shenyang City, Liaoning Province"	024-24845710	110000	024-24845710



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
67		"Shenyang Yinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 180, Xiaonan Street, Shenhe District, Shenyang City"	024-24187108	110016	024-24187108
68		"Shenyang Songling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, Huanghe North Street, Yuhong District, Shenyang City"	024-86537301	110144	024-86537301
69		"Shenyang Nujiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-1, 1-2, 1-3, 1-4, No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City"	024-86515855	110031	024-86515855
70		"Shenyang Huanghe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 111, Huanghe South Street, Huanggu District, Shenyang City,"	024-82555819	110031	024-82555819
71		"Shenyang Taishan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5, 6&7, No. 7-4, Yalu River East Street, Huanggu District, Shenyang City"	024-86629596	110144	024-86629596
72		"Shenyang Wenda Road Sub Branch of Shengjing Bank Co., Ltd."	"Gates 7 and 8, No. 231-24, Wenda Road, Huanggu District, Shenyang City, Liaoning Province"	024-25715220	110038	024-25715220
73		"Shenyang Wuyi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Liaohe Street, Huanggu District, Shenyang City"	024-86840414	110031	024-86840414
74		"Shenyang Xianggong Sub-Branch of Shengjing Bank Co., Ltd"	"No. 215, Huashan Road, Huanggu District, Shenyang City"	024-86749732	110035	024-86749732
75		"Shenyang Dabeiguan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 42, Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province"	024-88565286	110041	024-88565286
76		"Shenyang Yuhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Huanghai Road, Yuhong District, Shenyang City"	024-25305689	110141	024-25301499
77		"Shenyang Tiecheng Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3&4, Building 3, No. 25-1, Zhaogong South Street, Tiexi District, Shenyang City, Liaoning Province"	024-25717902	110024	024-25717901
78		"Shenyang Shuangxi Sub-Branch of Shengjing Bank Co., Ltd"	"No. 88, Zhonggong South Street, Tiexi District, Shenyang City"	024-25787387	110024	024-25787387
79		"Shenyang Zhangshi Sub-Branch of Shengjing Bank Co., Ltd."	No. 212, Shenliao Road, Shenyang Economic	024-25280910	110023	024-25280910
80		"Shenyang Economic and Technological Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21-A-5, Central Street, Shenyang Economic and Technological Development Zone"	024-62836296	110142	024-62836296
81		"Shenyang Liaozhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 106, Zhengfu Road, Liaozhong Town, Liaozhong District, Shenyang City, Liaoning Province"	024-87880580	110200	024-87880580
82		"Shenyang Xinmin Sub-Branch of Shengjing Bank Co., Ltd."	No. 3, Zhongxing East Road, Xinmin City	024-27855999	110300	024-27855959
83		"Shenyang Hemu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Jinjiao Road, Dadong District, Shenyang City"	024-24321474	110042	024-24321474
84		"Shenyang Dongbei Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6&7, No. 262, Dongbei Avenue, Dadong District, Shenyang City, Liaoning Province"	024-88217598	110044	024-88212840



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

Geographical						
No.	Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
85		"Shenyang Bajiazi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 7, No. 22, Dongling West Road, Dadong District, Shenyang City, Liaoning Province"	024-88441405	110043	024-88441405
86		"Shenyang Dadong Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 116, Dongshuncheng Street, Dadong District, Shenyang City"	024-24845070	110042	024-24845070
87		"Shenyang Zhenghao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 68, Pangjiang Street, Dadong Street, Shenyang City"	024-24352501	110041	024-24352501
88		"Shenyang Jilong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City"	024-24321649	110041	024-24321649
89		"Shenyang Liaoshen Sub-Branch of Shengjing Bank Co., Ltd."	"16#, No. 1, Liaoshen 2nd Street, Dadong District, Shenyang City, Liaoning Province"	024-88113032	110041	024-88113032
90		"Shenyang Dongshuncheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Dongshuncheng Road, Shenhe District, Shenyang City"	024-24867743	110014	024-24867743
91		"Shenyang Chongshan East Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 61, Chongdong East Road, Huanggu District, Shenyang City, Liaoning Province"	024-23496033	110167	024-24829409
92		"Shenyang Huashan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 76, Harbin Road, Heping District, Shenyang City"	024-22501048	110002	024-22501048
93		"Shenyang Xinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 98, Shashan Street, Heping District, Shenyang City"	024-23304214	110005	024-23304214
94		"Shenyang Lingdong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 12&13, No. 28, Tieshan Road, Huanggu District, Shenyang City, Liaoning Province"	024-31513441	110032	024-31513441
95		"Shenyang Huaxin Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 12, Huashan Road, Huanggu District, Shenyang City, Liaoning Province"	024-86413380	110031	024-86413380
96		"Baita Sub-Branch of Shengjing Bank Co., Ltd."	"Gates 9 and 10, No. 130-27, Quanyun Road, Hunnan District, Shenyang"	024-81948699	110167	024-81948699
97		"Shenyang Shenyang Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 21, No. 15-5, Shenyang Road, Hunnan New District, Shenyang City, Liaoning Province"	024-62346152	110180	024-62346152
98		"Shenyang Xuesong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 54, Xuesong Road, Sujiatun District, Shenyang City, Liaoning Province"	024-89586967	110101	024-89586967
99		"Shenyang Xiangshuwan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 6, Hejiang Street, Yuhong District, Shenyang City"	024-86527520	110031	024-86527520
100		"Shenyang Keji Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 318, Qingnian Street, Heping District, Shenyang City, Liaoning Province"	024-23997390	110001	024-23842504
101		"Shenyang Nanhu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21 A-1, Sanhao Street, Heping District, Shenyang City"	024-23895215	110001	024-23895215
102		"Shenyang Dongquan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16, Quanyuan 1st Road, Shenhe District, Shenyang City"	024-24233911	110015	024-24233911



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

Geographical						
No.	Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
103		"Shenyang Dongxing Sub-Branch of Shengjing Bank Co., Ltd."	"Gates 11-12, No. 429 Da'nán Street, Shenhe District, Shenyang City, Liaoning Province"	024-24516360	110016	024-24516360
104		"Shenyang Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 96, Taiyuan South Street, Heping District, Shenyang City"	024-23518649	110001	024-23528647
105		"Shenyang Nanjing Street Sub-Branch of Shengjing Bank Co., Ltd."	"No. 45, Nanjing South Street, Heping District, Shenyang City"	024-23523225	110001	024-23523225
106		"Shenyang Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14 and 16, Changbai 4th Street, Heping District, Shenyang City"	024-23523044	110166	024-23523044
107		"Shenyang Tianhe Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101 & 102, No. 5, Zhongshan Road, Heping District, Shenyang City"	024-83465328	110002	024-83465328
108		"Shenyang Beishi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 218, Shifu Avenue, Heping District, Shenyang City"	024-62502761	110002	024-62502762
109		"Shenyang Hetai Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3, No. 107, Nanjing North Street, Heping District, Shenyang City"	024-22870771	110002	024-22870771
110		"Shenyang Zhonghai Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, Gate 2-301, Gate 2- 302, Gate 3, No. 381, Changbai South Road, Heping District, Shenyang City, Liaoning Province"	024-88907277	110166	024-83251662
111		"Shenyang Medical University Sub-Branch of Shengjing Bank Co., Ltd."	"No.92, North Second Road, Heping District, Shenyang City"	024-83282796	110002	024-83282796
112		"Shenyang Hongxia Sub-Branch of Shengjing Bank Co., Ltd."	"No. 38, North 5th Longitude Street, Heping District, Shenyang City"	024-62250304	110003	024-62250304
113		"Shenyang Nanshi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 7, South 3rd Longitude Street, Shenhe District, Shenyang City"	024-22710606	110013	024-22710606
114		"Shenyang Shenshui Sub-Branch of Shengjing Bank Co., Ltd."	"No.496, Changbai Street, Heping District, Shenyang City"	024-31910800	110001	024-31910800
115		"Shenyang Baogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City"	024-25655584	110021	024-25655584
116		"Shenyang Xinggong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 108, Xinggong North Street, Tiexi District, Shenyang City"	024-25851590	110021	024-25851590
117		"Shenyang Baoxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 29, Xinghua North Street, Tiexi District, Shenyang City"	024-25112720	110027	024-25112720
118		"Shenyang Tengfei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 57, Tengfei 1st Street, Tiexi District, Shenyang City, Liaoning Province"	024-25931567	110027	024-25931567
119		"Shenyang Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 31, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25874600	110021	024-25874600
120		"Shenyang Mazhuang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 26, Mazhuang Street, Tiexi District, Shenyang City, Liaoning Province"	024-25728349	110023	024-25728349



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

Geographical						
No.	Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
121		"Shenyang Xinghua Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Yanhua Street, Tiexi District, Shenyang City"	024-25964572	110021	024-25964572
122		"Shenyang Jianshe Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25866380	110021	024-25866380
123		"Shenyang Puhe Sub-Branch of Shengjing Bank Co., Ltd"	"No. 16 Tianqianhu Street, Shenbei New District, Shenyang City, Liaoning Province"	024-89869157	110100	024-24313510
124		"Shenyang Jingxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178, Xingshun Street, Tiexi District, Shenyang City"	024-85400343	110023	024-85400343
125		"Shenyang Xingshun Sub-Branch of Shengjing Bank Co., Ltd."	"(Gate 1) (Gate 2) (Gate 3) (Gate 4) (Gate 5) (Gate 6), No.23-1, North 2nd Middle Road, Tiexi District, Shenyang City"	024-81054378	110023	024-81054378
126		"Shenyang Huaxiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4-5, No. 18, Huaxiang Road, Tiexi District, Shenyang City"	024-25890701	110023	024-25890701
127		"Shenyang Yaming Sub-Branch of Shengjing Bank Co., Ltd."	"No. 100, Kunshan Middle Road, Huanggu District, Shenyang City"	024-86860739	110031	024-86852023
128		"Shenyang Tawan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City"	024-86722014	110031	024-86722014
129		"Shenyang Yalu River Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City"	024-86620510	110031	024-86620510
130		"Shenyang Beihuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 78, North Changjiang Street, Yuhong District, Shenyang City"	024-86166201	110034	024-86166201
131		"Shenyang Changjiang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Changjiang Street, Huanggu District, Shenyang City"	024-86297739	110031	024-86297739
132		"Shenyang Social Security Building Sub-Branch of Shengjing Bank Co., Ltd."	"No. 103, Chongshan Middle Road, Huanggu District"	024-26404129	110013	024-26404129
133		"Shenyang Dongling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 105A, Wanliutang Road, Shenhe District, Shenyang City, Liaoning Province"	024-24200020	110015	024-24200020
134		"Shenyang Fengle Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, No. 72, Wenhua East Road, Shenhe District, Shenyang City"	024-24222193	110015	024-24222193
135		"Shenyang Free Trade Zone Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Block D, No.109-4 Quanyun Road, Shenyang Area, China (Liaoning) Pilot Free Trade Zone (Room 128)"	024-83766268	110000	024-83766268
136		"Shenyang Hepan New Town Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-24564181	110000	024-24564181
137		"Shenyang Sujiatun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 60, Fengyang Road, Sujiatun District, Shenyang City"	024-89811137	110101	024-89811137
138		"Shenyang Changbai Sub-Branch of Shengjing Bank Co., Ltd."	"Jia 1-2, No. 62, Changbai West Road, Heping District, Shenyang City"	024-23732950	110001	024-23732950



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
139		"Shenyang Fengyang Sub-Branch of Shengjing Bank Co., Ltd."	"Door 1, 53, No. 107, Fengyang Road, Sujiatun District, Shenyang City"	024-89825773	110101	024-89825773
140		"Shenyang Shenbei New District Sub-Branch of Shengjing Bank Co., Ltd."	"No. 32, Yinhe Street, Shenbei New District, Shenyang City"	024-89603292	110121	024-89603292
141		"Shenyang Daoyi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3 & 4, No. 55-5, Daoyi North Street, Shenbei New District, Shenyang City"	024-89798932	110121	024-89798932
142		"Shenyang Kangping Sub-Branch of Shengjing Bank Co., Ltd."	"No.300 Central Street, Kangping Town, Kangping County, Shenyang City"	024-87335672	110500	024-87335672
143		"Shenyang Faku Sub-Branch of Shengjing Bank Co., Ltd."	"Shops 105, 106, 107, 108 & 109, Building 6, No. 41, Bianmen Street, Faku Town, Faku County, Shenyang City"	024-31109066	110400	024-31109166
144		"Dalian Branch of Shengjing Bank Co., Ltd."	"No. 160, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82566666	116011	0411-82566666
145		"Dalian Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 37-1, Liaohe West Road, Dalian Economic and Technological, Liaoning Province"	0411-87571166	116600	0411-87571166
146		"Dalian Wafangdian Sub-Branch of Shengjing Bank Co., Ltd."	"No. 559-7, 8 & 9, Zhufeng Street, Wenlan Street Office, Wafangdian City, Liaoning Province"	0411-85552255	116300	0411-85552255
147		"Dalian Wusi Square Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Wusi Square, Shahekou District, Dalian City, Liaoning Province"	0411-84652233	116000	0411-84652233
148		"Dalian Xinghai Sub-Branch of Shengjing Bank Co., Ltd"	"No. 6, 1st Floor, Unit 1, No. 14, Area B2, Xinghai Plaza, Shahekou District, Dalian City, Liaoning Province"	0411-88144433	116000	0411-88144433
149		"Dalian Renmin Road Sub-Branch of Shengjing Bank Co., Ltd"	"No.73 Renmin Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82593999	116011	0411-82593999
150		"Anshan Sub-Branch of Shengjing Bank Co., Ltd"	"5A-S1, S3, S4, S5, S6, S7, S8, S9, S10, S11, S12, S13, Hunan Street, Tiedong district, Anshan City, Liaoning Province"	0412-5939998	125000	0412-5939998
151		"Anshan Tiedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. S9, No.S10 and No. S11, Building 40, Shannan Street, Tiedong district, Anshan City, Liaoning Province"	0412-5841266	114000	0412-5841266
152		"Anshan Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178-S1, S2, S3 & S4, No. 178, Jiudao Street, Tiexi District, Anshan City"	0412-8592299	114000	0412-8592299
153		"Anshan Haicheng Sub-Branch of Shengjing Bank Co., Ltd."	"01-S4, Silk Street, Haicheng City, Anshan City, Liaoning Province"	0412-3666766	114000	0412-3666766
154		"Anshan Xinxing Sub-Branch of Shengjing Bank Co., Ltd."	"4-S1&4-S2, North Shengli Road, Lishan District, Anshan City, Liaoning Province"	0412-5916280	114000	0412-5916280
155		"Anshan Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 9-11, Wuyi Road, Tiedong District, Anshan City"	0412-5939993	114000	0412-5939993

Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank 

**THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF
SHENGJING BANK (CONTINUED)**

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
156		Anshan High-Tech Sub-branch of Shengjing Bank Co., Ltd.	"No. S10 and S11, Building 45, Yue Ling Road, Lishan District, Anshan City, Liaoning Province"	0412-5290155	114000	0412-5290155
157		"Fushun Branch of Shengjing Bank Co., Ltd."	"No. 2, Building 21-1, Linjiang East Road, Shuncheng District, Fushun City, Liaoning Province"	024-53903666	113006	024-53903666
158		"Fushun Xinfu Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 2, Building 2, Wugong Street, Xinfu District, Fushun City, Liaoning Province"	024-53965666	113008	024-53965666
159		"Fushun Wanghua Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1 & 2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province"	024-53978966	113001	024-53978966
160		"Fushun Dongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"First Floor of Room 5 and First & Second Floor of Room 6, Nonresidential Two-Floor Unit, No. 3, Dongzhou North Street, Dongzhou District, Fushun City, Liaoning Province"	024-53784333	113004	024-53784333
161		"Benxi Branch of Shengjing Bank Co., Ltd."	"No. 4, Dongming Road, Pingshan District, Benxi City (Central Street, Pingshan District)"	024-43106888	117000	024-43106888
162		"Benxi Mingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 4, 1st Floor, No. 4, 2nd Floor, No. 5, 1st Floor, No. 5, 2nd Floor, Building 7-1B, Digong Road, Mingshan District, Benxi City, Liaoning Province"	024-45580666	117000	024-45580666
163		"Benxi Shengli Road Sub-Branch of Shengjing Bank Co., Ltd."	"Building 57, Shengli Road, Mingshan District, Benxi City"	024-42966688	117000	024-42966688
164		"Benxi Pingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province"	024-42966999	117000	024-42966999
165		"Benxi County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 331, Changjiang Road, Xiaoshi Town, Benxi Manchu Autonomous County, Liaoning Province"	024-43336111	117000	024-43336111
166		Benxi Huanren Sub-branch of Shengjing Bank Co., Ltd.	No. 2-2, Unit 0, Block 2, Group 02, Xiangyang Street, Huanren Town, Huanren Manzu Autonomous County, Benxi City, Liaoning Province	024-48217666	117200	024-48217666
167		Dandong Branch of Shengjing Bank	"No. 70, Qingnian Street, Zhenxing District, Dandong City"	0415-2946666	118000	0415-2946666
168		"Dandong Donggang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 30, Jinxiu Jiayuan Community, Dadong Administrative Zone, Donggang County-level City, Dandong City, Liaoning Province"	0415-2596666	118300	0415-2596666
169		Dandong Yuanbao Sub-branch Shengjing Bank Co., Ltd.	"No. 20-1, 20-5 Xinglong Street, Yuanbao District, Dandong City, Liaoning Province"	0415-2800666	118000	0415-2800666
170		"Jinzhou Branch of Shengjing Bank Co., Ltd."	"No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City"	0416-2110900	121000	0416-2110900
171		"Jinzhou Yan'an Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-1, Jindi Baihe Bay, No. 2, Section 7, Yan'an Road, Linghe District, Jinzhou City, Liaoning Province"	0416-2110950	121000	0416-2110950



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
172		"Jinzhou Jiefang Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, 9, Section 171, Hangzhou Street, Linghe District, Jinzhou City, Liaoning Province"	0416-2110988	121000	0416-2110988
173		"Jinzhou Central Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-52 & 26-53, Section 3, Jiefang Road, Guta District, Jinzhou City, Liaoning Province"	0416-2110998	121000	0416-2110998
174		"Jinzhou Shifu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-118, No.3-119, No.3-120, No.3-121, Dianyi Xinzhou, Shifu Road, Taihe District, Jinzhou City, Liaoning Province"	0416-3680555	121000	0416-3680555
175		"Yingkou Branch of Shengjing Bank Co., Ltd."	"No. 17, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province"	0417-6818666	115007	0417-6818666
176		"Yingkou Dashiqiao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28 (Yandongli of Junmin Street), Hada Middle Road, Dashiqiao City"	0417-5826677	115100	0417-5826677
177		"Yingkou Shifu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City"	0417-4887700	115000	0417-4887700
178		Yingkou Xiongyue Sub-branch of Shengjing Bank Co., Ltd.	"Zhanqian Street, Xiongyue Town, Mackerel Circle District, Yingkou City, Liaoning Province (outlets at No. 25, Block 1, Parkson Commercial and Residential Apartment, and No. 26 and 27, Parkson Commercial and Residential Apartment East)"	0417-6166640	115007	0417-6166640
179		"Yingkou Xuefu Sub-Branch of Shengjing Bank Co., Ltd"	"No. 75-A6 and A7, Panpan Road South, Xishi District, Yingkou City, Liaoning Province"	0417-2922345	115000	0417-2922345
180		"Yingkou Gaizhou Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Xicheng Street Office, Gaizhou City, Liaoning Province"	0417-7331666	115200	0417-7331666
181		"Yingkou Kunlun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province"	0417-6166600	115007	0417-6166600
182		"Fuxin Branch of Shengjing Bank Co., Ltd."	"Gate 12, 14, 16, 18, 20, 22, No. 86, Zhonghua Road, Haizhou District, Fuxin City"	0418-5699999	123000	0418-5699999
183		"Fuxin Fumeng County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-1-1-4, Building 26, Wenhua Road, Qiangmin Community, Fumeng County, Fuxin City, Liaoning Province"	0418-3590999	123100	0418-3590999
184		"Fuxin Xihe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, Gate 3, No. 63, Dongfeng Road, Xihe District, Fuxin City, Liaoning Province"	0418-3392999	123000	0418-3392999
185		"Liaoyang Branch of Shengjing Bank Co., Ltd."	"No. 155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province"	0419-3736789	111000	0419-3736789
186		"Liaoyang Hongwei Sub-Branch of Shengjing Bank Co., Ltd."	"Outlet on First Floor, No. 28, Jiankang Road, Hongwei District, Liaoyang City, Liaoning Province"	0419-3679345	111003	0419-3679345
187		"Liaoyang Baita Sub-Branch of Shengjing Bank Co., Ltd."	1 & 2/F, Jindi Mingzuo, No.92-9 Minzhu Road, Baita District, Liaoyang City, Liaoning Province	0419-3679356	111000	0419-3679356
188		"Tieling Sub-Branch of Shengjing Bank Co., Ltd."	"1-1, No.18 Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province"	024-72276666	112000	024-72276666

Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank 

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
189		"Tieling Yinzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1, Zone C East, Building 22, No. 11, Huiyuan Community, Chaihe Street, Yinzhou District, Tieling City, Liaoning Province Shengjing Bank Co., Ltd."	024-76696666	112000	024-76696666
190		"Tieling Diaobingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Beijindu Comprehensive Building, Trade Town east of Diaobingshan Street, Diaobingshan County-level City, Tieling City, Liaoning Province"	024-76516666	112700	024-76516666
191		"Tieling County Sub-Branch of Shengjing Bank Co., Ltd."	"Borun Lanting West Gate, No. 28-8-1, 28-8-2, 28-8-3 Changjiang Road, Tieling County, Tieling City, Liaoning Province"	024-76656666	112600	024-76656666
192		"Chaoyang Branch of Shengjing Bank Co., Ltd."	"No. 401,102,202 &302 of G4 Outlet,Phase I Dongdu Jiayuan, North Street, Shuangta District"	0421-3999916	122000	0421-3999916
193		"Chaoyang Shuangta Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-5, 3-6 and 3-7, Section 2, Zhujiang Road, Shuangta District, Chaoyang City, Liaoning Province"	0421-2730007	122000	0421-3606777
194		"Chaoyang Jianping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province"	0421-7867510	124000	0421-7868787
195		"Chaoyang Longcheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 69-1 & 69-2, Section 5, Wenhua Road, Longcheng District, Chaoyang City, Liaoning Province"	0421-3999911	122000	0421-3999911
196		"Panjin Branch of Shengjing Bank Co., Ltd."	"No. 136, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3290900	124000	0427-3290900
197		"Panjin Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 236, Taishan Road, Xinglongtai District, Panjin City"	0427-3267099	124000	0427-3267099
198		"Panjin Liaohe Oil Field Sub-Branch of Shengjing Bank Co., Ltd."	"Business Outlet No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3291099	124000	0427-3291099
199		"Panjin Panshan Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Venture Building, No.8, Fuqian Street, Panshan County, Panjin City, Liaoning Province"	0427-3712199	124000	0427-3712199
200		"Panjin Shuangtaizi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 156, Shengli Street, Shuangtaizi District, Panjin City, Liaoning Province"	0427-3710880	124000	0427-3710880
201		Panjin Taishan Road Sub-branch of Shengjing Bank Co., Ltd.	"No. 13, 14 and 15, Building 17, Yayuan Community, Kunlun Yunjing Phase II, Tianjia Town, Dawa District, Panjin City, Liaoning Province "	0427-3790999	124000	0427-3790999
202		"Panjin Leyuan Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 41-1, Leyuan Road, Xinglongtai District, Panjin City, Liaoning Province"	0427-6590799	124000	0427-6590799
203		"Panjin Jinxiang Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 182-10-6, Xinglongtai Street, Xinglongtai District, Panjin City, Liaoning Province"	0427-7860290	124000	0427-7860290



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
204		"Huludao Branch of Shengjing Bank Co., Ltd."	"Building L & Building B, No. 145, Longwan Street, Longgang District, Huludao City, Liaoning Province"	0429-3023018	125000	0429-3023018
205		"Huludao Lianshan Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, No. 5, Lianshan Street, Lianshan District, Huludao City, Liaoning Province"	0429-3077666	125000	0429-3077666
206		"Huludao Longgang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28, Longwan Street, Longgang District, Huludao City"	0429-3122000	125000	0429-3122000
207		"Huludao Xingcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Bihai Yaju Community, Diaoyutai Street Office, Xingcheng City, Liaoning Province"	0429-5677766	125000	0429-5677766
208		"Huludao Suizhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province"	0429-3258001	125000	0429-3258001
209		"Huludao Dongcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, B, C, No. 3--5, Fumin Street, Lianshan District, Huludao City, Liaoning Province"	0429-3220707	125000	0429-3220707
210		"Huludao Jianchang Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 3, 4, 5 & 6 Eastward, South of Tianxing commercial & residential community, East Guangming Street (originally people' armed forces), Jianchang County, Huludao City, Liaoning Province"	0429-3305858	125000	0429-3305858
211		"Credit Card Center of Shengjing Bank Co., Ltd."	"Floor 39, Building 1, Xindi Center, No. 10, Youhao Street, Shenhe District, Shenyang City"	024-23323777-1056	110013	024-23323777-1056
212		"Capital Operation Center of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City, Liaoning Province"	024-80108668	110000	024-80108668
213		"Small Business Financial Service Center of Shengjing Bank Co., Ltd."	M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province	024-86108301	110101	024-86108301

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, the “Company”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Liaoning Bureau”	China Banking and Insurance Regulatory Commission Liaoning Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	24 March 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement



DEFINITION (CONTINUED)

“Listing Date”	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC”, “People’s Bank” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China
“Reporting Period”	the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang Hengxin”	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002
“Shenyang SASAC”	State-owned Assets Supervision and Administration Commission of Shenyang Municipal People’s Government
“State Council”	the State Council of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent