晉商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

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

(Stock code: 2558)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the audited consolidated annual results of the Bank and its subsidiary (the "**Group**") for the year ended December 31, 2022 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such annual results have also been reviewed and confirmed by the Board and the Audit Committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang[(1)]
Authorized Representatives	HAO Qiang[(2)], WONG Wai Chiu
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

(1) According to the Articles of Association of the Bank, the Chairman of the Bank is the legal representative.

(2) The authorized representatives of the Bank had been changed to Ms. HAO Qiang and Mr. WONG Wai Chiu since April 14, 2022.

1.2 Contact Persons and Contact Details

Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
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* Jinshang Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income	**10,728.8**	10,358.5	3.6
Interest expense	**(7,135.8)**	(6,804.5)	4.9
Net interest income	**3,593.0**	3,554.0	1.1
Fee and commission income	**937.2**	937.6	0.0
Fee and commission expense	**(203.2)**	(172.2)	18.0
Net fee and commission income	**734.0**	765.4	(4.1)
Net trading (losses)/gains	**(32.5)**	301.5	(110.8)
Net gains arising from investment securities	**917.6**	757.8	21.1
Other operating income (1)	**48.1**	12.0	300.8
Operating income	**5,260.2**	5,390.7	(2.4)
Operating expenses	**(2,186.7)**	(2,070.5)	5.6
Impairment losses on credit	**(1,237.9)**	(1,652.9)	(25.1)
Share of profits of associate	**20.7**	24.5	(15.5)

	For the year ended December 31,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**1,856.3**	1,691.8	9.7
Income tax	**(20.9)**	(12.4)	68.5
Net profit	**1,835.4**	1,679.4	9.3
Net profit attributable to:			
Equity shareholders of the Bank	**1,838.4**	1,685.6	9.1
Non-controlling interests	**(3.0)**	(6.2)	(51.6)
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
—Basic	**0.31**	0.29	6.9
—Diluted	**0.31**	0.29	6.9

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

	As of December 31, 2022	As of December 31, 2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**336,419.5**	303,291.5	10.9
Of which: net loans and advances to customers	**180,905.8**	151,007.4	19.8
Total liabilities	**313,065.9**	281,133.9	11.4
Of which: deposits from customers	**253,770.9**	199,207.2	27.4
Total equity	**23,353.6**	22,157.6	5.4
Of which: share capital	**5,838.7**	5,838.7	0.0
Equity attributable to equity holders of the Bank	**23,335.1**	22,136.0	5.4

	For the year ended December 31,		
	2022	2021	Change
Profitability indicators (%)			
Return on average total assets [(1)]	**0.57**	0.58	(0.01)
Return on average equity [(2)]	**8.07**	7.77	0.30
Net interest spread [(3)]	**1.40**	1.47	(0.07)
Net interest margin [(4)]	**1.32**	1.43	(0.11)
Net fee and commission income to operating income ratio	**13.95**	14.20	(0.25)
Cost-to-income ratio [(5)]	**39.93**	36.84	3.09

	As of December 31,		
	2022	2021	Change
Asset quality indicators (%)			
NPL ratio [(6)]	**1.80**	1.84	(0.04)
Allowance coverage ratio [(7)]	**177.04**	184.77	(7.73)
Allowance to gross loan ratio [(8)]	**3.19**	3.39	(0.20)

	As of December 31,		
	2022	2021	Change
Capital adequacy indicators (%) [(9)]			
Core tier-one capital adequacy ratio [(10)]	**10.50**	10.10	0.40
Tier-one capital adequacy ratio [(11)]	**10.50**	10.10	0.40
Capital adequacy ratio [(12)]	**12.40**	12.02	0.38
Total equity to total assets ratio	**6.94**	7.31	(0.37)

	As of December 31,		
	2022	2021	Change
Other indicators (%)			
Loan-to-deposit ratio [(13)]	**74.89**	78.18	(3.29)
Liquidity coverage ratio [(14)]	**208.87**	322.30	(113.43)
Liquidity ratio [(15)]	**70.88**	122.42	(51.54)

	December 31, 2022	September 30, 2022	December 31, 2021
	(Expressed in millions of RMB, unless otherwise stated)		
Net stable funding ratio [16]			
Net stable funding ratio (%)	**128.32**	141.87	138.32
Available stable funding	**208,056.1**	201,635.8	183,776.0
Required stable funding	**162,134.6**	142,124.7	132,859.6

Notes:

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.

(2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

(6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude interest accrued.

(7) Calculated by dividing total allowance for impairment losses on loans to customers (including the allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans to customers (including the allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

(9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional).

(10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(13) Calculated by dividing gross loans and advances to customers by total deposits from customers (excluding interest accrued).

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**"). Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號)) as promulgated by the CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

In 2022, China adhered to the general principle of pursuing progress while ensuring stability, efficiently coordinated epidemic prevention and control with economic and social development, and effectively responded to internal and external challenges, which led to the aggregate national economy to a new level, stabilized employment and prices in general, continuously improved people's lives, made new achievement in high quality development, and achieved harmony and stability in the overall economic and social situation.

In 2022, the gross domestic product (GDP) was RMB121,020.72 billion on a constant price basis, representing an increase of 3.0% compared with previous year. Due to the constantly development of industrial production, the industrial added value above national scale throughout the year increased by 3.6% compared with previous year; the added value of high-tech manufacturing industry and the equipment manufacturing industry increased by 7.4% and 5.6%, with the growth rate of 3.8 percentage points and 2.0 percentage points higher than that of sizable industries, respectively. The service industry continued to recover, and the modern service industry maintained a sound growth momentum, with the added value of the service industry throughout the year increasing by 2.3% year-on-year. National fixed assets investment (excluding rural households) grew steadily, representing an increase of 5.1% compared with previous year; the investment in high-tech manufacturing industries increased by 18.9%, outpacing the total investments by 13.8 percentage points. Consumer price index increased moderately, while the rise in industrial producer price dropped. The consumer price index (CPI) throughout the year increased by 2.0% compared with previous year, the employment situation was generally stable, and the disposable income per capita of the national residents increased by 2.9% in real terms for the whole year after deducting price factor, basically in line with economic growth.

The economy of Shanxi Province has maintained the good momentum of stable recovery in general with the economic aggregate achieved new high, the guarantee of energy supply has been steadily promoted, the emerging driving forces have been increasingly strengthened, the vitality of the market has been continuously released, and the quality and efficiency of development have been steadily improved.

The gross regional production amounted to RMB2,564.26 billion in the province in 2022, representing an increase of 4.4% compared with previous year on a constant price basis. Industry maintained rapid growth, the added value of provincial above-scale industries increased by 8.0% at comparable prices in the whole year compared with previous year, representing 4.4 percentage points faster than the whole nation (3.6%); emerging industries have been developed and expanded. Among the provincial above-scale industries in the whole year, the added value of the industrial strategic emerging industries increased by 15.5%; the guarantee of energy supply has been steadily promoted, and the output of coal, electricity and gas in the province has reached a record high. The development of the service industry was stable in general, and the added value of provincial service industry increased by 2.7% in the whole year compared with previous year. Due to the continued restoring of the three key demands and the resilience of development continued to show, the investments in provincial fixed assets increased by 5.9% in the whole year compared with previous year, representing an increase of 0.8 percentage point over the whole nation (5.1%), and the investment in manufacturing, especially high-tech manufacturing industry, led the growth. The market players are growing rapidly with the number of various types of market players in the province has increased by 26.1% as of the end of December, of which the number of newly registered market players in the whole year has increased by 1.0 times. The provincial per capita disposable income of urban residents was RMB39,532 in the whole year, representing an increase of 5.6% compared with previous year and 1.7 percentage points faster than the whole nation (3.9%).

3.2 Business Overview and Development Strategies

Centering on the strategic vision of "pursuing safe development, and building an excellent listed bank in the region", based on our market positioning of "serving the local economy, serving micro and small and medium enterprises, and serving urban and rural residents" and our business positioning of "strengthening corporate business, refining retail operations, optimizing businesses for micro and small enterprises, specializing in the financial market", and aligned with the two core tasks of development and safety, the Bank continues to strengthen and improve stable and sound development.

Firstly, we realized steady development and our operation indicators were improved well. As of the end of 2022, the total assets of the Group amounted to RMB336.42 billion, representing an increase of 10.9%; the total amount of various deposits was RMB248.43 billion, representing an increase of 27.2%; the total amount of various loans was RMB186.05 billion, representing an increase of 19.5%. The Bank realized the net profit of RMB1.84 billion, representing an increase of RMB160 million year-on-year; the Bank's net income from intermediary business was RMB734 million, representing a decrease of RMB31 million year-on-year. The non-performing loan ratio was 1.80%, representing a decrease of 0.04 percentage point as compared to that at the beginning of this year; the capital adequacy ratio was 12.40%, representing an increase of 0.38 percentage point as compared to that at the beginning of this year; the provision coverage ratio was 177.04%.

Secondly, the Bank served key projects in the regions and practiced the concept of serving the real economy with all its strength. The Bank supported the construction of Taiyuan and Xinzhou Integrated Economic Zone, promoted the key projects in the regions, backed up the reform of provincial state-owned enterprises to mitigate risk and improve quality and efficiency. The Bank promoted the provincial multiplication of market players, contributing to the stability of the overall economy and supporting the resumption of work and production of enterprises, accelerating to provide financial services in lower-tier markets and serving the county-level economy.

Thirdly, we insisted on the innovation and changes, and established new businesses and ecosystems. We promoted the transformation and upgrade of corporate business. Focusing on the ten key areas of the province, we accurately contacted them by industries and regions; we gathered the brand advantages of the "Jinyun Chain" and strengthened the financial support for the regional advantageous characteristic industry chain and supply chain; we vigorously developed green finance, which led us to become the first financial institution in Shanxi Province to disclose environmental information. We innovatively launched carbon emission rights pledge financing business. We strengthened the competitiveness of our retail business, and enhanced the integrated marketing and cross-selling to drive new breakthroughs in wealth management and digital transformation, and major retail products. The development mechanism of the inclusive business had been further deepened. The Bank initiated the reform of the inclusive finance line, transformed its business model, optimized its approval method, upgraded the linkage mechanism, reduced financing costs, developed and launched inclusive finance products such as the "loan for new, distinctive, specialized and sophisticated business (專精特新貸)".

Fourthly, the Bank focused on technology empowerment and continued to promote digital transformation. We established the Digital Transformation Leading Group and the Digital Finance Department, formulated digital transformation strategy and data governance plan, launched digital transformation project, improved data governance system, laid out a scenario financial ecology, optimized online channels, launched a series of new businesses and new products such as "Housing e Loan", "Credit e Loan", "remote video banking", and enhanced the ability to provide more abundant, convenient and diversified financial services to customers.

Fifthly, we coordinated safe development and strengthened refined risk control compliance. We gave full play to the advantages of the comprehensive risk management system, encouraged the deployed staff to adjust the lines of defense for early identification of risks, strengthened supervision over, service to and support for front office business departments, and enriched our risk management tools, so as to effectively guard against, respond to and deal with various risks as well as stay committed to our limit of not triggering systematic financial risks. Completing the task of "Year of System Implementation (制度執行年)", we have built a system that boasts connectivity, linkage, ancillary facility and systematic integration, strengthened institutional constraints, enhanced the Bank's compliance operation awareness and abilities and promoted the continuous improvement of the Bank's governance system and capability.

In 2023, the Bank is firm in its strategic focus, insists in making progress while maintaining stability as a guideline for the work, takes high-quality development as the theme, implements new concept for development thoroughly, accurately and comprehensively, adheres to attaching equal importance to quality and quantity and the collaboration with different levels throughout the Bank, reinforces the support for the real economy, accelerates the pace of transformation and development, coordinates development and safety in a better manner, and promotes various business to achieve effective improvement in quality and reasonable growth of quantity to continuously improve the market competitiveness and the brand influence.

3.3 Income Statement Analysis

	For the year ended December 31,		
	2022	2021	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	**10,728.8**	10,358.5	3.6
Interest expense	**(7,135.8)**	(6,804.5)	4.9
Net interest income	**3,593.0**	3,554.0	1.1
Fee and commission income	**937.2**	937.6	0.0
Fee and commission expense	**(203.2)**	(172.2)	18.0
Net fee and commission income	**734.0**	765.4	(4.1)
Net trading (losses)/gains	**(32.5)**	301.5	(110.8)
Net gains arising from investment securities	**917.6**	757.8	21.1
Other operating income [(1)]	**48.1**	12.0	300.8
Operating income	**5,260.2**	5,390.7	(2.4)
Operating expenses	**(2,186.7)**	(2,070.5)	5.6
Impairment losses on credit	**(1,237.9)**	(1,652.9)	(25.1)
Share of profits of associate	**20.7**	24.5	(15.5)
Profit before tax	**1,856.3**	1,691.8	9.7
Income tax	**(20.9)**	(12.4)	68.5
Net profit	**1,835.4**	1,679.4	9.3

Note:

(1) Consists primarily of operating government grants and non-operating government grants.

For the year ended December 31, 2022, the profit before tax of the Group increased by 9.7% to RMB1,856.3 million from RMB1,691.8 million for the year ended December 31, 2021, and net profit for the same period increased to RMB1,835.4 million from RMB1,679.4 million for the year ended December 31, 2021, representing a year-on-year growth of 9.3%.

3.3.1 Net interest income, net interest spread and net interest margin

For the year ended December 31, 2022, the net interest income of the Group increased by 1.1% to RMB3,593.0 million from RMB3,554.0 million for the year ended December 31, 2021, mainly due to an increase of RMB370.3 million in interest income for the current period, which was partially offset by an increase in interest expenses on liabilities.

The net interest spread of the Group decreased from 1.47% for the year ended December 31, 2021 to 1.40% for the year ended December 31, 2022. The net interest margin of the Group decreased from 1.43% for the year ended December 31, 2021 to 1.32% for the year ended December 31, 2022, mainly due to the yield on assets decreased from 4.15% to 3.96%, which was partially offset by the decrease in the cost of interest-bearing liabilities from 2.68% to 2.56%. The decrease in the yield on interest-earning assets was firstly because the Bank actively responded to national policies and took the initiative to boost the real economy, the average yield on new loans to customers decreased as compared with the previous year; secondly, due to the fluctuations in market interest rates, the yield of financial assets such as discounted bills and financial investment decreased during the Reporting Period. The decrease in the cost of interest-bearing liabilities was primarily because the issuance of debt securities and the cost of financial assets sold under repurchase agreements decreased as compared with the same period of the previous year as a result of the decline in market interest rates.

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the years ended December 31, 2021 and 2022.

	For the year ended December 31,					
	2022			2021		
	Average balance	**Interest income/ expense**	**Average yield/ cost (%)** [1]	Average balance	Interest income/ expense	Average yield/ cost (%) [1]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**171,930.8**	**7,919.7**	**4.61**	147,887.6	7,164.6	4.84
Financial investments [2]	**61,299.9**	**2,072.9**	**3.38**	60,638.8	2,304.8	3.80
Placements with banks and other financial institutions	**4,163.0**	**102.7**	**2.47**	3,586.9	99.8	2.78
Financial assets held under resale agreement	**16,573.6**	**378.0**	**2.28**	18,479.4	497.1	2.69
Deposits with the central bank [3]	**15,294.9**	**210.8**	**1.38**	17,136.0	238.2	1.39
Deposits with banks and other financial institutions	**1,965.0**	**44.7**	**2.27**	1,660.9	54.0	3.25
Total interest-earning assets	**271,227.2**	**10,728.8**	**3.96**	249,389.6	10,358.5	4.15

	For the year ended December 31,					
	2022			2021		
	Average balance	**Interest income/ expense**	**Average yield/ cost (%)** [1]	Average balance	Interest income/ expense	Average yield/ cost (%) [1]
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	**219,125.3**	**5,687.1**	**2.60**	180,865.8	4,658.1	2.58
Deposits from banks and other financial institutions	**793.3**	**15.5**	**1.95**	1,653.0	62.2	3.76
Placements from banks and other financial institutions	**298.9**	**5.1**	**1.71**	810.9	23.8	2.94
Financial assets sold under repurchase agreements	**16,761.1**	**294.0**	**1.75**	15,237.2	324.5	2.13
Debt securities issued [4]	**38,682.3**	**1,072.5**	**2.77**	53,538.5	1,686.6	3.15
Borrowing from the central bank	**3,008.9**	**61.6**	**2.05**	2,206.2	49.3	2.23
Total interest-bearing liabilities	**278,669.8**	**7,135.8**	**2.56**	254,311.6	6,804.5	2.68
Net interest income		**3,593.0**			3,554.0	
Net interest spread [5]			**1.40**			1.47
Net interest margin [6]			**1.32**			1.43

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

3.3.2 Interest income

For the year ended December 31, 2022, the Group's interest income increased by 3.6% to RMB10,728.8 million from RMB10,358.5 million for the year ended December 31, 2021, primarily due to an increase of 8.8% in the average balance of interest-earning assets from RMB249,389.6 million for the year ended December 31, 2021 to RMB271,227.2 million for the year ended December 31, 2022, partially offset by a decrease in the average yield of interest-earning assets from 4.15% for the year ended December 31, 2021 to 3.96% for the year ended December 31, 2022.

Interest income from loans and advances to customers

For the year ended December 31, 2022, interest income from loans and advances to customers increased by 10.5% from RMB7,164.6 million for the year ended December 31, 2021 to RMB7,919.7 million for the year ended December 31, 2022, primarily due to an increase of 16.3% in the average balance of loans and advances to customers from RMB147,887.6 million for the year ended December 31, 2021 to RMB171,930.8 million for the year ended December 31, 2022, partially offset by a decrease in the average yield of loans and advances to customers from 4.84% for the year ended December 31, 2021 to 4.61% for the year end December 31, 2022. The increase in the average balance of loans and advances to customers was primarily due to the fact that the Bank actively fulfilled its social responsibilities, vigorously supported the real economy, and extended credit supply according to its own business development plan by relying on the products, business, systems and services of the Bank with a focus on "business circles", "business chains", "scenarios" and featured business channels. The decrease in the average yield of loans and advances to customers was firstly because the Bank actively responded to national policies and took the initiative to boost the real economy, the average yield on new loans to customers decreased; secondly, due to the impact of fluctuations in market interest rates, the yield of discounted bills decreased.

Interest income from financial investments

For the year ended December 31, 2022, interest income from financial investments decreased by 10.1% from RMB2,304.8 million for the year ended December 31, 2021 to RMB2,072.9 million for the year ended December 31, 2022, primarily because with the impact of the fluctuations in market interest rates, the average yield of financial investments decreased from 3.80% for the year ended December 31, 2021 to 3.38% for the year ended December 31, 2022, partially offset by the increase of 1.1% in the average balance from RMB60,638.8 million for the year ended December 31, 2021 to RMB61,299.9 million for the year ended December 31, 2022.

Interest income from placements with banks and other financial institutions

For the year ended December 31, 2022, interest income from placements with banks and other financial institutions increased by 2.9% to RMB102.7 million from RMB99.8 million for the year ended December 31, 2021, primarily because the average balance of placements with banks and other financial institutions increased by 16.1% from RMB3,586.9 million for the year ended December 31, 2021 to RMB4,163.0 million for the year ended December 31, 2022, partially offset by a decrease in the yield for placements with banks and other financial institutions from 2.78% for 2021 to 2.47% for 2022. The decrease in the average yield was primarily due to the impact of the loosened market liquidity, the sufficiency of funds and the decline in market interest rates.

Interest income from financial assets held under resale agreements

For the year ended December 31, 2022, interest income from financial assets held under resale agreements decreased by 24.0% to RMB378.0 million from RMB497.1 million for the year ended December 31, 2021, primarily because the average balance of financial assets held under resale agreements decreased by 10.3% from RMB18,479.4 million for the year ended December 31, 2021 to RMB16,573.6 million for the year ended December 31, 2022, while the yield decreased from 2.69% to 2.28%. The decrease in the average balances was because the Bank reduced the investment in financial assets held under resale agreements in accordance with its business strategy, taking into account liquidity and profitability. The decrease in the yield was mainly affected by the decrease in interest rates resulting from the easing market liquidity.

Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 11.5% from RMB238.2 million for the year ended December 31, 2021 to RMB210.8 million for the year ended December 31, 2022, primarily because the average balance of deposits with the central bank decreased by 10.7% from RMB17,136.0 million for the year ended December 31, 2021 to RMB15,294.9 million for the year ended December 31, 2022. The decrease in the average balance of deposits with the central bank was primarily due to the reduction in the statutory deposit reserve ratio.

Interest income from deposits with banks and other financial institutions

For the year ended December 31, 2022, interest income from deposits with banks and other financial institutions decreased by 17.2% to RMB44.7 million from RMB54.0 million for the year ended December 31, 2021, primarily due to a decrease in the average yield of deposits with banks and other financial institutions from 3.25% for the year ended December 31, 2021 to 2.27% for the year ended December 31, 2022. The decrease in the average yield was primarily affected by the decline in capital market interest rates.

3.3.3 Interest expense

The Group's interest expense increased by 4.9% from RMB6,804.5 million for the year ended December 31, 2021 to RMB7,135.8 million for the year ended December 31, 2022, primarily due to an increase of 9.6% in the average balance of interest-bearing liabilities from RMB254,311.6 million for the year ended December 31, 2021 to RMB278,669.8 million for the year ended December 31, 2022, partially offset by the decrease of 0.12 percentage point in the average cost of interest-bearing liabilities from 2.68% for the year ended December 31, 2021 to 2.56% for the year ended December 31, 2022.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 22.1% from RMB4,658.1 million for the year ended December 31, 2021 to RMB5,687.1 million for the year ended December 31, 2022, primarily because the Bank gave full play to its advantages in regional competitiveness, continued to improve customer base construction, and constantly made more efforts in maintaining deposits and marketing, which resulted in an increase of 21.2% in average balance of deposits from customers from RMB180,865.8 million for the year ended December 31, 2021 to RMB219,125.3 million for the year ended December 31, 2022.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 75.1% from RMB62.2 million for the year ended December 31, 2021 to RMB15.5 million for the year ended December 31, 2022, primarily because the average balance of deposits from banks and other financial institutions decreased by 52.0% from RMB1,653.0 million for the year ended December 31, 2021 to RMB793.3 million for the year ended December 31, 2022, and the average cost decreased from 3.76% for the year ended December 31, 2021 to 1.95% for the year ended December 31, 2022. The decrease in the average balance was mainly because the Bank reduced the funds inflow from banks according to the liquidity and liability management of the Bank. The decrease in the average cost was primarily due to the loosened market liquidity and the decline in market interest rates.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased from RMB23.8 million for the year ended December 31, 2021 to RMB5.1 million for the year ended December 31, 2022, primarily because the average balance of placements from banks and other financial institutions decreased by 63.1% from RMB810.9 million for the year ended December 31, 2021 to RMB298.9 million for the year ended December 31, 2022. The decrease in the average balance was primarily because the Bank reduced the funds inflow from banks according to the liquidity and liability management of the Bank.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements decreased by 9.4% from RMB324.5 million for the year ended December 31, 2021 to RMB294.0 million for the year ended December 31, 2022, mainly because the average cost of financial assets sold under repurchase agreements decreased by 0.38 percentage point from 2.13% for the year ended December 31, 2021 to 1.75% for the year ended December 31, 2022, partially offset by an increase of 10.0% in the average balance of financial assets sold under repurchase agreements from RMB15,237.2 million for the year ended December 31, 2021 to RMB16,761.1 million for the year ended December 31, 2022. The increase in the average balance of financial assets sold under repurchase agreements was primarily due to the increase in the number of repurchase transaction contracts the Bank entered into to extend financing channels and reduce financing costs; the decrease in the average cost was mainly due to the effects of decline in currency market interest rates.

Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 36.4% from RMB1,686.6 million for the year ended December 31, 2021 to RMB1,072.5 million for the year ended December 31, 2022, primarily because the average balance of debt securities payable decreased by 27.7% from RMB53,538.5 million for the year ended December 31, 2021 to RMB38,682.3 million for the year ended December 31, 2022. The decrease in the average balance of debt securities issued of the Bank was mainly due to the fact that the Bank optimized the liability structure according to the liquidity management requirement of the Bank and decreased the issuance of interbank deposits by the way of increasing the deposits from customers, in order to gain the operating capital for business development. The average cost of debt securities payable decreased from 3.15% for the year ended December 31, 2021 to 2.77% for the year ended December 31, 2022, mainly due to the decrease in the interest rate on the issuance of interbank deposits as a result of the abundance of capital in the money market.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank increased by 24.9% from RMB49.3 million for the year ended December 31, 2021 to RMB61.6 million for the year ended December 31, 2022, primarily due to an increase of 36.4% in the average balance of borrowing from the central bank from RMB2,206.2 million for the year ended December 31, 2021 to RMB3,008.9 million for the year ended December 31, 2022, which was partially offset by a decrease in average cost to 2.05% for the year ended December 31, 2022 from 2.23% for the year ended December 31, 2021. The increase in the average balance was mainly due to an increase in the amount of re-lending loans to small and micro enterprises for which the Bank applied to the central bank. The decrease in the cost was mainly due to a decrease in the interest rates on re-lending loans to small and micro enterprises.

3.3.4 Net fee and commission income

The following table sets forth the principal components of net fee and commission income of the Group for the years ended December 31, 2021 and 2022.

	For the year ended December 31,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Settlement and clearing fees	**235.4**	98.8	136.6	138.3
Acceptance and guarantee service fees	**208.0**	208.4	(0.4)	(0.2)
Wealth management business service fees	**205.0**	178.1	26.9	15.1
Bank card service fees	**149.0**	145.1	3.9	2.7
Agency service fees and others	**139.8**	307.2	(167.4)	(54.5)
Subtotal	**937.2**	937.6	(0.4)	0.0
Fee and commission expenses				
Agency service fees and others	**(91.7)**	(55.9)	(35.8)	64.0
Bank card service fees	**(67.8)**	(68.0)	0.2	(0.3)
Settlement and clearing fees	**(43.7)**	(48.3)	4.6	(9.5)
Subtotal	**(203.2)**	(172.2)	(31.0)	18.0
Net fee and commission income	**734.0**	765.4	(31.4)	(4.1)

Net fee and commission income decreased by 4.1% from RMB765.4 million for the year ended December 31, 2021 to RMB734.0 million for the year ended December 31, 2022. Fee and commission income decreased from RMB937.6 million for the year ended December 31, 2021 to RMB937.2 million for the year ended December 31, 2022. The fee and commission income remained basically stable as compared with last year.

3.3.5 Net trading gains

The net trading gains of the Group decreased from RMB301.5 million for the year ended December 31, 2021 to negative RMB32.5 million for the year ended December 31, 2022, mainly because the bond market underperformed compared with last year and the gains on the fair value changes of debt securities and funds asset held decreased as affected by the fluctuations of the financial market.

3.3.6 Net gains arising from investment securities

Net gains from investment securities of the Group increased by 21.1% from RMB757.8 million for the year ended December 31, 2021 to RMB917.6 million for the year ended December 31, 2022, mainly due to a larger scale of financial investments conducted by the Bank as compared to last year.

3.3.7 Operating expenses

The following table sets forth the principal components of operating expenses of the Group for the years ended December 31, 2021 and 2022.

	For the year ended December 31,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Staff costs	**1,326.8**	1,282.7	44.1	3.4
Rental and property management expenses	**43.0**	46.7	(3.7)	(7.9)
Depreciation and amortization	**324.3**	320.4	3.9	1.2
Taxes and surcharges	**86.2**	84.5	1.7	2.0
Other general and administrative expenses (1)	**406.4**	336.2	70.2	20.9
Total operating expenses	**2,186.7**	2,070.5	116.2	5.6
Cost-to-income ratio (2)	**39.93%**	36.84%		

Notes:

(1) Consist primarily of insurance premiums, business marketing expenses, forfeiture expenses, electronic equipment operating costs and banknote shipping fee.

(2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

Operating expenses increased by 5.6% from RMB2,070.5 million for the year ended December 31, 2021 to RMB2,186.7 million for the year ended December 31, 2022, mainly because the Group deepened the implementation of strategic transformation, increased investment in information technology, digital finance, basic business cultivation and other aspects, resulting in an increase of operating expenses. The Group's cost-to-income ratio (excluding taxes and surcharges) was 39.93%, representing an increase of 3.09 percentage points as compared to the previous year.

Staff costs

Staff costs increased by 3.4% from RMB1,282.7 million for the year ended December 31, 2021 to RMB1,326.8 million for the year ended December 31, 2022. The following table sets forth the main components of staff costs for the periods indicated.

	For the year ended December 31,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**964.8**	874.4	90.4	10.3
Social insurance and annuity	**212.6**	214.2	(1.6)	(0.7)
Housing allowances	**70.3**	69.4	0.9	1.3
Staff welfare	**53.9**	58.9	(5.0)	(8.5)
Employee education expenses and labour union expenses	**21.6**	28.0	(6.4)	(22.9)
Supplementary retirement benefits	**(1.0)**	15.8	(16.8)	(106.3)
Others	**4.6**	22.0	(17.4)	(79.1)
Total staff costs	**1,326.8**	1,282.7	44.1	3.4

Rental and property management expenses

Rental and property management expenses decreased by 7.9% from RMB46.7 million for the year ended December 31, 2021 to RMB43.0 million for the year ended December 31, 2022, mainly because the Group focused on cost refinement management, insisted on improving quality and efficiency, constantly optimized the outlets layout, and strictly controlled expenses.

Depreciation and Amortization

Depreciation and amortization increased by 1.2% from RMB320.4 million for the year ended December 31, 2021 to RMB324.3 million for the year ended December 31, 2022, which was basically the same as that of last year.

Taxes and surcharges

Taxes and surcharges increased by 2.0% from RMB84.5 million for the year ended December 31, 2021 to RMB86.2 million for the year ended December 31, 2022, mainly due to a corresponding increase in taxable income along with the Bank's business development and expansion.

Other general and administrative expenses

Other general and administrative expenses primarily consist of insurance premiums, business marketing expenses, forfeiture expenses, electronic equipment operating costs and banknote shipping fee. The Group's other general and administrative expenses increased by 20.9% from RMB336.2 million for the year ended December 31, 2021 to RMB406.4 million for the year ended December 31, 2022.

3.3.8 Impairment losses on credit

The following table sets forth the principal components of the Group's impairment losses on credit for the periods indicated.

	For the year ended December 31,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Impairment losses on credit				
Loans and advances to customers	**1,229.3**	1,487.1	(257.8)	(17.3)
Financial investments	**358.7**	167.3	191.4	114.4
Placements with banks and other financial institutions	**6.0**	0.4	5.6	1,400.0
Deposits with banks and other financial institutions	**(0.9)**	0.7	(1.6)	(228.6)
Credit commitments	**(333.9)**	(13.4)	(320.5)	2,391.8
Others	**(21.3)**	10.8	(32.1)	(297.2)
Total	**1,237.9**	1,652.9	(415.0)	(25.1)

The Group's impairment losses on credit were RMB1,237.9 million for the year ended December 31, 2022, representing a decrease of 25.1% from RMB1,652.9 million for the year ended December 31, 2021, mainly due to the decrease in credit impairment losses on credit commitments of Internet loans in off-balance sheet credit commitments and bank acceptance bills commitments.

3.3.9 Income tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the year ended December 31,			
	2022	2021	Amount change	Rate of change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**1,856.3**	1,691.8	164.5	9.7
Income tax calculated at applicable statutory tax rate of 25%	**464.1**	423.0	41.1	9.7
Non-deductible expenses	**57.0**	27.1	29.9	110.3
Non-taxable income [(1)]	**(500.2)**	(437.7)	(62.5)	14.3
Income tax	**20.9**	12.4	8.5	68.5

Note:

(1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax increased by 68.5% from RMB12.4 million for the year ended December 31, 2021 to RMB20.9 million for the year ended December 31, 2022, mainly due to the increase of profit before tax.

3.4 Financial Statement Analysis

3.4.1 Assets

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

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**16,956.8**	**5.0**	24,042.2	7.9
Deposits with banks and other financial institutions	**1,797.4**	**0.5**	1,914.9	0.6
Placements with banks and other financial institutions	**1,581.8**	**0.5**	2,700.3	0.9
Derivative financial assets	**–**	**–**	0.2	0.0
Financial assets held under resale agreements	**28,141.0**	**8.4**	26,352.0	8.7
Net loans and advances to customers	**180,905.8**	**53.8**	151,007.4	49.8
Net financial investments	**102,253.7**	**30.4**	92,566.7	30.5
Interest in an associate	**331.4**	**0.1**	318.6	0.1
Property and equipment	**1,319.8**	**0.4**	1,394.7	0.5
Deferred tax assets	**1,775.4**	**0.5**	1,710.6	0.6
Other assets [1]	**1,356.4**	**0.4**	1,283.9	0.4
Total assets	**336,419.5**	**100.0**	303,291.5	100.0

Note:

(1) Consist primarily of right-to-use assets, intangible assets and other receivables and temporary payment.

The Group's total assets increased by 10.9% from RMB303,291.5 million as of December 31, 2021 to RMB336,419.5 million as of December 31, 2022, mainly because the Group increased the supports to real economy, and the net loans and advances to customers increased from RMB151,007.4 million as of December 31, 2021 to RMB180,905.8 million as of December 31, 2022.

Loans and advances to customers

The following table sets forth the breakdown of the Group's loans by business line as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate loans	**109,512.0**	**58.9**	97,971.9	62.9
Personal loans	**28,806.8**	**15.5**	26,872.0	17.3
Discounted bills	**47,733.1**	**25.6**	30,896.6	19.8
Gross loans and advances to customers	**186,051.9**	**100.0**	155,740.5	100.0
Interest accrued	**774.1**		544.0	
Less: Allowance for impairment of loans and advances to customers measured at amortized cost	**(5,920.2)**		(5,277.1)	
Net loans and advances to customers	**180,905.8**		151,007.4	

Corporate loans

As of December 31, 2022, the Group's corporate loans amounted to RMB109,512.0 million, representing an increase of 11.8% from RMB97,971.9 million as of December 31, 2021, mainly because the Group rooted in Shanxi, served the local economy, intensified efforts in granting loans to local industries with advantages, and increased the loan grants to manufacturing, mining and service industries.

The following table sets forth the breakdown of the Group's corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Short-term loans and advances (one year or less)	**44,860.0**	**41.0**	37,469.8	38.2
Medium- and long-term loans (one year above)	**64,652.0**	**59.0**	60,502.1	61.8
Total corporate loans	**109,512.0**	**100.0**	97,971.9	100.0

Short-term loans and advances as a percentage of total corporate loans increased from 38.2% as of December 31, 2021 to 41.0% as of December 31, 2022, while medium- and long-term loans as a percentage of total corporate loans decreased from 61.8% as of December 31, 2021 to 59.0% as of December 31, 2022. The percentage change of the above-mentioned corporate loan portfolio was mainly because the demand for short-term loans from enterprises was greater than the demand for medium- and long-term loans with the impact of the decline in market interest rates.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Working capital loans	**65,007.5**	**59.4**	61,020.3	62.3
Fixed asset loans	**34,875.4**	**31.8**	32,057.0	32.7
Others [(1)]	**9,629.1**	**8.8**	4,894.6	5.0
Total corporate loans	**109,512.0**	**100.0**	97,971.9	100.0

Note:

(1) Consist primarily of trade financing, merger and acquisition loans and syndicated loans.

Personal loans

As of December 31, 2022, the Group's personal loans amounted to RMB28,806.8 million, representing an increase of 7.2% from RMB26,872.0 million as of December 31, 2021. The increase was primarily because the Group put consistent efforts into the digital transformation, developed personal consumer financial business, continued to improve online approval efficiency, satisfied residents' reasonable housing demand and promoted sustained recovery in consumption.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Residential mortgage loans	**20,208.8**	**70.2**	18,687.9	69.6
Personal consumption loans	**2,202.9**	**7.6**	1,614.5	6.0
Personal business loans	**1,696.9**	**5.9**	2,126.3	7.9
Credit card balances	**4,698.2**	**16.3**	4,443.3	16.5
Total personal loans	**28,806.8**	**100.0**	26,872.0	100.0

As of December 31, 2022, residential mortgage loans were RMB20,208.8 million, representing an increase of 8.1% from RMB18,687.9 million as of December 31, 2021. The increase was mainly because the Bank continued to, in compliance with regulatory requirements, provide residents in Shanxi Province with support for housing finance, accelerated the development of second-hand property mortgage business which ensured a steady increase in housing mortgage loans, and followed the policy of guaranteeing timely deliveries of presold homes to promote the orderly implementation of relevant projects.

As of December 31, 2022, personal consumption loans amounted to RMB2,202.9 million, representing an increase of 36.4% from RMB1,614.5 million as of December 31, 2021. The increase was primarily attributable to the fact that the Bank diversified its personal loan portfolio, quickened the innovation of consumer loan products, launched online products "Credit e Loan" and "Housing e Loan", increased its credit support on consumer finance for the local urban residents, implemented regulatory policies and gradually reduced its cross-region internet loan business.

As of December 31, 2022, personal business loans amounted to RMB1,696.9 million, representing a decrease of 20.2% from RMB2,126.3 million as of December 31, 2021. The decrease was primarily attributable to the fact that as affected by the epidemic and the economic downturn, customers of personal business loans repaid their loans on due, resulting in the decrease of personal business loans.

As of December 31, 2022, credit card balances amounted to RMB4,698.2 million, representing an increase of 5.7% from RMB4,443.3 million as of December 31, 2021. The increase was primarily attributable to the fact that personal willingness to spend has recovered, and the balance in customers' credit cards has increased.

Discounted bills

The balance of discounted bills increased by 54.5% from RMB30,896.6 million as of December 31, 2021 to RMB47,733.1 million as of December 31, 2022, mainly due to the fact that the Bank increased the allocation of bill assets in accordance with the market demand and business strategies.

Financial investments

As of December 31, 2022, the Group's net financial investments (consisting primarily of debt securities investment and SPV investment) amounted to RMB102,253.7 million, representing an increase of 10.5% from RMB92,566.7 million as of December 31, 2021, mainly due to the increase in investment scale of some bond assets in accordance with market conditions and asset allocation needs of the Bank.

The following table sets forth the classification of the Group's financial investments as of December 31, 2021 and December 31, 2022, based on its business model and cash flow characteristics.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Financial investments measured at amortized cost	**63,097.0**	**61.4**	52,113.7	55.9
Financial investments measured at fair value through other comprehensive income	**4,058.9**	**4.0**	5,346.9	5.7
Financial investments measured at fair value through profit or loss	**35,522.2**	**34.6**	35,783.1	38.4
Total financial investments	**102,678.1**	**100.0**	93,243.7	100.0
Interest accrued	**923.5**		653.6	
Less: Allowance for impairment losses	**(1,347.9)**		(1,330.6)	
Net financial investments	**102,253.7**		92,566.7	

Debt securities investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2021 and December 31, 2022.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Debt securities issued by PRC government	**38,197.0**	**67.4**	36,330.2	87.8
Debt securities issued by policy banks	**15,510.0**	**27.3**	2,279.1	5.5
Debt securities issued by commercial banks and other financial institutions	**1,601.5**	**2.8**	1,222.2	3.0
Debt securities issued by corporate issuers	**1,404.5**	**2.5**	1,531.0	3.7
Total debt securities investment	**56,713.0**	**100.0**	41,362.5	100.0

The Group's investment in debt securities issued by PRC government increased from RMB36,330.2 million as of December 31, 2021 to RMB38,197.0 million as of December 31, 2022, primarily because of an appropriate increase of asset allocation in government bonds after comprehensive consideration of the needs for liquidity management.

The Group's investment in debt securities issued by policy banks increased from RMB2,279.1 million as of December 31, 2021 to RMB15,510.0 million as of December 31, 2022, primarily because of an appropriate increase of allocation in debt securities issued by policy banks after comprehensive consideration of cost income and the liquidity requirement.

The Group's investment in debt securities issued by commercial banks and other financial institutions increased from RMB1,222.2 million as of December 31, 2021 to RMB1,601.5 million as of December 31, 2022, which was mainly due to an appropriate increase of allocation in debt securities issued by commercial banks and other financial institutions after comprehensive consideration of certain factors, such as cost income and risks.

The debt securities issued by corporate issuers invested by the Group decreased from RMB1,531.0 million as of December 31, 2021 to RMB1,404.5 million as of December 31, 2022.

SPV investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2021 and December 31, 2022.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Trust plans	**927.8**	**2.8**	1,976.2	5.9
Asset management plans	**1,595.7**	**4.8**	1,610.6	4.8
Funds	**30,821.2**	**92.4**	30,012.4	89.3
Total SPV investment	**33,344.7**	**100.0**	33,599.2	100.0

As of December 31, 2022, total SPV investment decreased to RMB33,344.7 million from RMB33,599.2 million as of December 31, 2021, because of an appropriate decrease of the total investment in trust plans by the Group in accordance with requirements for assets and liabilities management.

Other components of the Group's assets

The following table sets forth the composition of other components of the Group's assets as of December 31, 2021 and December 31, 2022:

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**16,956.8**	**31.9**	24,042.2	40.3
Deposits with banks and other financial institutions	**1,797.4**	**3.4**	1,914.9	3.2
Placements with banks and other financial institutions	**1,581.8**	**3.0**	2,700.3	4.5
Derivative financial assets	**–**	**–**	0.2	0.0
Financial assets held under resale agreements	**28,141.0**	**52.8**	26,352.0	44.1
Interest in an associate	**331.4**	**0.6**	318.6	0.5
Property and equipment	**1,319.8**	**2.5**	1,394.7	2.3
Deferred tax assets	**1,775.4**	**3.3**	1,710.6	2.9
Other assets (1)	**1,356.4**	**2.5**	1,283.9	2.2
Total other components of assets	**53,260.0**	**100.0**	59,717.4	100.0

Note:

(1) Consist primarily of right-to-use assets, intangible assets and other receivables and temporary payments.

As of December 31, 2022, total other components of assets decreased by 10.8% to RMB53,260.0 million from RMB59,717.4 million as of December 31, 2021, mainly due to the decrease in cash and deposits with the central bank. Cash and deposits with the central bank decreased by 29.5% to RMB16,956.8 million from RMB24,042.2 million as of December 31, 2021, mainly because the statutory deposit reserve ratio decreased, and the Group appropriately reduced the balance of surplus deposit reserves.

3.4.2 Liabilities

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

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Borrowing from the central bank	**2,873.7**	**0.9**	2,799.2	1.0
Deposits from banks and other financial institutions	**120.1**	**0.0**	1,297.2	0.5
Placements from banks and other financial institutions	**–**	**–**	210.2	0.1
Derivative financial liabilities	**–**	**–**	0.4	0.0
Financial assets sold under repurchase agreements	**20,215.5**	**6.5**	15,345.7	5.5
Deposits from customers	**253,770.9**	**81.1**	199,207.2	70.8
Income tax payable	**152.0**	**0.0**	67.7	0.0
Debt securities issued (1)	**33,534.2**	**10.7**	58,967.2	21.0
Other liabilities (2)	**2,399.5**	**0.8**	3,239.1	1.1
Total liabilities	**313,065.9**	**100.0**	281,133.9	100.0

Notes:

(1) Consist of certificates of interbank deposits, financial bonds and tier-two capital debts.

(2) Consist primarily of accrued staff cost, lease liabilities, estimated liabilities and other financial payables.

As of December 31, 2022, the Group's total liabilities amounted to RMB313,065.9 million, representing an increase of 11.4% from RMB281,133.9 million as of December 31, 2021, mainly due to the increase in deposits from customers.

Deposits from customers

As of December 31, 2022, the Group's deposits from customers amounted to RMB253,770.9 million, representing an increase of 27.4% from RMB199,207.2 million as of December 31, 2021. The increase in deposits from customers was mainly due to the rapid growth of deposits from corporate customers driven by factors such as the rise in prices of coal and other bulk commodities as well as the increase in the revenue of companies; and the steady increase in personal deposits driven by a higher service level as a result of the Group's ongoing improvement of service and product innovation.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2021 and December 31, 2022.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**51,771.4**	**20.8**	42,270.4	21.7
Time	**55,825.2**	**22.5**	39,670.8	20.3
Subtotal	**107,596.6**	**43.3**	81,941.2	42.0
Personal deposits				
Demand	**16,896.0**	**6.8**	10,988.3	5.6
Time	**103,106.2**	**41.5**	83,271.6	42.6
Subtotal	**120,002.2**	**48.3**	94,259.9	48.2
Others (1)	**20,835.0**	**8.4**	19,064.9	9.8
Total	**248,433.8**	**100.0**	195,266.0	100.0
Interest accrued	**5,337.1**		3,941.2	
Deposits from customers	**253,770.9**		199,207.2	

Note:

(1) Consist primarily of pledged deposits, inward and outward remittances and fiscal deposits.

Debt securities issued

As of December 31, 2022, debt securities issued amounted to RMB33,534.2 million, representing a decrease of 43.1% from RMB58,967.2 million as of December 31, 2021, and the decrease in debt securities issued was mainly because the Bank optimized its liability structure and appropriately decreased the issuance of interbank deposits on top of the increase in both deposits.

Financial assets sold under repurchase agreements

As of December 31, 2022, financial assets sold under repurchase agreements amounted to RMB20,215.5 million, representing an increase of 31.7% from RMB15,345.7 million as of December 31, 2021, primarily because the Bank increased the size of financial assets sold under repurchase agreements in accordance with market conditions and the liquidity needs of the Bank.

3.4.3 Equity

The following table sets forth the components of the Group' equity as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Share capital	**5,838.7**	**25.0**	5,838.7	26.4
Capital reserve	**6,627.6**	**28.4**	6,627.6	29.9
Surplus reserve	**3,976.7**	**17.0**	3,792.5	17.1
General reserve	**3,742.2**	**16.0**	3,161.1	14.3
Fair value reserve	**(97.9)**	**(0.4)**	(30.6)	(0.1)
Impairment reserve	**15.0**	**0.1**	3.5	0.0
Deficit on remeasurement of net defined benefit liability	**(4.1)**	**(0.0)**	(4.4)	0.0
Retained earnings	**3,236.9**	**13.8**	2,747.6	12.4
Equity attributable to equity holders of the Bank	**23,335.1**	**99.9**	22,136.0	99.9
Non-controlling interests	**18.5**	**0.1**	21.6	0.1
Total equity	**23,353.6**	**100.0**	22,157.6	100.0

As of December 31, 2022, the total equity of the Group amounted to RMB23,353.6 million, representing an increase of 5.4% from RMB22,157.6 million as of December 31, 2021. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB23,335.1 million, representing an increase of 5.4% from RMB22,136.0 million as of December 31, 2021. The increase in equity was mainly attributable to an increase in retained earnings from realization of net profit, which was partially offset by the distribution of dividends during the period. For the year ended December 31, 2022, the Group realized a net profit of RMB1,835.4 million; according to the 2021 profit appropriation plan approved at the general meeting, cash dividends of RMB583.9 million were distributed to all shareholders.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2021 and 2022.

	As of December 31, 2022	As of December 31, 2021
	(in millions of RMB)	
Loan commitments	**9,051.1**	14,765.0
Credit card commitments	**6,309.3**	6,557.8
Bank acceptances	**39,084.6**	43,989.9
Letters of credit	**8,157.0**	5,797.7
Letters of guarantee	**198.5**	201.8
Capital commitments	**66.9**	117.8
Others	**599.0**	600.0
Total off-balance sheet commitments	**63,466.4**	71,430.0

As of December 31, 2022, the Group's total off-balance sheet commitments amounted to RMB63,466.4 million, representing a decrease of 11.1% from RMB71,430.0 million as of December 31, 2021, mainly because of the decrease in the balance of loan commitments and bank acceptances.

3.6 Asset Quality Analysis

Distribution of loans by the five-category loan classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2021 and 2022. According to the current guidelines of risk-based classification of loans, non-performing loans ("**NPL**") are classified as substandard, doubtful and loss.

	As of December 31, 2022		As of December 31, 2021	
		% of total		% of total
	Amount	**(%)**	Amount	(%)
	(in millions of RMB, except percentages)			
Normal	**175,098.0**	**94.1**	144,285.5	92.7
Special Mention	**7,600.0**	**4.1**	8,596.5	5.5
Subtotal	**182,698.0**	**98.2**	152,882.0	98.2
Substandard	**2,696.5**	**1.4**	2,277.4	1.4
Doubtful	**125.5**	**0.1**	108.2	0.1
Loss	**531.9**	**0.3**	472.9	0.3
Subtotal	**3,353.9**	**1.8**	2,858.5	1.8
Gross loans and advances to customers	**186,051.9**	**100.0**	155,740.5	100.0
NPL ratio [(1)]		**1.80**		1.84

Note:

(1) Calculated by dividing the total NPLs by the gross loans and advances to customers.

As of December 31, 2022, according to the five-category loan classification, the Group's normal loans amounted to RMB175,098.0 million, representing an increase of RMB30,812.5 million from that as of December 31, 2021, accounting for 94.1% of the gross loans and advances to customers. Special mention loans amounted to RMB7,600.0 million, representing a decrease of RMB996.5 million from that as of December 31, 2021, accounting for 4.1% of the gross loans and advances to customers. NPLs amounted to RMB3,353.9 million, representing an increase of RMB495.4 million from that as of December 31, 2021. The NPL ratio was 1.80%, representing a decrease of 0.04 percentage point from that as of December 31, 2021. The increase in the total NPLs and decrease in the NPL ratio were mainly because some corporate customers of the Bank experienced operational difficulties under the impact of the epidemic and the economic downturn, which resulted in an increase in defaults. Meanwhile, on the one hand, the Bank increased efforts in collection and disposal of NPLs, and on the other hand, the Bank stepped up efforts in serving the real economy by increasing the loan grants. As a result, the total loans increased, and the NPL ratio decreased.

Distribution of loans by collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2021 and 2022.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Pledged loans [1]	**56,688.0**	**30.5**	37,208.5	23.9
Collateralized loans [1]	**25,476.0**	**13.7**	25,549.7	16.4
Guaranteed loans [1]	**83,718.3**	**45.0**	79,439.7	51.0
Unsecured loans	**20,169.6**	**10.8**	13,542.6	8.7
Gross loans and advances to customers	**186,051.9**	**100.0**	155,740.5	100.0

Note:

(1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

Distribution of corporate loans by industry

The following table sets forth the distribution of the Group's corporate loans by industry as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
		% of total		% of total
	Amount	**(%)**	Amount	(%)
	(in millions of RMB, except percentages)			
Manufacturing	**40,371.8**	**36.8**	33,809.1	34.5
Mining	**20,878.2**	**19.0**	19,170.9	19.6
Wholesale and retail	**11,694.7**	**10.7**	11,490.1	11.7
Real estate	**8,204.3**	**7.5**	8,936.0	9.1
Leasing and business services	**7,631.0**	**7.0**	5,398.0	5.5
Construction	**4,557.1**	**4.2**	3,846.0	3.9
Production and supply of electric power, heating, gas and water	**3,978.7**	**3.6**	1,551.3	1.6
Water, environment and public utility management	**3,228.3**	**2.9**	2,904.8	2.9
Financial services	**3,128.1**	**2.9**	3,905.1	4.0
Transportation, storage and postal services	**1,929.9**	**1.8**	1,089.4	1.1
Lodging and catering	**642.4**	**0.6**	706.5	0.7
Agriculture, forestry, animal husbandry and fishery	**180.1**	**0.2**	270.0	0.3
Education	**135.2**	**0.1**	28.6	0.1
Others [(1)]	**2,952.2**	**2.7**	4,866.1	5.0
Total corporate loans	**109,512.0**	**100.0**	97,971.9	100.0

(1) Consist primarily of the following industries: (i) scientific research and technical services, (ii) culture, sports and entertainment, (iii) health and social works, (iv) information transmission, software and information technology services, and (v) resident services, maintenance and other services.

For the year ended December 31, 2022, the Group further optimized its credit structure and actively supported the development of the real economy. As of December 31, 2022, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, wholesale and retail, real estate and leasing and business services, and the balance of loans to corporate customers in the top five industries amounted to RMB88,780.0 million, accounting for 81.0% of the total corporate loans and advances to customers granted by the Group.

Distribution of non-performing corporate loans by industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of December 31, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio (1) (%)**	Amount	% of total (%)	NPL ratio (1) (%)
	(in millions of RMB, except percentages)					
Real estate	**1,038.0**	**37.6**	**12.65**	919.2	37.4	10.29
Leasing and business services	**676.6**	**24.5**	**8.87**	34.3	1.4	0.64
Construction	**349.7**	**12.7**	**7.67**	366.0	14.9	9.52
Wholesale and retail	**330.7**	**12.0**	**2.83**	245.8	10.0	2.14
Manufacturing	**298.0**	**10.8**	**0.74**	836.0	34.1	2.47
Lodging and catering	**21.1**	**0.8**	**3.28**	18.0	0.7	2.55
Agriculture, forestry, animal husbandry and fishery	**9.4**	**0.3**	**5.22**	10.0	0.4	3.70
Mining	**9.3**	**0.3**	**0.04**	–	–	–
Education	**5.6**	**0.2**	**4.14**	5.6	0.2	19.58
Transportation, storage and postal services	**5.2**	**0.2**	**0.27**	6.6	0.3	0.61
Production and supply of electric power, heating, gas and water	**4.6**	**0.2**	**0.12**	8.7	0.4	0.56
Water, environment and public utility management	**1.5**	**0.1**	**0.05**	1.5	0.1	0.05
Others (2)	**9.8**	**0.3**	**0.33**	2.2	0.1	0.05
Total non-performing corporate loans	**2,759.5**	**100.0**	**2.52**	2,453.9	100.0	2.50

(1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) Consist primarily of the following industries: (i) health and social work, (ii) information transmission, software and information technology services, and (iii) resident services, maintenance and other services.

As of December 31, 2022, the Group's non-performing corporate loans were mainly from real estate, leasing and business services, and construction industry.

As of December 31, 2021 and 2022, the NPL ratios for corporate loans to the real estate industry were 10.29% and 12.65%, respectively; non-performing corporate loans to borrowers in such industry accounted for 37.4% and 37.6% of the total non-performing corporate loans, respectively; the balance of non-performing corporate loans to the real estate industry increased from RMB919.2 million as of December 31, 2021 to RMB1,038.0 million as of December 31, 2022, which was mainly due to the fact that with the economic downturn and the decline in residents' demand for housing purchase, real estate enterprises have experienced difficulties in different stages, but such customers have sufficient collateral for collateral loans. With the economic recovery and the support of the national policy of "ensuring timely deliveries of presold homes", the overall risk is controllable for now and there will be no material impact on the operation of the Bank.

As of December 31, 2021 and 2022, the NPL ratios for corporate loans to the leasing and commercial services industry were 0.64% and 8.87%, respectively; non-performing corporate loans to borrowers in such industry accounted for 1.4% and 24.5% of the total non-performing corporate loans, respectively, mainly due to the fact that under the economic downturn affected by the epidemic, several corporate loan customers in the leasing and commercial services industry saw a decline in income and encountered operational difficulties, which led to loan quality deterioration.

As of December 31, 2021 and 2022, the NPL ratios for corporate loans to the construction industry were 9.52% and 7.67%, respectively; non-performing corporate loans to borrowers in such industry accounted for 14.9% and 12.7% of the total non-performing corporate loans, respectively. In terms of loans to the construction industry, the decrease in the balance of non-performing loans and the NPL ratio was mainly due to the fact that the Bank adopted various measures to reinforce its collection efforts for debt recovery, and a decrease in the balance of non-performing loans in construction industry.

Distribution of NPLs by product type

The following table sets forth the distribution of NPLs by product type as of the dates indicated.

	As of December 31, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio [1] (%)**	Amount	% of total (%)	NPL ratio [1] (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**1,537.0**	**45.8**	**2.36**	1,143.1	40.0	1.87
Fixed asset loans	**1,222.1**	**36.4**	**3.50**	1,300.3	45.5	4.06
Other loans [2]	**0.4**	**0.0**	**0.00**	10.5	0.4	0.21
Subtotal	**2,759.5**	**82.2**	**2.52**	2,453.9	85.9	2.50
Personal loans						
Residential mortgage loans	**144.9**	**4.3**	**0.72**	60.2	2.1	0.32
Personal consumption loans	**80.2**	**2.4**	**3.64**	75.1	2.6	4.65
Personal business loans	**119.3**	**3.6**	**7.03**	68.5	2.4	3.22
Credit cards	**250.0**	**7.5**	**5.32**	200.8	7.0	4.52
Subtotal	**594.4**	**17.8**	**2.06**	404.6	14.1	1.51
Total NPLs	**3,353.9**	**100.0**	**1.80**	2,858.5	100.0	1.84

Notes:

(1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.

(2) Consist primarily of advances for bank acceptances.

The NPL ratio for corporate loans increased from 2.50% as of December 31, 2021 to 2.52% as of December 31, 2022, while the balance of non-performing corporate loans increased from RMB2,453.9 million to RMB2,759.5 million. The increase in the balances of non-performing corporate loans was mainly due to the fact that a limited number of enterprises in tertiary industry encountered difficulties in business operations and their income decreased as a result of the impact of the pandemic and economy in 2022, which in turn led to the default of their loans from the Group.

The NPL ratio for personal loans increased from 1.51% as of December 31, 2021 to 2.06% as of December 31, 2022, and the balance of NPLs for personal loans increased from RMB404.6 million as of December 31, 2021 to RMB594.4 million as of December 31, 2022. The increase in the balance of NPLs for personal loans was primarily because certain individual customers' income decreased as a result of the pandemic, meanwhile, certain real estate enterprises failed to deliver presold homes of some projects on time, resulting in certain mortgage customers having difficulties in repaying the principal and interest.

Distribution of NPLs by geographical region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2021 and 2022.

	As of December 31, 2022			As of December 31, 2021		
	Amount	**% of total (%)**	**NPL ratio (1) (%)**	Amount	% of total (%)	NPL ratio (1) (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,292.9**	**68.4**	**1.80**	2,474.3	86.6	2.28
Outside Taiyuan	**1,061.0**	**31.6**	**1.80**	384.2	13.4	0.82
Total NPLs	**3,353.9**	**100.0**	**1.80**	2,858.5	100.0	1.84

Note:

(1) Calculated by dividing NPLs in each region by gross loans and advances to customers in that region.

Borrowers concentration

Loans to the ten largest single borrowers

In accordance with applicable PRC Banking Industry guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of December 31, 2022, the Group's loans to the largest single borrower accounted for 8.5% of the Group's net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated.

		As of December 31, 2022			
	Industry	**Amount**	**% of total loans (%)**	**% of net capital base (1) (%)**	**Classification**
		(in millions of RMB, except percentages)			
Borrower A	Leasing and business services	**2,312.3**	**1.2**	**8.5**	Normal
Borrower B	Manufacturing	**2,251.4**	**1.2**	**8.3**	Normal
Borrower C	Manufacturing	**2,000.0**	**1.1**	**7.3**	Normal
Borrower D	Manufacturing	**1,950.0**	**1.0**	**7.2**	Normal
Borrower E	Manufacturing	**1,756.5**	**0.9**	**6.4**	Normal
Borrower F	Finance	**1,720.0**	**0.9**	**6.3**	Normal
Borrower G	Manufacturing	**1,645.0**	**0.9**	**6.0**	Normal
Borrower H	Manufacturing	**1,539.5**	**0.8**	**5.7**	Normal
Borrower I	Wholesale and retail	**1,352.1**	**0.7**	**5.0**	Special Mention
Borrower J	Manufacturing	**1,267.1**	**0.7**	**4.7**	Normal
Total		**17,793.9**	**9.4**	**65.4**	

Note:

(1) Represents loan balances as a percentage of the Group's net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administrative Measures for Commercial Banks (Provisional) and based on the financial statements prepared in accordance with PRC GAAP.

As of December 31, 2022, the balance of the Group's loans to the largest single borrower amounted to RMB2,312.3 million, accounting for 1.2% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB17,793.9 million, accounting for 9.4% of the gross loans and advances to customers.

Loan aging schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of December 31, 2022		As of December 31, 2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Current loan	**182,326.8**	**98.0**	152,621.2	98.0
Loans past due for				
Up to 3 months [1]	**821.1**	**0.4**	521.1	0.3
Over 3 months up to 6 months [1]	**125.1**	**0.1**	77.5	0.1
Over 6 months up to 1 year [1]	**754.9**	**0.4**	1,355.9	0.9
Over 1 year up to 3 years [1]	**1,792.2**	**1.0**	997.5	0.6
Over 3 years [1]	**231.8**	**0.1**	167.3	0.1
Subtotal	**3,725.1**	**2.0**	3,119.3	2.0
Gross loans and advances to customers	**186,051.9**	**100.0**	155,740.5	100.0

Note:

(1) Represents the principal amount of loans with principal or interest overdue as of the dates indicated.

Changes to allowance for impairment losses

Allowance for impairment losses on loans to customers increased by 12.4% from RMB5,281.5 million as of January 1, 2022 to RMB5,938.0 million as of December 31, 2022, mainly because the allowance for impairment losses of the Group as of December 31, 2022 was made based on the corresponding increase in provision of loans in each stage.

	As of December 31, 2022 Amount	As of December 31, 2021 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**5,281.5**[(1)]	4,868.5[(3)]
Charge for the period	**1,229.3**	1,487.1
Released for the period	**–**	–
Transfer out	**(328.4)**	(830.3)
Recoveries	**4.5**	12.4
Write-offs	**(143.8)**	(177.2)
Other changes	**(105.1)**	(79.0)
End of the period	**5,938.0**[(2)]	5,281.5

Notes:

(1) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.

(2) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,920.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB17.8 million.

(3) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.

3.7 Reporting by Geographical Segments

In presenting information by geographical segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The following table sets forth the total operating income of each geographical region for the periods indicated.

	For the year ended December 31,			
	2022		2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Taiyuan	**4,206.7**	**80.0**	4,532.0	84.1
Outside Taiyuan	**1,053.5**	**20.0**	858.7	15.9
Total operating income	**5,260.2**	**100.0**	5,390.7	100.0

3.8 Capital Adequacy Ratio and Leverage Ratio Analysis

The Group is subject to capital adequacy requirements as promulgated by the CBIRC. The following table sets forth relevant information relating to the Group's capital adequacy ratio as of the dates indicated, which is calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) of the former China Banking Regulatory Commission (the "**former CBRC**") and PRC GAAP.

	As of December 31, 2022	As of December 31, 2021
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**3,976.7**	3,792.5
– General reserve	**3,742.2**	3,161.1
– Other comprehensive income	**(87.0)**	(31.5)
– Retained earnings	**3,236.9**	2,747.6
– Qualifying portion of non-controlling interests	**6.8**	8.9
Total core tier-one capital	**23,341.9**	22,144.9
Core tier-one capital deductions	**(289.6)**	(272.0)
Net core tier-one capital	**23,052.3**	21,872.9
Other tier-one capital	**0.9**	1.2
Net tier-one capital	**23,053.2**	21,874.1
Tier-two capital	**4,188.0**	4,160.3
Net capital base	**27,241.2**	26,034.4
Total risk-weighted assets	**219,608.2**	216,654.1
Core tier-one capital adequacy ratio (%)	**10.50**	10.10
Tier-one capital adequacy ratio (%)	**10.50**	10.10
Capital adequacy ratio (%)	**12.40**	12.02

As of December 31, 2022, the Group's capital adequacy ratio was 12.40%, up by 0.38 percentage point from the end of 2021; both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.50%, up by 0.40 percentage point from the end of 2021. This was mainly due to the increase in retained profit and the decrease in non-standardized debt investments and risk-weighted assets of off-balance sheet bank acceptances.

As of December 31, 2022, the Group's leverage ratio was 6.02%, representing a decrease of 0.16 percentage point from 6.18% as of December 31, 2021. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the former CBRC, which has been effective since April 2015, leverage ratio shall be no less than 4%.

3.9 Risk Management

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. In 2022, the Bank firmly upheld the main keynote of "risk management by the Party", while strengthening its bottom-line thinking and risk awareness with an increasing focus on risk prevention while pursuing steady growth and high-quality development. The Bank constantly improved the long-term mechanism of risk management and control, promoted refined management, strengthened system construction to facilitate and support the steady and rapid development of all businesses across the Bank, and resolutely safeguarded financial stability and financial security.

Credit risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity to fulfill its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to identify, measure, monitor, mitigate and control risks that arise from its credit extension business. In 2022, the Bank closely monitored the macro-economic and financial situation, implemented the economic and financial policy in relation to the direction of the national policy and epidemic prevention and control, firmly upheld the main keynote of seeking progress while ensuring stability, firmly grasped high-quality development requirements, focused on the main responsibility and business of serving local economic and social development, helped our province to stabilize the overall economy and enterprises to resume work and production, and fully promoted the implementation of various tasks. The Bank strongly supported key areas and industrial development in Shanxi Province, actively served small and micro enterprises and the economy at the county level, and spared no efforts to develop new businesses and new ecosystem while continuing to consolidating the dominant position of its traditional business. The Bank promoted collection and disposal with ongoing enhancement made in the collection of non-performing assets. It enriched risk management tools and continued to promote the empowerment of technology to improve the efficiency on risk monitoring and early warning.

The Bank is committed to using advanced information technology systems to improve our credit risk management, strengthening financial technology to empower the risk prevention and control, continually optimizing technology risk monitoring indicators, and continually improving the capability of risk prevention and control. The Bank introduced external big data such as business administration information and judicial litigation into credit management system, developed the rules for intelligent risk management, intercepted high-risk customers, effectively improved the capability of risk identification and the efficiency of risk decision-making management.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank prepared detailed guidelines on credit risk management based on the provincial, national and international economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environment in the PRC and Shanxi Province and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also keeps track of the development of the national and local economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Management of large-scale risk exposure

The Bank strictly implemented regulatory requirements, formulated management rules for large exposures, and established an organizational structure and management system to promote information system construction, and regularly reported to regulators on large exposure indicators and related management so as to effectively control customer concentration risks. As of the end of 2022, other than exempted customers, all limit indicators for the Bank's large-scale risk exposures were in compliance with the regulatory requirements.

Market risk

Market risk refers to the risk from adverse changes in market prices (interest rates, exchange rates, stock price and commodity prices) that results in losses to the Bank's on- and off-balance sheet businesses. The Bank is exposed to market risks primarily from the assets and liabilities on our balance sheet and the commitments and guarantees off our balance sheet. The Bank adopts a holistic approach to market risk management to identify, monitor and measure the entire process.

The Bank actively responds to changes in the market environment, continually optimizes market risk management system. Market risk-related system and measures have been revised and promulgated to provide a basis for market risk management. The Bank separates trading accounts and bank accounts in strict accordance with the systems and measures and provides for capital for market risk; continually improves the monitoring and management of market risk limits and conducts stress testing on market risks on a quarterly basis; continually strengthens the management of valuation fluctuations in the bond market and responds to market fluctuations by means of risk warning, reducing duration and adjusting the asset structure; continually optimizes transmission and management mechanism for interest rate risk, improves the interest rate risk management system and enhances the level of granularity.

As of December 31, 2022, the Bank was engaged in a small-scaled foreign currency business and held an insignificant amount of US dollars. The Bank formulated multiple policies and operating standards for foreign currency businesses, such as foreign exchange capital businesses, and business of foreign exchange settlement and sale, to control foreign currency rate risk.

Liquidity risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where its Board of Directors bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank also strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates crisis management plans, enhances daily liquidity risk management and regularly applies stress tests.

In 2022, the Bank closely monitored the changes in the market interest rates, strengthened the monitoring and management of the regular liquidity risks, and reasonably adapted liquidity risk management according to the external market environment by strengthening its fund position management during the day time and rationally adjusting the term structure of assets and liabilities to ensure that the liquidity risk is safe and controllable. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitoring of liquidity risks. The Bank improved the monitoring and analysis of large-amount fund through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators, and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had developed a reporting mechanism using a liquidity risk monitoring table to ensure that the Board and senior management can keep abreast of the Bank's liquidity status. 5. The Bank regularly conducted liquidity stress tests and timely adjusted the structure of assets and liabilities based on the results of the stress tests to ensure that there were sufficient high-quality liquid assets to cope with external liquidity pressures.

Operational risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board, the Board of Supervisors and senior management, and clarified "three lines of defense" of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to optimize the risk management system, carried out the "System Implementation Year" activities throughout the Bank, and promoted system organization, learning, inspection and supervision and the introduction of the risk control requirements into the operational management and business development, thereby effectively enhancing the quality of management.

Based on internal control enhancement and compliance management, the Bank continued to "abolishing, amending and establishing" systems and organizing and reviewing business process, as well as carried out special risk investigation for key businesses such as credit business, credit security and seal management, and promoted employee behavior screening on a quarterly basis, so as to continuously improve risk prevention capabilities. Meanwhile, the Bank improved the business continuity plan, carried out business impact analysis and risk assessment on a regular basis, and organized emergency drills for personal deposit business, payment systems, and core databases, etc., so as to continually improve the emergency response of the business operation.

Information technology risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee, and Legal and Compliance Department and Information Technology Department at the head office are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic simulated disaster drills for business continuity for important businesses.

Reputational risk

Reputational risk refers to the behavior of the Bank or its employees or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, adversely affecting the operation and management of the Bank, and even affecting market stability and social stability. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of the Bank is responsible for undertaking management of overall reputational risks, including establishing a reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during strategy development and implementation, which may have a negative impact on the current or future profit, capital, reputation or market position of the Bank.

The Bank strengthens guidance to the strategic development plan, pushes ahead with the implementation of strategic plans for 2021-2025 steadily, continually focuses on the changes in external environment, actively conducts the evaluation of strategy implementation, and always ensures the strategic planning are aligned with the external environment, so as to enhance the Bank's adaptability in the face of unexpected market changes. The Office under the Board of Directors is responsible for managing the Bank's strategic risks. The Bank identifies strategic risk factors through cooperation between the Office under the Board of Directors and the Risk Management Department; conducts regular review and study on prevailing market conditions and the Bank's business operation status to timely identify potential risks, makes prompt adjustment to the strategies and relevant measures accordingly, and closely monitors the implementation of the strategies.

3.10 Business Review

For the year ended December 31, 2022, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

For corporate banking business, the Bank focuses on serving the governmental and institutional customers as well as high-quality enterprises in the industries, continuously improves the level of corporate customers management by measures such as intensifying the cooperation between governments and the Bank, enriching trade finance products, deepening reform of the corporate financial team and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loans, and wealth management services, accelerates the progress of wealth management and digital transformation, continually enhances customer service capability, and promotes value enhancement for customers, so as to achieve ongoing improvement for the retail banking in terms of market competitiveness and brand influence; for financial market business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business lines for the years ended December 31, 2021 and 2022.

	For the year ended December 31,			
	2022		2021	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Corporate banking	**3,823.6**	**72.7**	3,593.9	66.7
Retail banking	**1,313.9**	**25.0**	1,205.0	22.3
Financial markets	**106.0**	**2.0**	580.9	10.8
Others (1)	**16.7**	**0.3**	10.9	0.2
Total operating income	**5,260.2**	**100.0**	5,390.7	100.0

Note:

(1) Consists primarily of income that is not directly attributable to any specific segment.

Corporate banking

Positioning itself as a "financial steward" and a "partner of the real economy" for local governments in Shanxi Province, the Bank practiced green concept of development, gave our full support to the energy revolution and transformation and comprehensive reform in Shanxi Province, actively provided financing support for key projects in Shanxi Province and other cities, constantly provided corporate banking customers with diversified products and services, including deposits, loans, trade finance, cash management, remittance and settlement, bonds and bills service, etc.

For the year ended December 31, 2022, the Group's operating income from corporate banking was RMB3,823.6 million, representing a year-on-year increase of 6.4% and accounting for 72.7% of the total operating income for the same period. The increase in operating income from corporate banking was mainly because the scale of corporate deposit services and loan services businesses increased as compared to the previous year.

As of December 31, 2022, the balance of corporate loans of the Group amounted to RMB109,512.0 million, representing an increase of 11.8% from December 31, 2021. As of the same date, total corporate deposits amounted to RMB107,596.6 million, representing an increase of 31.3% from December 31, 2021.

The Bank continued to improve its ability to meet corporate banking customers' needs for differentiated financial products, and vigorously pushed ahead with the development of investment banking and financial services for supply chains. The Bank also placed a focus on the development of the intelligent online products centering on the improvement of customer experiences, innovated green financing methods and broadened capital sources, so as to continuously optimize the business structure, enrich its product portfolio and enhance comprehensive service capacity.

Retail banking

Capitalizing on its extensive knowledge of the local market and the preferences of retail banking customers, the Bank continually develops and promotes various retail banking products and services that are well-received by the market and makes consistent effort in wealth management, customer service, channel operation, product innovation, etc. The Bank provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services, credit card services, funds, insurance services, treasury bonds and other agency services and remittance services, etc.

For the year ended December 31, 2022, the Group's operating income from retail banking was RMB1,313.9 million, representing a year-on-year increase of 9.0% and accounting for 25.0% of the total operating income for the same period. As of December 31, 2022, the personal loan balance was RMB28,806.8 million, accounting for 15.5% of the gross loans and advances to customers. As of December 31, 2022, residential mortgage loans, personal consumption loans, personal business loans and credit card balance were RMB20,208.8 million, RMB2,202.9 million, RMB1,696.9 million and RMB4,698.2 million, respectively, accounting for 70.2%, 7.6%, 5.9% and 16.3% of the total personal loans of the Bank, respectively. As of the same date, the Group's total personal deposits amounted to RMB120,002.2 million, representing an increase of 27.3% from December 31, 2021.

Driven by quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,981.9 thousand as of December 31, 2021 to 3,164.0 thousand as of December 31, 2022. After years of persistent efforts, the Bank has established an extensive business network in key cities in Shanxi Province. As of December 31, 2022, the Bank had outlets across 11 prefecture-level cities in Shanxi Province. We currently have 154 outlets under our supervision and established Small Enterprises Financial Service Center. The Bank invested in the establishment of Qingxu Jinshang Village and Township Bank Co., Ltd., and initiated the establishment of the first consumer finance company in Shanxi Province – Jinshang Consumer Finance Co., Ltd.

During the Reporting Period, with a business network that has an extensive coverage, the Bank was committed to providing customers with convenient online and mobile financial products and services with the use of advanced technologies. During the Reporting Period, the Bank continued to enrich the types of services offered through online banking, and introduced differentiated user experience for customers through technological upgrade. In addition, by integrating high-quality resources, the Bank provided professional and comprehensive financial services to high net worth individuals in the province. The Private Banking Center won the "Excellence in Wealth Management of City Commercial Bank", "Excellence in Regional Services of Private Bank", "Wealth Management Bank of the Year Award", "Annual Wealth Management Award" in the 2022 Golden Honor Awards for its professional and outstanding services. Three financial managers were named "China's Top 100 Financial Planners", nine financial managers were named "China's Excellent Financial Planners", and three wealth management teams were named "China's Excellent Team of Financial Planners" in the 2022 China Financial Planner Competition.

To build an image as a private bank for the Bank and to facilitate effective customer management for the private banking business, and with a focus on the service system of "promoting the future (升耀未來)", "promoting privileges (升享尊貴)", "promoting the wellbeing (升生之道)", and "promoting extraordinary experience (升鑑不凡)", the Private Banking Center actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, consolidates its presence in the family wealth planning service market, build a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region.

Financial markets business

The financial market business of the Group primarily includes inter-bank money market transactions, repurchases transactions, debt securities investment and trading. It also covers management of the Group's overall liquidity position.

During the Reporting Period, the Bank closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies, continuously optimized the investment portfolio and actively carried out innovative business under the premise of risk control, while building a more competitive financial market business.

The financial market business continued to focus on liquidity management and to improve profitability, constantly promote new businesses, maintain risk prevention and compliance management, and continuously enhance the Bank's market activity and influence. For the year ended December 31, 2022, the Bank was granted the qualifications of "2022 Renminbi Financial Bond Underwriting Market-Making Group of National Development Bank", which further expanded the scope of the Bank's bond underwriting and distribution business and credit risk prevention and control capabilities; the Bank obtained the core dealer qualification of credit risk mitigation instruments and the business qualification of underlying financial derivatives, which further strengthened the Bank's capability of risk aversion and hedging.

Operating income from the Bank's financial market business decreased by RMB474.9 million to RMB106.0 million for the year ended December 31, 2022 from RMB580.9 million in the same period in 2021, accounting for 2.0% of total operating income, mainly because yields of financial investments decreased due to the impact of fluctuations in market interest rates.

Interbank market transactions

The Group's interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreement and sale under repurchase agreement, which mainly involves bonds and bills.

As of December 31, 2022, deposits with banks and other financial institutions were RMB1,797.4 million, accounting for 0.5% of the Group's total assets as of December 31, 2022.

As of December 31, 2022, placements with banks and other financial institutions were RMB1,581.8 million, accounting for 0.5% of the Group's total assets as of December 31, 2022.

As of December 31, 2022, financial assets held under resale agreements were RMB28,141.0 million, accounting for 8.4% of the Group's total assets as of December 31, 2022. As of the same date, financial assets sold under repurchase agreements were RMB20,215.5 million, accounting for 6.5% of the Group's total liabilities as of December 31, 2022.

Investment management

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans, wealth management products, and mutual funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of December 31, 2022, the balance of debt securities investment was RMB56,713.0 million, representing an increase of 37.1% from December 31, 2021, primarily because of an appropriate increase of allocation in quality liquidity assets after comprehensive consideration of the needs for liquidity management as the Bank's assets gradually expanded.

As of December 31, 2022, the balance of SPV investment was RMB33,344.7 million, representing a decrease of 0.8% from December 31, 2021, mainly because we reduced the investment scale of trust plans according to the asset allocation requirement of the Bank.

Wealth management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate liberalisation. For the year ended December 31, 2022, the amount of wealth management products issued by the Group was RMB125,387.2 million, representing an increase of 0.2% for the year ended December 31, 2021, mainly due to the further enrichment of product types, the active trading of short-term open-ended products, and the gradual recognition of new products by customers. As of December 31, 2022, the Group had more than 380,000 wealth management customers, a further increase from the end of 2021.

As of December 31, 2022, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB48,230.9 million, representing a decrease of 7.4% from December 31, 2021, mainly because the Bank responded to the regulatory requirements, optimized the product structure, and actively carried out rectification of wealth management products in the cash management category; at the same time, the net value of products has been adjusted significantly, and the net redemption of customers has increased, due to the impact of the fluctuations in the bond market at the end of 2022. For the year ended December 31, 2022, the fee and commission income from the wealth management products issued by the Group was RMB205.0 million, representing an increase of 15.1% for the year ended December 31, 2021, mainly because the Bank actively implemented the strategy of "improving quality and efficiency", reduced business costs, improved profitability, and strengthened large-scale asset allocation according to market conditions, thus achieving revenue growth.

Debt securities distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the year ended December 31, 2022, the aggregate principal amount of debt securities the Bank distributed amounted to RMB28,364.0 million, representing a decrease of 31.1% for the year ended December 31, 2021, mainly because the debt securities distribution declined due to increasingly intensified market competition.

Small and micro enterprise

During the Reporting Period, the Bank has actively implemented the decisions of the Party Central Committee and the State Council on financial support for small and micro enterprises, maintained its strategic determination, adhered to its market positioning, strengthened its inclusive financial services, and overcame various pressure including increasing external market competition and the impact of the pandemic that has not yet been completely eliminated, reasonably set the financing cost of inclusive loans to small and micro enterprises to effectively promote the high-quality development of the Bank's small and micro financial services.

As of December 31, 2022, our head office has set up a Puhui Finance Department (Small Enterprises Financial Department/Small Enterprises Financial Service Center), four directly-controlled branches in Taiyuan and ten non-local branches have set up small and micro financial departments or small and micro financial teams, and there were three small and micro business franchised sub-branches in our institution outlets.

As of December 31, 2022, the balance of inclusive loans to small and micro enterprises of the Bank (operation data of discounted bills and re-discounts have been excluded according to the regulatory assessment of "two increases" in 2022) amounted to RMB7,533.3 million, representing an increase of RMB1,787.4 million from December 31, 2021; the number of inclusive small and micro enterprise customers was 3,280, representing an increase from December 31, 2021, achieving the target of "two increases". The annualized interest rate of accumulative inclusive loans to small and micro enterprises of the Bank was 4.81%, representing a decrease of 0.51 percentage point compared with 2021, as the lending comprehensive cost was controlled at a reasonable level.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of subsidiaries, associates, joint ventures and assets or business merger.

Substantial Investments

The Bank had no substantial investments in 2022.

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank continued to improve the transparency and accountability of corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the highest organ of authority of our Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on board decisions. The Board of Supervisors is responsible for supervising performance of the Board of Directors and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, senior management is responsible for implementing the resolutions of the Board of Directors and for the daily operation and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The President of the Bank is appointed by the Board of Directors and is responsible for the overall operations and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 to the Hong Kong Listing Rules and has met the requirements of the administrative measures and corporate governance for domestic commercial banks, and has established a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Appendix 14 to the Hong Kong Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its shareholders and potential investors.

5.2 Directors, Supervisors and Senior Management of the Bank

As at the date of this announcement, the composition of the Bank's Board of Directors, Board of Supervisors and senior management is as follows:

The Bank's Board of Directors consists of twelve Directors, including two executive Directors, namely, Ms. HAO Qiang (Chairwoman of the Board) and Mr. ZHANG Yunfei (Vice Chairman); five non-executive Directors, namely, Mr. LI Shishan, Mr. MA Hongchao* (Vice Chairman)△, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and five independent non-executive Directors, namely, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong* and Mr. CHAN Ngai Sang Kenny*.

△ *Subject to the approval of his qualification as the Vice Chairman by the CBIRC Shanxi Office.*

* *Subject to the approval of his/her qualification as the Director by the CBIRC Shanxi Office. According to relevant PRC laws and regulations and the Articles of Association of the Bank, until the directors' qualifications of Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny are approved by CBIRC Shanxi Office, Mr. XIANG Lijun, Mr. JIN Haiteng, Mr. SUN Shihu and Mr. YE Xiang will continue to perform their duties as a non-executive Director or an independent non-executive Director. Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive Director, will temporarily perform the obligations of a member of the Nomination, Remuneration and HR Committee. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the obligations of a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the obligations of the chairperson of the Consumer Rights Protection Committee. Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the obligations of a member of the Audit Committee.*

The Bank's Board of Supervisors consists of nine supervisors, including three employee supervisors, namely, Mr. XIE Liying (Chairman of the Board of Supervisors), Mr. WEN Qingquan and Mr. SU Hua; three shareholders supervisors, namely, Mr. WANG Weiping, Ms. XU Jin and Mr. PANG Zhengyu; and three external supervisors, namely, Mr. ZHUO Zeyuan, Mr. WU Jun and Mr. BAI Guangwei.

The Bank's senior management consists of eight members, namely, Mr. ZHANG Yunfei, Mr. ZHAO Jiquan, Mr. LI Yanbin, Mr. WANG Yibin, Mr. WEN Gensheng, Mr. LI Weiqiang, Mr. SHANGGUAN Yujiang and Ms. LI Wenli[#].

\# *Subject to the approval of her qualification as the chief audit officer by the CBIRC Shanxi Office to come into effect.*

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period and up to the Date of this Announcement

Changes in Directors

On August 26, 2022, Mr. DUAN Qingshan's qualification as an independent Director has been approved by the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR" issued by the Bank on August 29, 2022.

On September 20, 2022, Mr. LI Yang's qualification as a Director has been approved by the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR" issued by the Bank on September 21, 2022.

On November 30, 2022, the Board of Directors considered and approved the proposal of re-election or election of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive Directors of the Bank, Mr. LI Shishan, Mr. MA Hongchao, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors of the Bank, and Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as independent non-executive Directors of the Bank. The re-election or election was approved by the shareholders at the extraordinary general meeting on December 22, 2022, and after election by the Board, Ms. HAO Qiang was elected as the chairwoman and Mr. ZHANG Yunfei and Mr. MA Hongchao were elected as the vice chairmen. For details, please refer to the announcement entitled "(1) PROPOSAL FOR RE-ELECTION AND ELECTION OF DIRECTORS AND (2) PROPOSAL FOR RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS" issued by the Bank on November 30, 2022, the shareholders' circular entitled "(1) PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS FOR THE SIXTH SESSION OF THE BOARD; (2) PROPOSED RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS

AND EXTERNAL SUPERVISORS FOR THE SIXTH SESSION OF THE BOARD OF SUPERVISORS; (3) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING ASSETS (CREDIT AND NON-CREDIT) AND BAD DEBTS FOR 2023 AND (4) NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING" issued by the Bank on December 2, 2022 and the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022. Among them, the qualifications of Mr. MA Hongchao as a director and vice chairman, and the qualifications of Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as directors are subject to the approval by the CBIRC Shanxi Office. According to relevant PRC laws and regulations and the Articles of Association of the Bank, until the directors' qualifications of Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny are approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, Mr. JIN Haiteng, Mr. SUN Shihu and Mr. YE Xiang will continue to perform their duties as a non-executive Director or an independent non-executive Director. Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive Director, will temporarily perform the obligations of a member of the Nomination, Remuneration and HR Committee. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the obligations of a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the obligations of the chairperson of the Consumer Rights Protection Committee. Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the obligations of a member of the Audit Committee.

Changes in Supervisors

On November 30, 2022, the Board of Supervisors considered and approved the proposed re-election or election of Mr. WANG Weiping, Ms. XU Jin and Mr. PANG Zhengyu as shareholders' supervisors of the Bank, and Mr. ZHUO Zeyuan, Mr. WU Jun and Mr. BAI Guangwei as external supervisors of the Bank. Such re-election or election was approved by the shareholders of the Bank at the extraordinary general meeting on December 22, 2022. For details, please refer to the announcement entitled "(1) PROPOSAL FOR RE-ELECTION AND ELECTION OF DIRECTORS AND (2) PROPOSAL FOR RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS" issued by the Bank on November 30, 2022; the shareholders' circular entitled "(1) PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS FOR THE SIXTH SESSION OF THE BOARD; (2) PROPOSED RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS FOR THE SIXTH SESSION OF THE BOARD OF SUPERVISORS; (3) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING ASSETS (CREDIT AND NON-CREDIT) AND BAD DEBTS FOR 2023 AND (4) NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING" issued by the Bank on December 2, 2022; and the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022.

On December 7, 2022, Mr. XIE Liying, Mr. WEN Qingquan and Mr. SU Hua were re-elected or elected as employee supervisors at the employee representative meeting of the Bank and the three employee supervisors assumed their duties from the date of the extraordinary general meeting on December 22, 2022. Accordingly, the sixth session of the Board of Supervisors of the Bank was formally established. For details, please refer to the announcement entitled "CHANGE OF EMPLOYEE SUPERVISORS" issued by the Bank on December 16, 2022; and the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022.

With effect from December 22, 2022, Mr. BI Guoyu, Mr. XIA Guisuo, Mr. LIU Shoubao, Mr. LIU Min and Mr. GUO Zhenrong ceased to be supervisors of the Bank due to the expiry of their terms of office.

Changes in senior management

On January 14, 2022, Mr. LI Yanbin and Mr. WANG Yibin were appointed as the vice presidents of the Bank by the Board, and their qualifications have been approved by the CBIRC Shanxi Office on June 14, 2022. For the biographical details of Mr. LI Yanbin and Mr. WANG Yibin, please refer to the Bank's 2021 Annual Report issued on April 27, 2022 and 2022 Interim Report issued on September 26, 2022.

On March 30, 2022, Ms. HOU Xiuping tendered her resignation as the chief financial officer of the Bank due to work re-arrangement. Such resignation took effect on March 30, 2022.

On March 30, 2022, Mr. NIU Jun tendered his resignation as the chief operation officer of the Bank due to work re-arrangement. Such resignation took effect on March 30, 2022.

On June 28, 2022, Mr. ZHANG Yunfei was appointed by the Board as the president. For details, please refer to the announcement entitled "APPOINTMENT OF PRESIDENT" issued by the Bank on June 28, 2022.

On September 30, 2022, Mr. ZHANG Yunfei's qualification as the president has been approved by the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS PRESIDENT" issued by the Bank on October 3, 2022.

On December 22, 2022, Mr. ZHANG Yunfei was approved by the Board for re-appointment of our president. For details, please refer to the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022. On the same day, Mr. ZHAO Jiquan, Mr. LI Yanbin and Mr. WANG Yibin were approved by the Board for re-appointment as our vice presidents; Mr. WEN Gensheng was approved by the Board for re-appointment as our chief human resources officer; Mr. LI Weiqiang was approved by the Board for re-appointment as our secretary to the Board; Mr. SHANGGUAN Yujiang was approved by the Board for re-appointment as our assistant to the president; Ms. LI Wenli was approved by the Board for re-appointment as our chief audit officer, which is subject to the qualification approval by the CBIRC Shanxi Office.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period and up to the date of this announcement.

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by Directors, supervisors and relevant employees of the Bank. Having made enquiry with all Directors and supervisors, all of the Directors and supervisors confirmed that they have been in compliance with the above Model Code throughout the Reporting Period. The Bank is not aware of any violations of the Model Code by the employees concerned.

5.5 Profits and Dividends

The Group's revenue for the year ended December 31, 2022 and financial position as of the same date are set out in the section headed "ANNUAL FINANCIAL STATEMENTS" in this annual results announcement.

On March 29, 2022, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB10.0 (tax inclusive) per 100 shares, totaling RMB583.9 million for the year ended December 31, 2021 to all existing shareholders on record as at June 21, 2022. The declaration and distribution of these dividends were approved on the shareholders' general meeting on June 10, 2022. The Bank has distributed these dividends for the year ended December 31, 2021 with its internal funds on July 29, 2022.

The Board of Directors has proposed to distribute final cash dividends for the year ended December 31, 2022 at RMB10.0 (tax inclusive) per 100 shares, totaling approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the Bank's annual general meeting of 2022. If approved, the Bank's final dividend for the year ended December 31, 2022 will be denominated and declared in RMB. Dividends will be distributed to holders of domestic shares of the Bank in Renminbi and to holders of H shares in equivalent Hong Kong dollars. For this conversion, Renminbi will be converted to Hong Kong dollars at the average of the central parity rates as published by the PBoC of the five working days preceding June 9, 2023 (inclusive) (the date of the Bank's annual general meeting of 2022). If approved at the Bank's annual general meeting of 2022, it is expected that the final dividend will be paid on July 28, 2023.

The registration of transfers of H shares will be closed from Friday, June 16, 2023 to Wednesday, June 21, 2023 (both days inclusive). Each shareholder whose name appears on the Bank's share registers of H shares and domestic shares on Wednesday, June 21, 2023 will be entitled to receive final dividends. For a holder of H shares to be eligible for the final dividend, all transfer documents together with the relevant H shares certificates must be delivered to the H Share Registrar, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, June 15, 2023 for registration.

5.6 Purchase, Sale and Redemption of Listed Securities of the Bank

From January 1, 2022 to the date of this annual results announcement, neither the Bank nor any of its subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Audit of Annual Results and Review of the Annual Results by the Audit Committee

The annual financial statements of the Bank for the year ended December 31, 2022, which were prepared in accordance with IFRSs promulgated by IASB, have been audited by Ernst & Young in accordance with International Standards on Auditing.

The annual results of the Bank have been reviewed and approved by the Board of Directors and its Audit Committee.

5.8 Use of Proceeds

The proceeds from issuance of H shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed coupon interest rate of 3.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the People's Bank of China and the CBIRC Shanxi Office, the Bank successfully issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021, and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of 5+5 years at a fixed coupon interest rate of 4.78%, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

The Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Training Programs, Remuneration Policies, Equity Incentive Plan

As of December 31, 2022, the total number of employees of the Group reached 4,402, of which 27.9% were employees aged 30 and below, and 88.3% were employees with a bachelor's degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond to market changes and seize market opportunities. As of December 31, 2022, 213 employees in the retail line were qualified for AFP certification; 25 employees had CFP certificates.

The Bank earnestly implemented the national vocational skills improvement action plan. It formulated a granular annual training plan and carried out various trainings based on domestic and foreign financial hotspots and trends and its own management and development strategies adhering to the training concept of "party building leading, close to business, pragmatic and efficient, and service operation" and the work philosophy of "systematic design, project promotion, practical assessment, and market-oriented operation". The annual training work was aimed at providing strong talent pipeline with knowledge for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated training resources at three levels of headquarters, branches and sub-branches. Leveraging internal and external training both online and offline, it carried out all-round and multi-dimensional training work for the Bank's employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits programs including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, corporate annuity and supplementary medical insurance. The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

During the Reporting Period, the Bank has not implemented any equity incentive plan.

6. ANNUAL FINANCIAL STATEMENTS

Audit Opinions

The 2022 financial statements of the Bank prepared in accordance with IFRSs have been audited by Ernst & Young. Ernst & Young have expressed unqualified opinions in the auditor's report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**2022**	2021
Interest income		**10,728,849**	10,358,562
Interest expense		**(7,135,847)**	(6,804,515)
Net interest income	*3*	**3,593,002**	3,554,047
Fee and commission income		**937,227**	937,613
Fee and commission expense		**(203,234)**	(172,165)
Net fee and commission income	*4*	**733,993**	765,448
Net trading (losses)/gains	*5*	**(32,497)**	301,469
Net gains arising from investment securities	*6*	**917,579**	757,774
Other operating income	*7*	**48,097**	11,995
Operating income		**5,260,174**	5,390,733
Operating expenses	*8*	**(2,186,703)**	(2,070,493)
Impairment losses on credit	*11*	**(1,237,932)**	(1,652,927)
Share of profits of an associate		**20,784**	24,505
Profit before tax		**1,856,323**	1,691,818
Income tax	*12*	**(20,952)**	(12,460)
Net profit		**1,835,371**	1,679,358
Net profit attributable to:			
Equity holders of the Bank		**1,838,397**	1,685,628
Non-controlling interests		**(3,026)**	(6,270)

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

	Note	**2022**	2021
Net profit		**1,835,371**	1,679,358
Other comprehensive income:			
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, net of tax	*33(d)*	**(67,289)**	33,755
– net movement in the impairment reserve, net of tax	*33(e)*	**11,546**	(9,444)
Items that will not be reclassified to profit or loss:			
Remeasurement of a net defined benefit liability, net of tax	*33(f)*	**300**	(3,600)
Other comprehensive income, net of tax		**(55,443)**	20,711
Total comprehensive income		**1,779,928**	1,700,069
Total comprehensive income attributable to:			
Equity holders of the Bank		**1,782,954**	1,706,339
Non-controlling interests		**(3,026)**	(6,270)
Total comprehensive income		**1,779,928**	1,700,069
Basic and diluted earnings per share (in RMB)	*13*	**0.31**	0.29

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**As at 31 December 2022**	As at 31 December 2021
ASSETS			
Cash and deposits with the central bank	*14*	**16,956,777**	24,042,197
Deposits with banks and other financial institutions	*15*	**1,797,386**	1,914,906
Placements with banks and other financial institutions	*16*	**1,581,798**	2,700,264
Derivative financial assets	*17*	**–**	236
Financial assets held under resale agreements	*18*	**28,141,001**	26,351,992
Loans and advances to customers	*19*	**180,905,803**	151,007,392
Financial investments:	*20*		
Financial investments at fair value through profit or loss		**35,522,181**	35,783,091
Financial investments at fair value through other comprehensive income		**4,135,400**	5,430,753
Financial investments at amortised cost		**62,596,056**	51,352,825
Interest in an associate	*21*	**331,408**	318,624
Property and equipment	*23*	**1,319,833**	1,394,665
Deferred tax assets	*24*	**1,775,409**	1,710,646
Other assets	*25*	**1,356,462**	1,283,922
Total assets		**336,419,514**	303,291,513
LIABILITIES			
Borrowings from the central bank		**2,873,767**	2,799,217
Deposits from banks and other financial institutions	*26*	**120,070**	1,297,166
Placements from banks and other financial institutions	*27*	**–**	210,169
Derivative financial liabilities	*17*	**–**	403
Financial assets sold under repurchase agreements	*28*	**20,215,517**	15,345,732
Deposits from customers	*29*	**253,770,861**	199,207,180
Income tax payable		**151,952**	67,714
Debt securities issued	*30*	**33,534,258**	58,967,189
Other liabilities	*31*	**2,399,451**	3,239,168
Total liabilities		**313,065,876**	281,133,938

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

	Note	As at 31 December 2022	As at 31 December 2021
EQUITY			
Share capital	*32*	**5,838,650**	5,838,650
Capital reserve	*33(a)*	**6,627,602**	6,627,602
Surplus reserve	*33(b)*	**3,976,682**	3,792,525
General reserve	*33(c)*	**3,742,188**	3,161,131
Fair value reserve	*33(d)*	**(97,869)**	(30,580)
Impairment reserve	*33(e)*	**14,994**	3,448
Deficit on remeasurement of net defined benefit liability	*33(f)*	**(4,065)**	(4,365)
Retained earnings	*34*	**3,236,909**	2,747,591
Total equity attributable to equity holders of the Bank		**23,335,091**	22,136,002
Non-controlling interests		**18,547**	21,573
Total equity		**23,353,638**	22,157,575
Total liabilities and equity		**336,419,514**	303,291,513

Approved and authorised for issue by the Board of Directors on 28 March 2023.

Hao Qiang	**Zhang Yunfei**	**Zhao Jiquan**	
Chairwoman of the Board	*Executive Director*	*Officer in charge of Finance*	(Company chop)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2022		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575
Changes in equity for the year:												
Net profit for the year		-	-	-	-	-	-	-	1,838,397	1,838,397	(3,026)	1,835,371
Other comprehensive income		-	-	-	-	(67,289)	11,546	300	-	(55,443)	-	(55,443)
Total comprehensive income		-	-	-	-	(67,289)	11,546	300	1,838,397	1,782,954	(3,026)	1,779,928
Appropriation of profit												
– Appropriation to surplus reserve	*33(b)*	-	-	184,157	-	-	-	-	(184,157)	-	-	-
– Appropriation to general reserve	*33(c)*	-	-	-	581,057	-	-	-	(581,057)	-	-	-
– Dividends paid to shareholders	*34*	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 31 December 2022		5,838,650	6,627,602	3,976,682	3,742,188	(97,869)	14,994	(4,065)	3,236,909	23,335,091	18,547	23,353,638

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

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Bank										
As at 1 January 2021		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the year:												
Net profit for the year		–	–	–	–	–	–	–	1,685,628	1,685,628	(6,270)	1,679,358
Other comprehensive income		–	–	–	–	33,755	(9,444)	(3,600)	–	20,711	–	20,711
Total comprehensive income		–	–	–	–	33,755	(9,444)	(3,600)	1,685,628	1,706,339	(6,270)	1,700,069
Appropriation of profit												
– Appropriation to surplus reserve	*33(b)*	–	–	169,215	–	–	–	–	(169,215)	–	–	–
– Appropriation to general reserve	*33(c)*	–	–	–	351,768	–	–	–	(351,768)	–	–	–
– Dividends paid to shareholders	*34*	–	–	–	–	–	–	–	(583,865)	(583,865)	–	(583,865)
As at 31 December 2021		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

	2022	2021
Cash flows from operating activities		
Profit before tax	**1,856,323**	1,691,818
Adjustments for:		
Impairment losses on credit	**1,237,932**	1,652,927
Depreciation and amortisation	**324,338**	320,427
Accreted interest on credit-impaired loans	**(105,202)**	(79,025)
Unrealised foreign exchange gains	**2,776**	1,077
Gains on disposal of property and equipment and other assets	**(1,962)**	(545)
Net trading losses/(gains)	**29,721**	(302,546)
Net gains arising from investment securities	**(917,579)**	(757,774)
Share of profits of an associate	**(20,784)**	(24,505)
Interest expense on debts securities issued	**1,072,527**	1,686,567
Interest expense on lease liabilities	**13,013**	15,722
	3,491,103	4,204,143
Changes in operating assets		
Net (increase)/decrease in deposits with the central bank	**(1,182,620)**	2,359,121
Net increase in deposits with banks and other financial institutions	**(85,603)**	(204,588)
Net (increase)/decrease in placements with banks and other financial institutions	**(1,558,000)**	300,000
Net increase in financial assets held under resale agreements	**(1,792,196)**	(7,430,598)
Net increase in loans and advances to customers	**(30,585,802)**	(20,666,601)
Net increase in other operating assets	**(1,039,744)**	(536,634)
	(36,243,965)	(26,179,300)
Changes in operating liabilities		
Net increase in borrowings from the central bank	**74,228**	905,218
Net decrease in deposits from banks and other financial institutions	**(1,166,411)**	(611,407)
Net decrease in placements from banks and other financial institutions	**(210,000)**	(590,000)
Net increase in financial assets sold under repurchase agreements	**4,858,902**	1,918,846
Net increase in deposits from customers	**53,167,898**	21,872,557
Income tax paid	**(57,161)**	(241,224)
Net increase in other operating liabilities	**1,068,358**	1,331,905
	57,735,814	24,585,895
Net cash flows from operating activities	**24,982,952**	2,610,738

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

	Note	2022	2021
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**83,640,502**	93,792,319
Gains received from investment activities		**1,006,002**	781,152
Proceeds from disposal of property and equipment and other assets		**423**	675
Payments on acquisition of investments		**(93,423,158)**	(94,147,047)
Payments on acquisition of property and equipment, intangible assets and other assets		**(154,431)**	(194,681)
Net cash flows (used in)/from investing activities		**(8,930,662)**	232,418
Cash flows from financing activities			
Proceeds from debt securities issued	*35(c)*	**57,847,069**	81,478,683
Repayment of debt securities issued	*35(c)*	**(83,280,000)**	(74,770,000)
Interest paid on debt securities issued	*35(c)*	**(1,072,527)**	(1,604,687)
Dividends paid		**(577,315)**	(600,673)
Repayment of lease liabilities	*35(c)*	**(124,671)**	(103,242)
Interest paid on lease liabilities	*35(c)*	**(13,013)**	(15,722)
Net cash flows (used in)/from financing activities		**(27,220,457)**	4,384,359
Effect of exchange rate changes on cash and cash equivalents		**3,055**	(755)
Net (decrease)/increase in cash and cash equivalents	*35(a)*	**(11,165,112)**	7,226,760
Cash and cash equivalents as at 1 January		**16,315,416**	9,088,656
Cash and cash equivalents as at 31 December	*35(b)*	**5,150,304**	16,315,416
Interest received		**10,501,272**	10,215,770
Interest paid (excluding interest expense on debt securities issued)		**4,667,185**	4,565,839

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

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR END 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

1. BACKGROUND INFORMATION

Jinshang Bank Co., Ltd. (the "Bank") (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行開業的批復》(YinFu〔1998〕No. 323) issued by the People's Bank of China (the "PBOC"). According to the Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行更名的批復》(YinJianFu〔2008〕No. 569) issued by the former China Banking Regulatory Commission (the former "CBRC"), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business licence (credibility code: 911400007011347302). As at 31 December 2022, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the "CBIRC") which was authorised by the State Council.

In July 2019, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBIRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation and presentation

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

(a) Changes in accounting policies

Except as described below, the accounting policies applied in the preparation of the audited annual financial information are the same as those applied in the last annual financial statements.

On 1 January 2022, the Group adopted the following amendments.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The accounting policy changes above are unlikely to have significant impacts on the Group's results of operations, financial position and comprehensive income.

(b) ***Possible impact of new and revised standards issued but not yet effective and have not been early adopted for the year ended 31 December 2022***

The new and revised standards but not yet effective for the year ended 31 December 2022 are set out below:

		Effective for accounting period beginning on or after
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IFRS 17 and amendments to IFRS 17	*Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

The Group has assessed the impact of these new and revised standards. So far it has concluded that the adoptions of them are unlikely to have significant impacts on the Group's results of operations and financial position.

(2) Basis of preparation and presentation – Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group. All values presented in RMB have been rounded to the nearest thousands, except when otherwise indicated.

(3) Basis of preparation and presentation – Basis of measurement

Financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with relevant policy.

(4) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 of making the judgements 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(26).

(5) Subsidiary and non-controlling interests

Subsidiary is an entity 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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). 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 (see Note 2(16)). 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 year 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 the combined statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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 or joint control over a joint venture, 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 or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless these investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) Translation of foreign currencies

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

A spot exchange rate is quoted by the 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 items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period, the resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; 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.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, deposits and placements with banks and other financial institutions with an original maturity of less than three months.

(9) Financial instruments

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the 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.

(b) Contract modifications caused by interest rate benchmark reform

The terms of several financial instruments of the Group have been modified due to interest rate benchmark reform, as the existing interest rate benchmarks were replaced with alternative benchmark rates, the computing method of interest rate benchmarks were changed and other modifications to the terms of financial instruments.

For financial assets and liabilities measured using the effective interest method, the Group uses the modified contractual cash flows to recalculate the effective interest rate and subsequently measures the financial instruments, without adjusting the carrying amount of financial assets and liabilities or assessing whether the modification should be treated as a derecognition, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. When there are other changes to terms of the financial assets and liabilities, the Group assesses whether the other changes are substantive after accounting for the above modifications caused by interest rate benchmark reform.

(c) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

– Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and

– Financial assets measured at fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income when the relevant investment meets the definition of an equity investment from the issuer's perspective. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement

– Financial assets measured at amortised cost

  Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

– Debt instruments measured at fair value through other comprehensive income (FVOCI)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

– Equity investments designated at fair value through other comprehensive income

Such financial assets that the Group holds are subsequently measured at fair value. The dividend income shall be recognised through profit and loss, and a gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

– Financial assets measured at fair value through profit or loss (FVPL)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

(d) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or financial guarantee liabilities.

– Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

– Financial guarantee liabilities

Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(19)(a)) and the amount initially recognised less the cumulative amount of income.

(e) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

– financial assets measured at amortised cost; and

– debt instruments measured at FVOCI.

Financial assets measured at fair value, including debt instruments or equity investments at FVPL, and equity investments designated at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

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 ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

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

Measurement methods of ECLs used by the Group in the above areas are set out in Note 39(a).

Presentation of ECLs

ECL is remeasured at each end of the reporting period 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. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

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.

(f) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instruments with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(g) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is 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; or

– 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.

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 instrument 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 extinguished.

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in profit or loss.

(i) Offsetting

Financial assets and financial liabilities are generally presented separately in the 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 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; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

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

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the 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 reverse repurchase 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.

(11) Investment in a subsidiary

In the Group's consolidated financial statements, investment in a subsidiary is accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investment in a subsidiary is accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(16)) in the statement of financial position. Except for declared but not yet distributed cash dividends or profit distributions that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distributions declared by the investees as investment income.

(12) Property and equipment and construction in progress

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 statement of financial position at cost less accumulated depreciation and impairment loss (see Note 2(16)). Construction in progress is stated in the statement of financial position at cost less impairment loss (see Note 2(16)).

The cost of a purchased property and equipment 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. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. 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 thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

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.

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives, after considering their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	10 – 20 years	3%	4.85% – 9.70%
Motor vehicles	4 years	3%	24.25%
Electronic equipment	3 – 5 years	3%	19.40% – 32.33%
Others	3 – 10 years	3%	9.70% – 32.33%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end by the Group.

(13) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received.

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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

– its value 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 variables;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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.

The Group presents right-of-use assets that do not meet the definition of investment property in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other operating income”.

(14) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 2(16)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software and system development	2 – 10 years

(15) Repossessed assets

Repossessed assets refer to the real assets or property rights paid by the debtor, guarantor or third party when the Group exercises the creditor’s right or real right of guarantee in accordance with the law. Repossessed assets are initially recognised at fair value of assets not retained plus tax and related costs when they are obtained as the compensation for the loans’ principal and interest. Subsequent measurement shall be made according to the lower amount of book value and fair value minus disposal expense. Repossessed assets do not depreciate or amortise.

(16) 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

– construction in progress

– intangible assets

– investment in a subsidiary

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

A cash-generating unit ("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 keeping 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 higher of its fair value less costs to sell and its present value of expected future cash flows. 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 asset belongs.

An asset's fair value less costs to sell 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 present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing to use the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate 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.

If, in a subsequent period, the amount of impairment loss of the non-financial asset 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 impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(17) Employee benefits

(a) 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. Such schemes are arranged or regulated by PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

The defined contribution retirement plans of the Group include social pension schemes 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 the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity 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

In addition to the retirement benefits above, the Group has joined social security contribution 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 insurance 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.

(b) 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 paying to the employees after their retirement. The calculation is performed by the qualified and independent actuaries, Willis Towers Watson Consulting Co., Ltd. (Fellow of Society of Actuaries) 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 are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(18) Deferred tax

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.

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 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 difference 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 goodwill not deductible for tax purposes, 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 investment in a subsidiary 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.

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 the 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 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.

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

In terms of off-balance sheet credit commitments, the Group applies the expected credit loss model to measure the losses caused by particular debtors incapable of paying due debts, which are present in provisions. See Note 2(9)(e) for the description of the expected credit loss model.

(b) 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 determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(20) Fiduciary activities

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

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

Intermediary matchmaking service refers to the Group's signing agreements with customers and financing parties respectively, and providing intermediary matchmaking, information registration, agent interest payment or redemption and information disclosure services. As for the intermediary matchmaking service, the Group only fulfils its management duties and collects corresponding service fees in accordance with the relevant agreements and does not bear the relevant default risk arising from the intermediary matchmaking service. Therefore, the relevant intermediary matchmaking service is recorded as an off-balance sheet item.

(21) Income recognition

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

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities:

(a) 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.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) 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 the point in time when a customer obtains control of the promised services.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(22) Expenses recognition

(a) Interest expense

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

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) 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.

(24) 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 a parent of the Group.

(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 a parent of the Group.

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.

(25) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(26) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(a) Measurement of expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 39(a) credit risk.

(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 a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, 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 judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(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) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating 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 the selling price and related operating expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment and intangible 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 each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(5) indicate that the Group controls a non-principal guaranteed wealth management product, investment funds, etc.

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 investment fund, etc. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products, investment funds, etc, in which the Group has an interest or for which it is a sponsor, see Note 43.

(g) ***Defined benefit plan***

The Group, in accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumption to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, recognise a defined benefit plan liability by the present value of the defined benefit plan. The Group attributes obligations under a defined benefit plan to periods of service provided by employees, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset which include the service cost and interest expense of under a defined benefit plan, changes as a result of remeasurements of the net defined benefit plan liability or asset are recognised in deficit/surplus on remeasurement of net defined benefit liability.

(27) Taxation

The principal income and other taxes to which the Group is subject are listed below:

Taxes	**Statutory rates**	**Tax basis**
Corporate income tax	25%	Taxable income
Value-added tax	6%	Taxable added value
City construction and maintenance tax	7% or 5%	Turnover tax paid
Education surcharges	3%	Turnover tax paid

3. NET INTEREST INCOME

	2022	2021
Interest income arising from		
Deposits with the central bank	**210,841**	238,178
Deposits with banks and other financial institutions	**44,697**	54,000
Placements with banks and other financial institutions	**102,697**	99,821
Financial assets held under resale agreements	**377,996**	497,105
Loans and advances to customers		
– Corporate loans and advances	**5,631,535**	4,977,948
– Personal loans	**1,261,991**	1,152,653
– Discounted bills	**1,026,156**	1,034,043
Financial investments	**2,072,936**	2,304,814
Subtotal	**10,728,849**	10,358,562
Interest expense arising from		
Borrowings from the central bank	**(61,577)**	(49,327)
Deposits from banks and other financial institutions	**(15,492)**	(62,253)
Placements from banks and other financial institutions	**(5,117)**	(23,851)
Financial assets sold under repurchase agreements	**(294,048)**	(324,451)
Deposits from customers	**(5,687,086)**	(4,658,066)
Debt securities issued	**(1,072,527)**	(1,686,567)
Subtotal	**(7,135,847)**	(6,804,515)
Net interest income	**3,593,002**	3,554,047

Interest income arising from loans and advances to customers included RMB105 million for the year ended 31 December 2022 with respect to the accreted interest on credit-impaired loans (for the year ended 31 December 2021: RMB79 million).

4. NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2022	2021
Fee and commission income		
Settlement and clearing fees	**235,384**	98,834
Acceptance and guarantee service fees	**208,038**	208,350
Wealth management business fees	**205,049**	178,116
Bank card service fees	**148,991**	145,133
Agency service fees and others	**139,765**	307,180
Subtotal	**937,227**	937,613
Fee and commission expense		
Agency service fees and others	**(91,748)**	(55,887)
Bank card service fees	**(67,806)**	(68,011)
Settlement and clearing fees	**(43,680)**	(48,267)
Subtotal	**(203,234)**	(172,165)
Net fee and commission income	**733,993**	765,448

(b) Disaggregation of income:

	2022		2021	
	At a point in time	**Over time**	At a point in time	Over time
Settlement and clearing fees	**235,384**	**–**	98,834	–
Acceptance and guarantee service fees	**–**	**208,038**	–	208,350
Wealth management business fees	**–**	**205,049**	–	178,116
Bank card service fees	**134,729**	**14,262**	136,085	9,048
Agency service fees and others	**139,259**	**506**	226,486	80,694
Total	**509,372**	**427,855**	461,405	476,208

5. NET TRADING GAINS

	2022	2021
Net gains from funds	**47,986**	421,273
Net gains/(losses) from investment management products	**27,635**	(145,978)
Net losses from derivative financial instruments	**(331)**	(804)
Net (losses)/gains from interbank deposits issued	**(441)**	141
Exchange losses	**(2,776)**	(1,077)
Net (losses)/gains from equity investments and others	**(25,762)**	88,197
Net losses from debt securities	**(78,808)**	(60,283)
Total	**(32,497)**	301,469

6. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2022	2021
Net gains on financial investments at fair value through profit or loss	**887,124**	719,663
Net gains on financial investments at fair value through other comprehensive income	**30,455**	38,111
Total	**917,579**	757,774

7. OTHER OPERATING INCOME

	2022	2021
Government grants	**38,228**	7,242
Net gains on disposal of property and equipment and other assets	**1,969**	597
Income from long-term unwithdrawn items	**1,117**	2,310
Penalty income	**875**	678
Rental income	**98**	672
Others	**5,810**	496
Total	**48,097**	11,995

8. OPERATING EXPENSES

	2022	2021
Staff costs		
– Salaries, bonuses and allowances	**964,801**	874,412
– Social insurance and annuity	**212,569**	214,258
– Housing allowances	**70,296**	69,411
– Staff welfares	**53,948**	58,869
– Employee education expenses and labour union expenses	**21,588**	27,956
– Supplementary retirement benefits	**(1,020)**	15,770
– Others	**4,578**	22,025
Subtotal	**1,326,760**	1,282,701
Depreciation and amortisation	**324,338**	320,427
Taxes and surcharges	**86,198**	84,466
Rental and property management expenses	**43,023**	46,652
Other general and administrative expenses	**(406,384)**	(336,247)
Total	**2,186,703**	2,070,493

Auditor's remunerations were RMB3.98 million for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB3.98 million).

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax of the directors and supervisors who held office during the year are as follows:

	Year ended 31 December 2022						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Hao Qiang	–	325	361	686	34	161	881
Zhang Yunfei	–	262	443	705	34	201	940
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Ma Hongchao	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Sai Zhiyi	–	–	–	–	–	–	–
Hu Zhihong	–	–	–	–	–	–	–
Chen Yisheng	–	–	–	–	–	–	–
Employees' representative supervisors							
Xie Liying	–	297	335	632	34	234	900
Wen Qingquan	–	219	501	720	34	204	958
Su Hua	–	–	–	–	–	–	–
External supervisors							
Zhuo Zeyuan	–	–	–	–	–	–	–
Wu Jun	200	–	–	200	–	–	200
Bai Guangwei	–	–	–	–	–	–	–
Shareholders' representative supervisors							
Wang Weiping	–	–	–	–	–	–	–
Pang Zhengyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–
Former non-executive directors							
Xiang Lijun	–	–	–	–	–	–	–

	Year ended 31 December 2022						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Former independent non-executive directors							
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	200	–	–	200	–	–	200
Former employees' representative supervisors							
Guo Zhenrong	–	197	443	640	34	206	880
Former external supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Former shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,600	1,300	2,083	4,983	170	1,006	6,159

	Year ended 31 December 2021						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Hao Qiang	–	221	406	627	31	96	754
Zhang Yunfei	–	286	663	949	31	106	1,086
Wang Junbiao	–	75	57	132	9	21	162
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Xiang Lijun	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Sai Zhiyi	–	–	–	–	–	–	–
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	200	–	–	200	–	–	200
Employees' representative supervisors							
Xie Liying	–	208	442	650	31	130	811
Wen Qingquan	–	219	528	747	31	130	908
Guo Zhenrong	–	231	526	757	31	129	917
External supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,600	1,240	2,622	5,462	164	612	6,238

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes:

(a) At the extraordinary general meeting of shareholders held on 22 December 2022, Ma Hongchao was elected as a non-executive director, Hu Zhihong and Chen Yisheng were elected as independent non-executive directors, and the qualifications of the directors of the above persons shall take effect after the formal approval of the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission.

(b) After the change of the Board of Supervisors on 22 December 2022, Guo Zhenrong no longer served as the employee representative supervisor, Bi Guoyu and Xia Guisuo no longer served as shareholder representative supervisor, and Liu Shoubao and Liu Min no longer served as external supervisor.

(c) On 20 September 2022, Li Yang's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission has approved Mr. Li's qualification as a director of the Bank.

(d) On 26 August 2022, Duan Qingshan's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission has approved Duan's qualification as a director of the Bank.

(e) At the Bank's annual general meeting of shareholders on 10 June 2021, Hao Qiang and Zhang Yunfei were appointed as executive directors.

(f) On 10 June 2021, Xu Jin resigned as a shareholders' representative supervisor.

(g) On 20 January 2021, Wang Peiming resigned as an executive director.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2022, the five individuals with highest emoluments did not include any directors and supervisors of the Bank.

The emoluments for the five highest paid individuals for the year ended 31 December 2022 are as follows:

	2022	2021
Salaries and other emoluments	**1,114**	1,195
Discretionary bonuses	**9,323**	7,627
Contributions to pension schemes	**167**	153
Others	**721**	662
Total	**11,325**	9,637

The numbers of these individuals whose emoluments are within the following bands are set out below:

	2022	2021
HKD1,000,001 – 1,500,000	**1**	–
HKD1,500,001 – 2,000,000	**3**	1
HKD2,000,001 – 2,500,000	**–**	2
HKD2,500,001 – 3,000,000	**–**	2
HKD3,000,001 – 3,500,000	**–**	–
HKD3,500,001 – 4,000,000	**–**	–
HKD4,000,001 – 4,500,000	**–**	–
HKD4,500,001 – 5,000,000	**–**	–
HKD5,000,001 – 5,500,000	**–**	–
HKD5,500,001 – 6,000,000	**–**	–
HKD6,000,001 – 6,500,000	**1**	–

None of these individuals received any inducement to join or upon joining the Group or as compensation for loss of office, or waived any emoluments during the year.

11. IMPAIRMENT LOSSES ON CREDIT

	2022	2021
Loans and advances to customers	**1,229,305**	1,487,085
Financial investments	**358,704**	167,287
Placements with banks and other financial institutions	**6,005**	440
Financial assets held under resale agreements	**(1)**	1
Deposits with banks and other financial institutions	**(892)**	695
Other assets	**(21,294)**	10,854
Credit commitments	**(333,895)**	(13,435)
Total	**1,237,932**	1,652,927

12. INCOME TAX EXPENSE

(a) Income tax expense:

	2022	2021
Current tax	**67,234**	34,380
Deferred tax	**(46,282)**	(21,920)
Total	**20,952**	12,460

(b) Reconciliations between income tax and accounting profit are as follows:

		2022	2021
Profit before tax		**1,856,323**	1,691,818
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**464,081**	422,955
Non-deductible expenses		**57,051**	27,174
Non-taxable income	*(i)*	**(500,180)**	(437,669)
Income tax		**20,952**	12,460

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds, and dividends from domestic funds.

13. BASIC AND DILUTED EARNINGS PER SHARE

		2022	2021
Net profit attributable to equity holders of the Bank		**1,838,397**	1,685,628
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.31**	0.29

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 at the beginning of the year	**5,838,650**	5,838,650
Weighted average number of ordinary shares issued during the year	**–**	–
Weighted average number of ordinary shares	**5,838,650**	5,838,650

Basic earnings per share amount has been computed by taking into account the aforesaid shares subscribed by the investors during the year.

14. CASH AND DEPOSITS WITH THE CENTRAL BANK

		31 December 2022	31 December 2021
Cash on hand		**272,826**	291,567
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**12,439,357**	11,236,403
– Surplus deposit reserves	*(b)*	**4,196,286**	12,446,194
– Fiscal deposits		**42,168**	62,502
Subtotal		**16,677,811**	23,745,099
Interest accrued		**6,140**	5,531
Total		**16,956,777**	24,042,197

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the reporting periods, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2022	31 December 2021
Reserve ratio for RMB deposits	**5.25%**	6.00%
Reserve ratio for foreign currency deposits	**6.00%**	9.00%

The statutory deposit reserves are not available for the Bank's daily business. A subsidiary of the Bank is required to place statutory RMB deposit reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Deposits in Mainland China		
– Banks	**679,113**	894,048
– Other financial institutions	**1,103,314**	1,000,057
Subtotal	**1,782,427**	1,894,105
Deposits outside Mainland China		
– Banks	**1,965**	1,147
Interest accrued	**13,450**	21,002
Less: Provision for impairment losses	**(456)**	(1,348)
Total	**1,797,386**	1,914,906

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in Mainland China		
– Banks	**–**	400,000
– Other financial institutions	**1,558,000**	2,300,000
Subtotal	**1,558,000**	2,700,000
Interest accrued	**30,293**	754
Less: Provision for impairment losses	**(6,495)**	(490)
Total	**1,581,798**	2,700,264

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments mainly including interest rate swaps and credit risk mitigation warrants.

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.

	31 December 2022		
	Notional amount	**Fair value Assets**	**Fair value Liabilities**
Derivative financial instruments:			
– Interest rate swaps	**–**	**–**	**–**
– Credit risk mitigation warrants	**–**	**–**	**–**
Total	**–**	**–**	**–**

	31 December 2021		
	Notional amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments:			
– Interest rate swaps	20,000	–	(403)
– Credit risk mitigation warrants	20,000	236	–
Total	40,000	236	(403)

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	**19,464,083**	19,444,089
– Other financial institutions	**8,673,362**	6,901,160
Subtotal	**28,137,445**	26,345,249
Interest accrued	**3,557**	6,745
Less: Provision for impairment losses	**(1)**	(2)
Total	**28,141,001**	26,351,992

(b) **Analysed by type of collateral held**

	31 December 2022	31 December 2021
Securities		
– Government	**10,748,269**	5,277,355
– Policy banks	**7,905,642**	2,189,445
– Corporates	**–**	814,800
Subtotal	**18,653,911**	8,281,600
Interbank deposits	**–**	991,560
Bank acceptances	**9,483,534**	17,072,089
Subtotal	**28,137,445**	26,345,249
Interest accrued	**3,557**	6,745
Less: Provision for impairment losses	**(1)**	(2)
Total	**28,141,001**	26,351,992

As at 31 December 2022 and 31 December 2021, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 42(f)).

19. LOANS AND ADVANCES TO CUSTOMERS

(a) **Analysed by nature**

	31 December 2022	31 December 2021
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**109,511,972**	97,971,944
Personal loans		
– Residential mortgage loans	**20,208,826**	18,687,921
– Personal consumption loans	**2,202,939**	1,614,437
– Personal business loans	**1,696,885**	2,126,262
– Credit cards	**4,698,195**	4,443,332
Subtotal	**28,806,845**	26,871,952
Interest accrued	**774,043**	544,048
Less: Provision for loans and advances to customers measured at amortised cost	**(5,920,161)**	(5,277,108)
Subtotal	**133,172,699**	120,110,836
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	**47,733,104**	30,896,556
Subtotal	**47,733,104**	30,896,556
Net loans and advances to customers	**180,905,803**	151,007,392

(b) **Loans and advances to customers (excluding interest accrued) analysed by industry sector**

	31 December 2022		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**40,371,756**	**21.70%**	**4,656,613**
Mining	**20,878,205**	**11.22%**	**5,016,111**
Wholesale and retail trade	**11,694,657**	**6.29%**	**3,666,329**
Real estate	**8,204,303**	**4.41%**	**2,312,542**
Leasing and commercial services	**7,630,944**	**4.10%**	**758,799**
Construction	**4,557,080**	**2.45%**	**804,048**
Production and supply of electric power, heating, gas and water	**3,978,686**	**2.14%**	**162,000**
Water, environment and public utility management	**3,228,295**	**1.74%**	**43,224**
Financial services	**3,128,133**	**1.68%**	**63,650**
Transportation, storage and postal services	**1,929,945**	**1.04%**	**1,034,540**
Lodging and catering	**642,397**	**0.35%**	**376,786**
Agriculture, forestry, animal husbandry and fishery	**180,133**	**0.10%**	**54,267**
Education	**135,200**	**0.07%**	**131,050**
Others	**2,952,238**	**1.57%**	**1,933,690**
Subtotal of corporate loans and advances	**109,511,972**	**58.86%**	**21,013,649**
Personal loans	**28,806,845**	**15.48%**	**13,417,229**
Discounted bills	**47,733,104**	**25.66%**	**47,733,104**
Gross loans and advances to customers	**186,051,921**	**100.00%**	**82,163,982**

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	33,809,160	21.71%	3,651,535
Mining	19,170,970	12.31%	4,763,859
Wholesale and retail trade	11,490,064	7.38%	3,247,359
Real estate	8,935,988	5.74%	2,936,908
Leasing and commercial services	5,398,033	3.47%	863,223
Financial services	3,905,107	2.51%	83,695
Construction	3,846,004	2.47%	544,749
Water, environment and public utility management	2,904,782	1.87%	9,500
Production and supply of electric power, heating, gas and water	1,551,340	1.00%	252,246
Transportation, storage and postal services	1,089,360	0.70%	717,517
Lodging and catering	706,536	0.45%	424,753
Agriculture, forestry, animal husbandry and fishery	269,977	0.17%	56,357
Education	28,567	0.02%	21,067
Others	4,866,056	3.11%	2,411,640
Subtotal of corporate loans and advances	97,971,944	62.91%	19,984,408
Personal loans	26,871,952	17.25%	11,877,132
Discounted bills	30,896,556	19.84%	30,896,556
Gross loans and advances to customers	155,740,452	100.00%	62,758,096

As at the end of the reporting period and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constituted 10% or more of gross loans and advances to customers is as follows:

	31 December 2022					
	Credit-impaired loans and advances	**Expected credit losses over the next 12 months**	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Charge for/ (Reversal of) for the year**	**Written off during the year**
Manufacturing	**297,958**	**1,037,999**	**214,063**	**144,745**	**42,840**	**20,476**
Mining	**9,283**	**514,982**	**191,443**	**2,882**	**(57,221)**	**–**

	31 December 2021					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Charge for/ (Reversal of) for the year	Written off during the year
Manufacturing	836,044	756,899	196,330	400,738	29,985	31,900
Mining	–	446,129	320,399	–	(254,868)	–

(c) **Analysed by type of collateral**

	31 December 2022	31 December 2021
Unsecured loans	**20,169,607**	13,542,623
Guaranteed loans	**83,718,332**	79,439,733
Collateralised loans	**25,475,938**	25,549,655
Pledged loans	**56,688,044**	37,208,441
Subtotal	**186,051,921**	155,740,452
Interest accrued	**774,043**	544,048
Gross loans and advances to customers	**186,825,964**	156,284,500
Less: Provision for loans and advances to customers measured at amortised cost	**(5,920,161)**	(5,277,108)
Net loans and advances to customers	**180,905,803**	151,007,392

(d) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2022				
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**449,618**	**129,145**	**133,571**	**12,759**	**725,093**
Guaranteed loans	**233,550**	**402,993**	**1,339,378**	**145,848**	**2,121,769**
Collateralised loans	**133,220**	**347,867**	**313,239**	**63,724**	**858,050**
Pledged loans	**4,692**	**–**	**5,998**	**9,500**	**20,190**
Total	**821,080**	**880,005**	**1,792,186**	**231,831**	**3,725,102**
As a percentage of gross loans and advances to customers	**0.44%**	**0.48%**	**0.96%**	**0.12%**	**2.00%**

	31 December 2021				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	199,002	105,490	113,655	8,715	426,862
Guaranteed loans	53,673	1,262,709	311,718	121,629	1,749,729
Collateralised loans	264,055	59,209	560,722	36,932	920,918
Pledged loans	4,398	6,000	11,400	–	21,798
Total	521,128	1,433,408	997,495	167,276	3,119,307
As a percentage of gross loans and advances to customers	0.33%	0.92%	0.64%	0.11%	2.00%

Overdue loans represent loans of which the whole or part of the principals or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

	31 December 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans[(i)]**	**Total**
Total loans and advances to customers measured at amortised cost	**128,113,328**	**7,625,583**	**3,353,949**	**139,092,860**
Less: Provision for impairment losses	**(2,774,583)**	**(1,345,928)**	**(1,799,650)**	**(5,920,161)**
Carrying amount of loans and advances to customers measured at amortised cost	**125,338,745**	**6,279,655**	**1,554,299**	**133,172,699**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**47,733,104**	**–**	**–**	**47,733,104**
Net loans and advances to customers	**173,071,849**	**6,279,655**	**1,554,299**	**180,905,803**

	31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans[(i)]	Total
Total loans and advances to customers measured at amortised cost	113,923,962	8,605,498	2,858,484	125,387,944
Less: Provision for impairment losses	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Carrying amount of loans and advances to customers measured at amortised cost	111,447,810	7,251,743	1,411,283	120,110,836
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	30,896,556	–	–	30,896,556
Net loans and advances to customers	142,344,366	7,251,743	1,411,283	151,007,392

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as overdue of principal or interest for more than 90 days; the possibility that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties, etc.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**2,476,152**	**1,353,755**	**1,447,201**	**5,277,108**
Transferred:				
– to expected credit losses over the next 12 months	**40,614**	**(31,962)**	**(8,652)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(9,477)**	**16,033**	**(6,556)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(41,375)**	**(79,323)**	**120,698**	**–**
Charge for the year	**308,669**	**87,425**	**819,837**	**1,215,931**
Transfer out	**–**	**–**	**(328,385)**	**(328,385)**
Recoveries	**–**	**–**	**4,530**	**4,530**
Write-offs	**–**	**–**	**(143,821)**	**(143,821)**
Other changes	**–**	**–**	**(105,202)**	**(105,202)**
As at 31 December	**2,774,583**	**1,345,928**	**1,799,650**	**5,920,161**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	2,980,705	718,958	1,154,512	4,854,175
Transferred:				
– to expected credit losses over the next 12 months	12,382	(8,966)	(3,416)	–
– to lifetime expected credit losses: not credit-impaired loans	(121,040)	129,875	(8,835)	–
– to lifetime expected credit losses: credit-impaired loans	(53,279)	(38,026)	91,305	–
(Reversal of)/Charge for the year	(342,616)	551,914	1,275,720	1,485,018
Transfer out	–	–	(830,265)	(830,265)
Recoveries	–	–	12,434	12,434
Write-offs	–	–	(165,229)	(165,229)
Other changes	–	–	(79,025)	(79,025)
As at 31 December	2,476,152	1,353,755	1,447,201	5,277,108

(ii) ***Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:***

		Year ended 31 December 2022		
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**4,375**	**–**	**–**	**4,375**
Charge for the year	**13,374**	**–**	**–**	**13,374**
As at 31 December	**17,749**	**–**	**–**	**17,749**

		Year ended 31 December 2021		
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	4,708	–	9,600	14,308
(Reversal of)/Charge for the year	(333)	–	2,400	2,067
Write-offs	–	–	(12,000)	(12,000)
As at 31 December	4,375	–	–	4,375

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the year ended 31 December 2022, the Group transferred loans and advances with a gross amount of RMB522 million (for the year ended 31 December 2021: RMB1,251 million) to independent third parties, and the transfer price was RMB205 million (for the year ended 31 December 2021: RMB425 million).

During the years ended 31 December 2022 and 31 December 2021, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

20. FINANCIAL INVESTMENTS

		31 December 2022	31 December 2021
Financial investments measured at fair value through profit or loss	*(a)*	**35,522,181**	35,783,091
Financial investments measured at fair value through other comprehensive income	*(b)*	**4,135,400**	5,430,753
Financial investments measured at amortised cost	*(c)*	**62,596,056**	51,352,825
Total		**102,253,637**	92,566,669

(a) Financial investments measured at fair value through profit or loss

	31 December 2022	31 December 2021
Debt securities issued by the following institutions in Mainland China		
– Government	**651,285**	1,239,196
– Policy banks	**197,235**	30,208
– Banks and other financial institutions	**420,016**	378,154
– Corporates	**532,065**	610,168
Subtotal	**1,800,601**	2,257,726
Interbank deposits	**148,065**	885,520
Investment funds	**30,821,223**	30,012,395
Investment management products	**2,554,662**	2,404,290
Other investments	**197,630**	223,160
Total	**35,522,181**	35,783,091

As at 31 December 2022 and 31 December 2021, there were no investments subject to material restrictions in the realisation.

(b) Financial investments measured at fair value through other comprehensive income

	31 December 2022	31 December 2021
Debt securities issued by the following institutions in Mainland China		
– Government	**964,999**	2,512,720
– Policy banks	**1,349,515**	336,018
– Banks and other financial institutions	**381,464**	524,036
Subtotal	**2,695,978**	3,372,774
Interest accrued	**45,223**	53,659
Subtotal	**2,741,201**	3,426,433
Interbank deposits	**–**	1,192,079
Investment management products	**751,811**	661,376
Interest accrued	**31,306**	30,165
Subtotal	**783,117**	691,541
Other investments	**611,082**	120,700
Total	**4,135,400**	5,430,753

(i) As at 31 December 2022 and 31 December 2021, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income:

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired**	**Lifetime expected credit losses: credit-impaired**	**Total**
Balance at 1 January	**223**	**–**	**–**	**223**
Charge for the year	**2,021**	**–**	**–**	**2,021**
Balance at 31 December	**2,244**	**–**	**–**	**2,244**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	2,882	–	–	2,882
Reversal of the year	(2,659)	–	–	(2,659)
Balance at 31 December	223	–	–	223

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(c) Financial investments measured at amortised cost

		31 December 2022	31 December 2021
Debt securities issued by the following institutions in Mainland China	*(i)*		
– Government		**36,580,714**	32,578,265
– Policy banks		**13,963,279**	1,912,870
– Banks and other financial institutions		**800,017**	320,000
– Corporates		**872,453**	920,866
Interest accrued		**817,507**	487,179
Subtotal		**53,033,970**	36,219,180
Interbank deposits		**–**	248,154
Investment management products		**10,880,559**	16,133,543
Interest accrued		**29,447**	82,560
Subtotal		**10,910,006**	16,216,103
Less: Provision for impairment losses	*(ii)*	**(1,347,920)**	(1,330,612)
Total		**62,596,056**	51,352,825

(i) As at the end of each of the reporting periods, certain debt securities were pledged for repurchase agreements (Note 42(f)).

(ii) Movements in provision for impairment losses on financial investments measured at amortised cost:

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired**	**Lifetime expected credit losses: credit-impaired**	**Total**
Balance at 1 January	**222,062**	**242,777**	**865,773**	**1,330,612**
Transfers:				
– to expected credit losses over the next 12 months	**–**	**–**	**–**	**–**
– to lifetime expected credit losses: not credit-impaired	**–**	**–**	**–**	**–**
– to lifetime expected credit losses: credit-impaired	**–**	**(168,750)**	**168,750**	**–**
Charge for the year	**17,114**	**77,015**	**262,554**	**356,683**
Transfer out	**–**	**(137,753)**	**(201,622)**	**(339,375)**
Balance at 31 December	**239,176**	**13,289**	**1,095,455**	**1,347,920**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	418,975	232,000	899,977	1,550,952
Transfers:				
– to expected credit losses over the next 12 months	98,598	–	(98,598)	–
– to lifetime expected credit losses: not credit-impaired	(29,511)	29,511	–	–
– to lifetime expected credit losses: credit-impaired	–	(112,000)	112,000	–
(Reversal of)/Charge for the year	(266,000)	131,036	304,910	169,946
Transfer out	–	(37,770)	(352,516)	(390,286)
Balance at 31 December	222,062	242,777	865,773	1,330,612

(d) Financial investments are analysed as follows:

	31 December 2022	31 December 2021
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**1,703,853**	2,163,337
– Unlisted	**96,748**	94,389
Interbank deposits		
– Listed	**148,065**	885,520
Fund investments and others		
– Listed	**197,630**	223,160
– Unlisted	**33,375,885**	32,416,685
Subtotal	**35,522,181**	35,783,091
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**2,741,201**	3,426,433
Interbank deposits		
– Listed	**–**	1,192,079
Investment management products and others		
– Listed	**490,382**	–
– Unlisted	**903,817**	812,241
Subtotal	**4,135,400**	5,430,753
Financial investments measured at amortised cost		
Debt securities		
– Listed	**52,901,728**	35,911,345
– Unlisted	**107,923**	246,526
Interbank deposits		
– Listed	**–**	248,130
Investment management products		
– Unlisted	**9,586,405**	14,946,824
Subtotal	**62,596,056**	51,352,825
Total	**102,253,637**	92,566,669
Listed	**58,182,859**	44,050,004
Unlisted	**44,070,778**	48,516,665
Total	**102,253,637**	92,566,669

Debt securities traded in the interbank market of Mainland China are included in "Listed". Interbank deposits traded in the interbank market of Mainland China are classified as "Listed".

21. INTEREST IN AN ASSOCIATE

	31 December 2022	31 December 2021
Interest in an associate	**331,408**	318,624

The following table contains information about the Group's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	**Percentages of equity/voting rights 31 December 2022**	31 December 2021	**Place of incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd.	**40%**	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. ("Jinshang Consumer Finance"), which was registered in Taiyuan, Shanxi, China with its main business operating in Mainland China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 31 December 2022, Jinshang Consumer Finance had share capital of RMB500 million.

The following tables illustrate the financial information of the Group's associate that is not individually material:

	31 December 2022	31 December 2021
Carrying amount of the individually immaterial associate in the statement of financial position of the Bank	**331,408**	318,624
Amounts of the Bank's share of results of the associate		
– Profit from continuing operations	**20,784**	24,505
– Cash dividends	**(8,000)**	–
– Total comprehensive income	**12,784**	24,505

22. INVESTMENT IN A SUBSIDIARY

	31 December 2022	31 December 2021
Qingxu Jinshang Village and Township Bank Co., Ltd.	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are operating in Mainland China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 31 December 2022 and 31 December 2021, the Bank held the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 31 December 2022, Qingxu Village and Township Bank had share capital of RMB50 million.

23. PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2021	1,654,962	54,697	13,461	467,267	371,785	2,562,172
Additions	6,748	3,281	–	45,201	17,259	72,489
Disposals	–	(389)	–	(3,538)	–	(3,927)
As at 31 December 2021	1,661,710	57,589	13,461	508,930	389,044	2,630,734
Additions	40,036	915	–	26,364	2,910	70,225
Disposals	–	(801)	–	(9,074)	(2,270)	(12,145)
As at 31 December 2022	**1,701,746**	**57,703**	**13,461**	**526,220**	**389,684**	**2,688,814**
Accumulated depreciation						
As at 1 January 2021	(357,263)	(30,222)	(11,096)	(363,587)	(321,088)	(1,083,256)
Charge for the year	(78,018)	(6,388)	(639)	(52,657)	(18,908)	(156,610)
Disposals	–	374	–	3,423	–	3,797
As at 31 December 2021	(435,281)	(36,236)	(11,735)	(412,821)	(339,996)	(1,236,069)
Charge for the year	(79,021)	(6,041)	(544)	(43,999)	(15,150)	(144,755)
Disposals	–	778	–	8,795	2,270	11,843
As at 31 December 2022	**(514,302)**	**(41,499)**	**(12,279)**	**(448,025)**	**(352,876)**	**(1,368,981)**
Net book value						
As at 31 December 2021	1,226,429	21,353	1,726	96,109	49,048	1,394,665
As at 31 December 2022	**1,187,444**	**16,204**	**1,182**	**78,195**	**36,808**	**1,319,833**

As at 31 December 2022, the net book values of premises of which title deeds were not yet finalised totalled RMB82 million (31 December 2021: RMB620 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining term of lease as follows:

	31 December 2022	31 December 2021
Held in Mainland China		
– Medium-term leases (10-50 years)	**1,187,444**	1,226,429

24. DEFERRED TAX ASSETS

(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)
Deferred income tax assets				
– Allowance for impairment losses	**5,890,436**	**1,472,609**	5,850,940	1,462,735
– Accrued staff costs	**841,872**	**210,468**	708,752	177,188
– Others	**647,552**	**161,888**	731,356	182,839
Subtotal	**7,379,860**	**1,844,965**	7,291,048	1,822,762
Deferred income tax liabilities				
– Fair value changes of financial assets	**(278,224)**	**(69,556)**	(448,464)	(112,116)
Subtotal	**(278,224)**	**(69,556)**	(448,464)	(112,116)
Net balances	**7,101,636**	**1,775,409**	6,842,584	1,710,646

(b) Movements in deferred tax

	Allowance for impairment losses[(i)]	**Accrued staff costs**	**Net (gains)/ losses on fair value changes**[(ii)]	**Others**	**Net balance of deferred tax assets**
As at 1 January 2021	1,438,582	157,010	(33,344)	133,382	1,695,630
Recognised in profit or loss	24,153	18,978	(67,520)	49,457	25,068
Recognised in other comprehensive income	–	1,200	(11,252)	–	(10,052)
As at 31 December 2021	1,462,735	177,188	(112,116)	182,839	1,710,646
Recognised in profit or loss	9,874	33,380	20,130	(20,951)	42,433
Recognised in other comprehensive income	–	(100)	22,430	–	22,330
As at 31 December 2022	**1,472,609**	**210,468**	**(69,556)**	**161,888**	**1,775,409**

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

25. OTHER ASSETS

		31 December 2022	31 December 2021
Accounts receivable and prepayments		**445,168**	486,165
Right-of-use assets	*(a)*	**338,538**	358,218
Intangible assets	*(b)*	**289,625**	272,070
Repossessed assets	*(c)*	**187,670**	119,185
Land use rights	*(d)*	**60,036**	61,802
Interest receivables	*(e)*	**27,177**	34,063
Long-term deferred expenses		**13,404**	15,032
Subtotal		**1,361,618**	1,346,535
Less: Allowances for impairment losses		**(5,156)**	(62,613)
Total		**1,356,462**	1,283,922

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2021	606,428
Additions	85,843
Deductions	(36,331)
As at 31 December 2021	655,940
Additions	134,152
Deductions	(52,773)
As at 31 December 2022	**737,319**
Accumulated depreciation	
As at 1 January 2021	(193,464)
Additions	(125,849)
Deductions	21,591
As at 31 December 2021	(297,722)
Additions	(114,668)
Deductions	13,609
As at 31 December 2022	**(398,781)**
Net book value	
As at 31 December 2021	358,218
As at 31 December 2022	**338,538**

(b) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2021	341,289
Additions	119,096
As at 31 December 2021	460,385
Additions	81,946
Disposals	(117)
As at 31 December 2022	**542,214**
Accumulated amortisation	
As at 1 January 2021	(154,508)
Additions	(33,807)
As at 31 December 2021	(188,315)
Additions	(64,281)
Disposals	7
As at 31 December 2022	**(252,589)**
Net book value	
As at 31 December 2021	272,070
As at 31 December 2022	**289,625**

(c) Repossessed assets

	31 December 2022	31 December 2021
Land use rights and buildings	**187,670**	119,185
Less: Impairment allowances	**(1,709)**	(34,566)
Net balances	**185,961**	84,619

(d) Land use rights

The carrying value of land use rights is analysed based on the remaining term of lease as follows:

	31 December 2022	31 December 2021
For land located in Mainland China:		
10-35 years	60,036	61,802

The Group's right-of-use assets include the above-mentioned fully prepaid land use rights and other right-of-use assets disclosed in Note 25(a).

The amortisation period of the Group's land use rights is between 10 and 35 years.

(e) **Interest receivables**

	31 December 2022	31 December 2021
Interest receivables arising from:		
Loans and advances to customers	**27,177**	34,063
Total	**27,177**	34,063

As at 31 December 2022 and 31 December 2021, interest receivables only included interest that has been due for the relevant financial instruments but not yet received at the end of the reporting period. Interest on financial instruments based on the effective interest method has been reflected in the balances of the corresponding financial instruments.

26. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type of and location of counterparty

	31 December 2022	31 December 2021
Deposits in Mainland China		
– Banks	**48,297**	1,260,767
– Other financial institutions	**71,022**	24,963
Subtotal	**119,319**	1,285,730
Interest accrued	**751**	11,436
Total	**120,070**	1,297,166

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	**–**	210,000
Subtotal	**–**	210,000
Interest accrued	**–**	169
Total	**–**	210,169

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	**19,679,611**	14,168,977
– Other financial institutions	**517,801**	1,169,533
Subtotal	**20,197,412**	15,338,510
Interest accrued	**18,105**	7,222
Total	**20,215,517**	15,345,732

(b) Analysed by type of collateral held

	31 December 2022	31 December 2021
Debt securities	**17,723,500**	11,171,170
Bank acceptances	**2,473,912**	4,167,340
Subtotal	**20,197,412**	15,338,510
Interest accrued	**18,105**	7,222
Total	**20,215,517**	15,345,732

29. DEPOSITS FROM CUSTOMERS

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	**51,771,406**	42,270,445
– Individual customers	**16,896,028**	10,988,143
Subtotal	**68,667,434**	53,258,588
Time deposits		
– Corporate customers	**55,825,225**	39,670,828
– Individual customers	**103,106,145**	83,271,636
Subtotal	**158,931,370**	122,942,464
Pledged deposits		
– Acceptances	**17,817,539**	17,124,006
– Letters of credit and guarantee	**2,101,885**	1,155,581
– Letters of guarantee	**43,709**	27,878
– Others	**732,588**	643,271
Subtotal	**20,695,721**	18,950,736
Fiscal deposits	**12**	9
Inward and outward remittances	**139,305**	114,147
Accrued interest	**5,337,019**	3,941,236
Total	**253,770,861**	199,207,180

30. DEBT SECURITIES ISSUED

		31 December 2022	31 December 2021
Interbank deposits issued	*(a)*	**27,360,089**	52,793,550
Financial bonds issued	*(b)*	**3,999,870**	3,999,433
Tier-two capital bonds issued	*(c)*	**1,999,049**	1,998,956
Subtotal		**33,359,008**	58,791,939
Interest accrued		**175,250**	175,250
Total		**33,534,258**	58,967,189

(a) Interbank deposits issued

(i) During the year ended 31 December 2022, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB57,450 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.33% to 2.70% per annum.

(ii) In 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB79,660 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.

(iii) As at 31 December 2022, the fair value of interbank deposits issued was RMB27,208 million (31 December 2021: RMB52,334 million).

(b) Financial bonds issued

(i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The fixed coupon interest rate per annum is 3.00%.

(ii) As at 31 December 2022, the fair value of the financial bonds issued was RMB4,006 million (31 December 2021: RMB3,999 million).

(c) Tier-two capital bonds issued

(i) In January 2021, the Bank issued ten-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.

(ii) As at 31 December 2022, the fair value of the tier-two capital bonds issued was RMB2,003 million (31 December 2021: RMB1,962 million).

31. OTHER LIABILITIES

		31 December 2022	31 December 2021
Accounts payable in the process of clearance and settlement		**554,460**	1,139,714
Accrued staff cost	*(a)*	**841,770**	760,046
Provisions	*(b)*	**330,441**	664,336
Lease liabilities	*(c)*	**323,734**	336,347
Contract liabilities	*(d)*	**107,318**	115,164
Other taxes payable		**124,159**	112,542
Dividend payable		**117,569**	111,019
Total		**2,399,451**	3,239,168

(a) Accrued staff cost

	31 December 2022	31 December 2021
Salary, bonuses and allowances payable	**696,413**	560,116
Supplementary retirement benefits payable	**40,996**	49,314
Pension and annuity payable	**14,839**	45,761
Other social insurance payable	**13,279**	18,009
Housing fund payable	**6,165**	13,659
Others	**70,078**	73,187
Total	**841,770**	760,046

Supplementary retirement benefits

The Group pays supplementary retirement benefits to eligible employees. The amount confirmed in the statement of financial position represents the discounted value of the estimated benefit liability promised to be paid at the end of the reporting period. The supplementary retirement benefits payable of the Group at the end of the relevant reporting period are actuarial assessed by independent actuary Taorui Huiyue Management Consulting (Shenzhen) Co., Ltd. using the projected unit credit actuarial cost method.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2022	31 December 2021
Present value of supplementary retirement benefits	**40,996**	49,314

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2022	2021
As at 1 January	**49,314**	42,629
Benefits paid during the year	**(8,078)**	(15,045)
Defined benefit cost recognised in profit or loss	**160**	16,930
Defined benefit cost recognised in other comprehensive income	**(400)**	4,800
As at 31 December	**40,996**	49,314

(iii) 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	**Note (a)**	Note (a)
Annual increase rate of social insurance for existing early retirees	**7.00%**	7.00%
Annual increase rate of living expenses, housing fund and annuity for existing early retirees	**3.50%**	7.00%
Annual increase rate of other allowances for existing early retirees	**0.00%**	4.50%

Supplementary retirement plan

	31 December 2022	31 December 2021
Discount rate	**3.00%**	3.00%
Mortality	**Note (a)**	Note (a)
Turnover rate		
More than 10 years before retirement	**2.00%**	0.00%
Less than 10 years before retirement	**0.00%**	0.00%
Annual growth rate of one-time "one-child" welfare	**7.00%**	7.00%

Note:

(a) As at 31 December 2022 and 31 December 2021, mortality assumptions were based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by PLICC, which were published historical statistics in Mainland China.

(b) Provisions

		31 December 2022	31 December 2021
Expected credit losses	*(i)*	**330,441**	664,336

(i) Movements in provisions for expected credit losses are as follows:

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**647,981**	**15,614**	**741**	**664,336**
Transfers				
– to expected credit losses over the next 12 months	**91**	**(91)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(89)**	**89**	**–**	**–**
– to lifetime expected credit losses credit-impaired	**(44)**	**(1)**	**45**	**–**
Reversal of the year	**(319,581)**	**(14,263)**	**(51)**	**(333,895)**
Balance at 31 December	**328,358**	**1,348**	**735**	**330,441**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	660,151	16,378	1,242	677,771
Transfers				
– to expected credit losses over the next 12 months	245	(245)	–	–
– to lifetime expected credit losses not credit-impaired	(75)	75	–	–
– to lifetime expected credit losses credit-impaired	(86)	(401)	487	–
Reversal of the year	(12,254)	(193)	(988)	(13,435)
Balance at 31 December	647,981	15,614	741	664,336

(c) Lease liabilities

Undiscounted analysis of the maturity of lease liabilities:

	31 December 2022	31 December 2021
Within one year (inclusive)	**124,433**	112,501
Between one year and two years (inclusive)	**78,495**	88,284
Between two years and three years (inclusive)	**45,987**	60,914
Between three years and five years (inclusive)	**51,749**	58,565
More than five years	**58,007**	55,388
Total undiscounted lease liabilities	**358,671**	375,652
Total carrying amount	**323,734**	336,347

(d) Contract liabilities

As at 31 December 2022, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB107 million (31 December 2021: RMB115 million). This amount represents the income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

32. SHARE CAPITAL

	31 December 2022	31 December 2021
Domestic RMB ordinary shares	**4,868,000**	4,868,000
Offshore listed ordinary shares (H Shares)	**970,650**	970,650
Total	**5,838,650**	5,838,650

All of the above H shares are listed on The Stock Exchange of Hong Kong Limited. The par value of the domestic RMB ordinary shares and the offshore listed ordinary shares is RMB1, and these shares will enjoy the same status in terms of declaration, payment or making of all dividends or distributions.

33. RESERVES

(a) Capital reserve

	31 December 2022	31 December 2021
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each reporting periods represented statutory surplus reserve fund and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses to statutory surplus reserve fund until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB184 million to the statutory surplus reserve fund for the year ended 31 December 2022 (2021: RMB169 million).

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin〔2012〕No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB3,732 million as at 31 December 2022 (31 December 2021: RMB3,151 million).

(d) Fair value reserve

	2022	2021
As at 1 January	**(30,580)**	(64,335)
Changes in fair value recognised in other comprehensive income	**21,760**	164,111
Transfer to profit or loss upon disposal	**(111,479)**	(119,104)
Less: Deferred tax	**22,430**	(11,252)
As at 31 December	**(97,869)**	(30,580)

(e) Impairment reserve

	2022	2021
As at 1 January	**3,448**	12,892
Impairment losses recognised in other comprehensive income	**15,395**	(12,592)
Less: Deferred tax	**(3,849)**	3,148
As at 31 December	**14,994**	3,448

(f) Remeasurement a net defined benefit liability

Remeasurement a net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2022	2021
As at 1 January	**(4,365)**	(765)
Changes in fair value recognised in other comprehensive income	**400**	(4,800)
Less: Deferred tax	**(100)**	1,200
As at 31 December	**(4,065)**	(4,365)

34. RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 28 March 2023, the profit appropriation of the Bank for the year ended 31 December 2022 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB581 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

The above profit appropriation is subject to the approval of the Bank's general meeting of shareholders.

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 29 March 2022, and approval at the 2021 Annual General Meeting of Shareholders held on 10 June 2022, the profit appropriation of the Bank for the year ended 31 December 2021 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB349 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Fair value reserve**	**Impairment reserve**	**Deficit on remeasurement of a net defined benefit liability**	**Retained earnings**	**Total**
Balance at 1 January 2022	**5,838,650**	**6,627,602**	**3,792,525**	**3,151,208**	**(30,580)**	**3,448**	**(4,365)**	**2,760,561**	**22,139,049**
Changes in equity for the year:									
Net profit for the year	–	–	–	–	–	–	–	**1,841,545**	**1,841,545**
Other comprehensive income	–	–	–	–	**(67,289)**	**11,546**	**300**	–	**(55,443)**
Total comprehensive income	–	–	–	–	**(67,289)**	**11,546**	**300**	**1,841,545**	**1,786,102**
Appropriation of profits									
– Appropriation to surplus reserve	–	–	**184,157**	–	–	–	–	**(184,157)**	–
– Appropriation to general reserve	–	–	–	**581,057**	–	–	–	**(581,057)**	–
– Dividends paid to shareholders	–	–	–	–	–	–	–	**(583,865)**	**(583,865)**
Balance at 31 December 2022	**5,838,650**	**6,627,602**	**3,976,682**	**3,732,265**	**(97,869)**	**14,994**	**(4,065)**	**3,253,027**	**23,341,286**

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability	Retained earnings	Total
Balance at 1 January 2021	5,838,650	6,627,602	3,623,310	2,801,940	(64,335)	12,892	(765)	2,170,754	21,010,048
Changes in equity for the year:									
Net profit for the year	–	–	–	–	–	–	–	1,692,155	1,692,155
Other comprehensive income	–	–	–	–	33,755	(9,444)	(3,600)	–	20,711
Total comprehensive income	–	–	–	–	33,755	(9,444)	(3,600)	1,692,155	1,712,866
Appropriation of profits									
– Appropriation to surplus reserve	–	–	169,215	–	–	–	–	(169,215)	–
– Appropriation to general reserve	–	–	–	349,268	–	–	–	(349,268)	–
– Dividends paid to shareholders	–	–	–	–	–	–	–	(583,865)	(583,865)
Balance at 31 December 2021	5,838,650	6,627,602	3,792,525	3,151,208	(30,580)	3,448	(4,365)	2,760,561	22,139,049

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

	2022	2021
Cash and cash equivalents as at 31 December	**5,150,304**	16,315,416
Less: Cash and cash equivalents at the beginning of the year	**(16,315,416)**	(9,088,656)
Net (decrease)/increase in cash and cash equivalents	**(11,165,112)**	7,226,760

(b) Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	**272,826**	291,567
Deposits with the central bank other than restricted deposits	**4,196,286**	12,446,194
Deposits with banks and other financial institutions	**681,192**	877,655
Placements with banks and other financial institutions	**–**	2,700,000
Total	**5,150,304**	16,315,416

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued *(Note 30)*	**Interest accrued arising from debt securities issued** *(Note 30)*	**Lease liabilities** *(Note 31)*	**Total**
As at 1 January 2022	**58,791,939**	**175,250**	**336,347**	**59,303,536**
Changes from financing cash flows				
Net proceeds from new debt securities issued	**57,847,069**	**–**	**–**	**57,847,069**
Repayment of debt securities issued	**(83,280,000)**	**–**	**–**	**(83,280,000)**
Interest paid on debt securities issued	**–**	**(1,072,527)**	**–**	**(1,072,527)**
Repayment of lease liabilities	**–**	**–**	**(124,671)**	**(124,671)**
Interest paid on lease liabilities	**–**	**–**	**(13,013)**	**(13,013)**
Total changes from financing cash flows	**(25,432,931)**	**(1,072,527)**	**(137,684)**	**(26,643,142)**
Other changes				
Interest expense *(Note 3)*	**–**	**1,072,527**	**–**	**1,072,527**
New leases	**–**	**–**	**125,071**	**125,071**
Total other changes	**–**	**1,072,527**	**125,071**	**1,197,598**
As at 31 December 2022	**33,359,008**	**175,250**	**323,734**	**33,857,992**

	Debt securities issued *(Note 30)*	Interest accrued arising from debt securities issued *(Note 30)*	Lease liabilities *(Note 31)*	Total
As at 1 January 2021	52,083,256	93,370	368,622	52,545,248
Changes from financing cash flows				
Net proceeds from new debt securities issued	81,478,683	–	–	81,478,683
Repayment of debt securities issued	(74,770,000)	–	–	(74,770,000)
Interest paid on debt securities issued	–	(1,604,687)	–	(1,604,687)
Repayment of lease liabilities	–	–	(103,242)	(103, 242)
Interest paid on lease liabilities	–	–	(15,722)	(15,722)
Total changes from financing cash flows	6,708,683	(1,604,687)	(118,964)	4,985,032
Other changes				
Interest expense *(Note 3)*	–	1,686,567	–	1,686,567
New leases	–	–	86,689	86,689
Total other changes	–	1,686,567	86,689	1,773,256
As at 31 December 2021	58,791,939	175,250	336,347	59,303,536

36. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC required commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". The Group is required to meet the requirements of the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". During the reporting year, the Group complied with the capital requirements imposed by the regulatory authorities.

The Group's capital adequacy ratios at 31 December 2022 and 31 December 2021 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant requirements promulgated by the former CBRC are as follows:

	31 December 2022	31 December 2021
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,976,682**	3,792,525
– General reserve	**3,742,188**	3,161,131
– Other comprehensive income	**(86,940)**	(31,497)
– Retained earnings	**3,236,909**	2,747,591
– Qualifying portions of non-controlling interests	**6,833**	8,944
Core tier-one capital	**23,341,924**	22,144,946
Core tier-one capital deductions	**(289,625)**	(272,070)
Net core tier-one capital	**23,052,299**	21,872,876
Other tier-one capital	**911**	1,193
Net tier-one capital	**23,053,210**	21,874,069
Tier-two capital		
– Tier-two capital instruments issued and share premium	**2,000,000**	2,000,000
– Surplus provisions for loan impairment	**2,186,210**	2,157,932
– Qualifying portions of non-controlling interests	**1,822**	2,385
Net tier-two capital	**4,188,032**	4,160,317
Net capital base	**27,241,242**	26,034,386
Total risk weighted assets	**219,608,205**	216,654,124
Core tier-one capital adequacy ratio	**10.50%**	10.10%
Tier-one capital adequacy ratio	**10.50%**	10.10%
Capital adequacy ratio	**12.40%**	12.02%

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to the Bank, influencing the financial and operational management decisions of the Bank through agreements or other means.

For the year ended 31 December 2022, general information and shareholdings of major shareholders are as follows:

Name	Place of registration	Registered Capital **31 December 2022**	Registered Capital 31 December 2021	Economic nature or type	Legal representative/ head	Business scope	Number of shares	Proportion of shareholding **31 December 2022**	Proportion of shareholding 31 December 2021
Shanxi Finance Bureau (山西省財政廳)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Wu Zhiyuan	N/A	715,109	**12.25%**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beijing	**9,800,000**	9,800,000	Limited liability company	Ye Cai	Investment, asset management, and asset trusteeship service	600,000	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Tian Wenhao	N/A	466,142	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	Changzhi, Shanxi	**520,000**	520,000	Limited liability company	Fan Yunfeng	Corporate headquarters management, corporate management consulting, property service, and construction work	450,657	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	Changzhi, Shanxi	**4,198,816**	4,198,816	Limited liability company	Ma Junxiang	Production and sale of coal, accommodation service, catering service, and wood processing	359,092	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	Taiyuan, Shanxi	**6,000,000**	6,000,000	Limited liability company	Liu Huicheng	Electric power business, electricity generation business, and the technology consulting of power transmission project	300,000	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	Taiyuan, Shanxi	**10,623,230**	10,623,230	Limited liability company	Zhao Jianze	Mineral resources mining, coal mining, wholesale and retail steel.	291,339	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	Changzhi, Shanxi	**60,000**	60,000	Limited liability company	Duan Xiaosi	Sale of hardware, mineral and building materials	234,570	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	Jincheng, Shanxi	**3,905,196**	3,905,196	Limited liability company	Wang Suokui	Investment with its own funds, coal wholesale and engineering survey	200,000	**3.43%**	3.43%

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) ***Subsidiary of the Bank***

The detailed information of the Bank's subsidiary is set out in Note 22.

(iii) ***Associate of the Bank***

The detailed information of the Bank's associate is set out in Note 21.

(iv) ***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) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

The Bank entered into related-party transactions in the normal course and terms of business, with pricing policies based on market prices.

(i) ***Transactions between the Bank and its major shareholders***

	2022	2021
Transactions during the year		
Interest income	**10,660**	17,042
Interest expense	**54,241**	25,746
Net fee and commission income	**455**	6,231
Operating expenses	**90**	219

	31 December 2022	31 December 2021
Balances at the end of the year		
Loans and advances to customers	**164,321**	177,913
Financial investments	**–**	20,906
Deposits from customers	**2,402,325**	3,981,737
Letters of credit	**43,750**	–

(ii) ***Transactions between the Bank and its subsidiary***

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	2022	2021
Transactions during the year		
Interest expense	**5,533**	1,237

	31 December 2022	31 December 2021
Balances at the end of the year		
Deposits from banks and other financial institutions	**495,775**	160,728

(iii) ***Transactions between the Bank and its associate***

	2022	2021
Transactions during the year		
Interest income	**34,752**	20,915
Interest expense	**170**	66
Net fee and commission income	**6,718**	6,695

	31 December 2022	31 December 2021
Balances at the end of the year		
Deposits with banks and other financial institutions	**1,109,686**	1,001,166
Deposits from banks and other financial institutions	**9,138**	5,700

(iv) ***Transactions between the Bank and other related parties***

	2022	2021
Transactions during the year		
Interest income	**929,998**	662,103
Interest expense	**238,585**	186,462
Net Fee and commission income	**81,424**	130,617
Operating expenses	**4,814**	3,912
Debt securities investments	**50,398**	272,488
Assets transferred	**110,019**	795,446

	31 December 2022	31 December 2021
Balances at the end of the year		
Loans and advances to customers	**20,621,350**	11,164,828
Financial investments	**2,480,506**	4,239,232
Deposits from customers	**13,953,736**	12,255,819
Deposits from banks and other financial institutions	**45,071**	1,269,509
Bank acceptances	**6,141,561**	9,077,983
Letters of credit	**1,385,300**	1,605,750

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) ***Transactions between the Bank and key management personnel***

	2022	2021
Transactions during the year		
Interest income	**76**	41
Interest expense	**58**	62

	31 December 2022	31 December 2021
Balances at the end of the year		
Loans and advances to customers	**1,320**	930
Deposits from customers	**1,781**	5,371

(ii) ***Key management personnel compensation***

The aggregate compensation of key management personnel is as follows:

	2022	2021
Key management personnel compensation	**15,229**	15,452

(d) Loans and advances to key management personnel

	2022	2021
Aggregate amount of relevant loans outstanding at the end of the year	**1,320**	930
Maximum aggregate amount of relevant loans outstanding during the year	**1,320**	930

38. SEGMENT REPORTING

The Group manages its business by business line. Being consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury business operations, including interbank money market transactions, repurchase transactions, interbank investments, debt security trading, and derivative transactions. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and measurement of segment income, expenses and results are based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising 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. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

	Year ended 31 December 2022				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income/(expense)	**4,636,801**	**(2,404,204)**	**1,360,405**	**–**	**3,593,002**
Internal net interest (expense)/income	**(1,317,630)**	**3,525,151**	**(2,207,521)**	**–**	**–**
Net interest income/(expense)	**3,319,171**	**1,120,947**	**(847,116)**	**–**	**3,593,002**
Net fee and commission income	**475,845**	**192,911**	**65,237**	**–**	**733,993**
Net trading gains	**–**	**–**	**(29,721)**	**(2,776)**	**(32,497)**
Net gains arising from investment securities	**–**	**–**	**917,579**	**–**	**917,579**
Other operating income	**28,599**	**–**	**–**	**19,498**	**48,097**
Operating income	**3,823,615**	**1,313,858**	**105,979**	**16,722**	**5,260,174**
Operating expenses	**(989,503)**	**(964,471)**	**(191,888)**	**(40,841)**	**(2,186,703)**
Impairment losses on credit	**(947,889)**	**73,773**	**(363,816)**	**–**	**(1,237,932)**
Share of profits of an associate	**–**	**–**	**–**	**20,784**	**20,784**
Profit before tax	**1,886,223**	**423,160**	**(449,725)**	**(3,335)**	**1,856,323**
Segment assets	**155,464,772**	**28,117,326**	**151,062,007**	**–**	**334,644,105**
Deferred tax assets	**–**	**–**	**–**	**1,775,409**	**1,775,409**
Total assets	**155,964,772**	**28,117,326**	**151,062,007**	**1,775,409**	**336,419,514**
Segment liabilities	**135,312,225**	**120,870,734**	**56,882,917**	**–**	**313,065,876**
Total liabilities	**135,312,225**	**120,870,734**	**56,882,917**	**–**	**313,065,876**
Other segment information					
Depreciation and amortisation	**149,559**	**145,776**	**29,003**	**–**	**324,338**
Capital expenditure	**71,211**	**69,410**	**13,810**	**–**	**154,431**

	Year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	4,453,228	(1,945,643)	1,046,462	–	3,554,047
Internal net interest (expense)/income	(1,300,934)	2,954,340	(1,653,406)	–	–
Net interest income/(expense)	3,152,294	1,008,697	(606,944)	–	3,554,047
Net fee and commission income	441,644	196,292	127,512	–	765,448
Net trading gains	–	–	302,546	(1,077)	301,469
Net gains arising from investment securities	–	–	757,774	–	757,774
Other operating income	–	–	–	11,995	11,995
Operating income	3,593,938	1,204,989	580,888	10,918	5,390,733
Operating expenses	(952,074)	(927,990)	(184,631)	(5,798)	(2,070,493)
Impairment losses on credit	(1,259,691)	(224,841)	(168,395)	–	(1,652,927)
Share of profits of an associate	–	–	–	24,505	24,505
Profit before tax	1,382,173	52,158	227,862	29,625	1,691,818
Segment assets	127,423,086	26,262,893	147,894,888	–	301,580,867
Deferred tax assets	–	–	–	1,710,646	1,710,646
Total assets	127,423,086	26,262,893	147,894,888	1,710,646	303,291,513
Segment liabilities	107,380,090	95,019,825	78,734,023	–	281,133,938
Total liabilities	107,380,090	95,019,825	78,734,023	–	281,133,938
Other segment information					
Depreciation and amortisation	147,756	144,018	28,653	–	320,427
Capital expenditure	89,771	87,501	17,409	–	194,681

39. RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Examination Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control. The Risk Management Department is also responsible for formulating risk management policies. The Credit Examination Department is independent from customer relationship and product management departments to ensure the independence of credit approval. Front office departments including the Department of Corporate Finance and the Personal Credit Asset Department, carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and inter-bank credit businesses, the Group has formulated credit investment policies and implemented differentiated portfolio management for different industries, regions, products and customers. With respect to pre-lending evaluations, the Group assesses customers' credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit-related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.

Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3: Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is one or more of the following criteria are met:

– the credit spread increases significantly;

– significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– application of a grace period or debt-restructuring;

– significant changes with an adverse effect in the borrower's business conditions;

– decrease in value of the collateral (for the collateral loans and pledged loans only);

– early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or

– the borrowing is more than 30 days past due.

The Group uses the above criteria to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 31 December 2022 and 31 December 2021, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the end of the reporting period with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

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.

Measurement of expected credit losses ("ECLs")

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

– 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;

– 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;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;

– the discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

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. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios. In 2022, the key assumptions the Group has taken include gross domestic product (GDP), Broad Money Supply (M2), and consumer price index (CPI), etc. The GDP growth rate: the predicted value under the base scenario during the year of 2023 is 5.16%, the optimistic predicted value is 5.73%, the pessimistic predicted value is 4.77%. 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 by multiplying the ECLs 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 the 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 impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regular basis.

As at 31 December 2022 and 31 December 2021, there have been no significant changes in the estimate techniques and key assumptions of the Group.

At the same time, when the management believes that the potential impact of economic fluctuations cannot be reflected by properly adjusting the model parameters above in time, the Group uses the management superposition to adjust the amount of expected credit loss.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting periods.

(ii) Financial assets analysed by credit quality are summarised as follows:

	31 December 2022				
	Loans and Advances to customers	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Derivative financial assets and others****
Balances of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	378,052	–	–	–	–
– Neither overdue nor credit-impaired	174,694,491	3,342,392	28,137,445	63,982,578	6,252
Subtotal	175,072,543	3,342,392	28,137,445	63,982,578	6,252
Balances of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	196,116	–	–	–	–
– Neither overdue nor credit-impaired	7,429,313	–	–	88,593	490
Subtotal	7,625,429	–	–	88,593	490
Balances of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	3,150,934	–	–	2,473,640	–
– Credit-impaired but not overdue	203,015	–	–	–	4,438
Subtotal	3,353,949	–	–	2,473,640	4,438
N/A	–	–	–	35,324,551	–
Interest accrued	774,043	43,743	3,557	923,483	–
Less: Provision for impairment losses	(5,920,161)	(6,951)	(1)	(1,347,920)	(3,447)
Net value	180,905,803	3,379,184	28,141,001	101,444,925	7,733

	31 December 2021				
	Loans and Advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Derivative financial assets and others**
Balances of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	388,726	–	–	–	–
– Neither overdue nor credit-impaired	143,887,787	4,595,252	26,345,249	54,239,137	6,520
Subtotal	144,276,513	4,595,252	26,345,249	54,239,137	6,520
Balances of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	76,084	–	–	1,125,000	–
– Neither overdue nor credit-impaired	8,529,371	–	–	293,515	246,495
Subtotal	8,605,455	–	–	1,418,515	246,495
Balances of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,654,497	–	–	1,682,275	–
– Credit-impaired but not overdue	203,987	–	–	–	4,438
Subtotal	2,858,484	–	–	1,682,275	4,438
N/A	–	–	–	35,559,931	–
Interest accrued	544,048	21,756	6,745	653,563	–
Less: Provision for impairment losses	(5,277,108)	(1,838)	(2)	(1,330,612)	(28,047)
Net value	151,007,392	4,615,170	26,351,992	92,222,809	229,406

* 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.

** Derivative financial assets and others comprise derivative financial assets, interest receivables, other receivables and other financial assets.

Financial assets (excluding interest accrued) analysed by credit quality

	31 December 2022							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	16,950,637	–	–	16,950,637	–	–	–	–
Deposits with banks and other financial institutions	1,784,392	–	–	1,784,392	(456)	–	–	(456)
Placements with banks and other financial institutions	1,558,000	–	–	1,558,000	(6,495)	–	–	(6,495)
Financial assets held under resale agreements	28,137,445	–	–	28,137,445	(1)	–	–	(1)
Loans and advances to customers	127,339,439	7,625,429	3,353,949	138,318,817	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Financial investments	60,534,789	88,593	2,473,640	63,097,022	(239,176)	(13,289)	(1,095,455)	(1,347,920)
Other assets	6,252	490	4,438	11,180	(68)	(15)	(3,364)	(3,447)
Total	236,310,954	7,714,512	5,832,027	249,857,493	(3,020,779)	(1,359,232)	(2,898,469)	(7,278,480)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	47,733,104	–	–	47,733,104	(17,749)	–	–	(17,749)
Financial investments	3,447,789	–	–	3,447,789	(2,244)	–	–	(2,244)
Total	51,180,893	–	–	51,180,893	(19,993)	–	–	(19,993)
Credit commitments	63,384,562	12,779	2,177	63,399,518	(328,358)	(1,348)	(735)	(330,441)

	31 December 2021							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	24,036,666	–	–	24,036,666	–	–	–	–
Deposits with banks and other financial institutions	1,895,252	–	–	1,895,252	(1,348)	–	–	(1,348)
Placements with banks and other financial institutions	2,700,000	–	–	2,700,000	(490)	–	–	(490)
Financial assets held under resale agreements	26,345,249	–	–	26,345,249	(2)	–	–	(2)
Loans and advances to customers	113,379,957	8,605,455	2,858,484	124,843,896	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Financial investments	49,012,908	1,418,515	1,682,275	52,113,698	(222,062)	(242,777)	(865,773)	(1,330,612)
Other assets	6,284	246,495	4,438	257,217	(67)	(24,615)	(3,365)	(28,047)
Total	217,376,316	10,270,465	4,545,197	232,191,978	(2,700,121)	(1,621,147)	(2,316,339)	(6,637,607)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	30,896,556	–	–	30,896,556	(4,375)	–	–	(4,375)
Financial investments	5,226,229	–	–	5,226,229	(223)	–	–	(223)
Total	36,122,785	–	–	36,122,785	(4,598)	–	–	(4,598)
Credit commitments	70,892,629	416,838	2,782	71,312,249	(647,981)	(15,614)	(741)	(664,336)

Expected credit losses ratios for financial instruments analysed by credit quality:

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.28%**	**17.62%**	**49.70%**	**2.91%**
Financial assets at fair value through other comprehensive income	**0.04%**	**N/A**	**N/A**	**0.04%**
Credit commitments	**0.52%**	**10.55%**	**33.76%**	**0.52%**

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.24%	15.78%	50.96%	2.86%
Financial assets at fair value through other comprehensive income	0.01%	N/A	N/A	0.01%
Credit commitments	0.91%	3.75%	26.64%	0.93%

As at 31 December 2022, the fair values of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB4,974 million (31 December 2021: RMB3,148 million). The fair values of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB6,525 million (31 December 2021: RMB4,081 million). The collateral mainly includes land, buildings, machinery and equipment. The fair values of collaterals have estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of investments on debt securities (excluding interest accrued) analysed by credit rating as at the end of the reporting period are as follows:

	31 December 2022	31 December 2021
Neither overdue nor impaired		
Ratings		
– AAA	**55,473,561**	39,657,302
– AA– to AA+	**1,118,415**	1,309,604
Subtotal	**56,591,976**	40,966,906
Unrated	**96,748**	334,288
Total	**56,688,724**	41,301,194

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially set up a structure and a team for market risk management. The Bank's Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Board of Directors. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is from the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

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 financial market business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank 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 movements in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis point(1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:

	31 December 2022					
	Total	**Non-interest-bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with the central bank	16,956,777	327,718	16,629,059	–	–	–
Deposits with banks and other financial institutions	1,797,386	13,450	780,736	1,003,200	–	–
Placements with banks and other financial institutions	1,581,798	30,293	378,400	1,173,105	–	–
Financial assets held under resale agreements	28,141,001	3,557	24,166,359	3,971,085	–	–
Loans and advances to customers*	180,905,803	2,084,638	55,284,792	77,288,174	28,034,820	18,213,379
Financial investments	102,253,637	36,583,013	3,741,462	9,480,282	41,237,439	11,211,441
Others	4,783,112	4,783,112	–	–	–	–
Total assets	336,419,514	43,825,781	100,980,808	92,915,846	69,272,259	29,424,820
Liabilities						
Borrowings from the central bank	2,873,767	1,661	785,115	2,086,991	–	–
Deposits from banks and other financial institutions	120,070	751	119,319	–	–	–
Financial assets sold under repurchase agreements	20,215,517	18,105	20,197,412	–	–	–
Deposits from customers	253,770,861	5,533,381	102,101,013	59,000,055	87,136,412	–
Debt securities issued	33,534,258	175,250	13,678,106	17,681,853	–	1,999,049
Others	2,551,403	2,243,149	–	7,065	165,940	135,249
Total liabilities	313,065,876	7,972,297	136,880,965	78,775,964	87,302,352	2,134,298
Asset-liability gap	23,353,638	35,853,484	(35,900,157)	14,139,882	(18,030,093)	27,290,522

	31 December 2021					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	24,042,197	379,982	23,662,215	–	–	–
Deposits with banks and other financial institutions	1,914,906	21,002	1,226,307	667,597	–	–
Placements with banks and other financial institutions	2,700,264	754	2,699,510	–	–	–
Derivative financial assets	236	236	–	–	–	–
Financial assets held under resale agreements	26,351,992	6,745	23,765,543	2,579,704	–	–
Loans and advances to customers*	151,007,392	544,048	41,454,734	57,557,085	33,838,244	17,613,281
Financial investments	92,566,669	34,325,000	6,517,246	14,293,231	28,252,556	9,178,636
Others	4,707,857	4,707,857	–	–	–	–
Total assets	303,291,513	39,985,624	99,325,555	75,097,617	62,090,800	26,791,917
Liabilities						
Borrowings from the central bank	2,799,217	1,339	315,311	2,482,567	–	–
Deposits from banks and other financial institutions	1,297,166	11,436	285,730	1,000,000	–	–
Placements from banks and other financial institutions	210,169	169	210,000	–	–	–
Derivative financial liabilities	403	403	–	–	–	–
Financial assets sold under repurchase agreements	15,345,732	7,222	15,206,012	132,498	–	–
Deposits from customers	199,207,180	4,119,691	70,590,668	49,610,745	74,886,076	–
Debt securities issued	58,967,189	175,250	17,091,247	35,702,304	3,999,433	1,998,955
Others	3,306,882	2,974,331	–	2,788	209,522	120,241
Total liabilities	281,133,938	7,289,841	103,698,968	88,930,902	79,095,031	2,119,196
Asset-liability gap	22,157,575	32,695,783	(4,373,413)	(13,833,285)	(17,004,231)	24,672,721

* As at 31 December 2022, for loans and advances to customers, the category "Less than three months" included overdue amounts (net of provision for impairment losses) of RMB571 million (31 December 2021: RMB951 million).

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2022	31 December 2021
	(Decrease)/ Increase	(Decrease)/ Increase
Change in net profit		
Parallel upward shift of 100 bps in yield curves	**(258,681)**	(91,246)
Parallel downward shift of 100 bps in yield curves	**258,804**	91,287

	31 December 2022	31 December 2021
	(Decrease)/ Increase	(Decrease)/ Increase
Change in equity		
Parallel upward shift of 100 bps in yield curves	**(296,514)**	(127,531)
Parallel downward shift of 100 bps in yield curves	**296,559**	127,548

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

– Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;

– At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Group.

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

Foreign currency risk

The currency of the majority of the business of the Group is Renminbi, where the currencies of the rest of the businesses are United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	31 December 2022			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	**16,956,701**	**58**	**18**	**16,956,777**
Deposits with banks and other financial institutions	**1,761,116**	**34,215**	**2,055**	**1,797,386**
Placements with banks and other financial institutions	**1,581,798**	**–**	**–**	**1,581,798**
Financial assets held under resale agreements	**28,141,001**	**–**	**–**	**28,141,001**
Loans and advances to customers	**180,905,803**	**–**	**–**	**180,905,803**
Financial investments	**102,253,637**	**–**	**–**	**102,253,637**
Others	**4,783,112**	**–**	**–**	**4,783,112**
Total assets	**336,383,168**	**34,273**	**2,073**	**336,419,514**
Liabilities				
Borrowings from the central bank	**2,873,767**	**–**	**–**	**2,873,767**
Deposits from banks and other financial institutions	**120,070**	**–**	**–**	**120,070**
Financial assets sold under repurchase agreements	**20,215,517**	**–**	**–**	**20,215,517**
Deposits from customers	**253,769,998**	**743**	**120**	**253,770,861**
Debt securities issued	**33,534,258**	**–**	**–**	**33,534,258**
Others	**2,518,544**	**32,859**	**–**	**2,551,403**
Total liabilities	**313,032,154**	**33,602**	**120**	**313,065,876**
Net position	**23,351,014**	**671**	**1,953**	**23,353,638**
Off-balance sheet credit commitments	**63,399,518**	**–**	**–**	**63,399,518**

	31 December 2021			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	24,042,063	120	14	24,042,197
Deposits with banks and other financial institutions	1,880,106	33,563	1,237	1,914,906
Placements with banks and other financial institutions	2,700,264	–	–	2,700,264
Derivative financial assets	236	–	–	236
Financial assets held under resale agreements	26,351,992	–	–	26,351,992
Loans and advances to customers	151,007,392	–	–	151,007,392
Financial investments	92,566,669	–	–	92,566,669
Others	4,707,857	–	–	4,707,857
Total assets	303,256,579	33,683	1,251	303,291,513
Liabilities				
Borrowings from the central bank	2,799,217	–	–	2,799,217
Deposits from banks and other financial institutions	1,297,166	–	–	1,297,166
Placements from banks and other financial institutions	210,169	–	–	210,169
Derivative financial liabilities	403	–	–	403
Financial assets sold under repurchase agreements	15,345,732	–	–	15,345,732
Deposits from customers	199,206,195	868	117	199,207,180
Debt securities issued	58,967,189	–	–	58,967,189
Others	3,274,680	32,202	–	3,306,882
Total liabilities	281,100,751	33,070	117	281,133,938
Net position	22,155,828	613	1,134	22,157,575
Off-balance sheet credit commitments	71,312,249	–	–	71,312,249

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management, its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Retail Banking, Department of Personal Credit Assets Management, Department of Trade Finance, Department of Financial Market, Department of Technology Information and Audit Department of the Bank, which are responsible for formulating liquidity risk management strategies and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategies.

The measurement of liquidity risk of the Group adopts liquidity indicators and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of responses to liquidity risks, the Group strengthens the management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity asset reserves and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

The following tables provide an analysis of assets and liabilities of the Group by maturity based on the remaining periods to repayment at the end of the reporting period:

	31 December 2022							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	12,481,525	4,469,112	6,140	–	–	–	–	16,956,777
Deposits with banks and other financial institutions	–	680,857	–	101,893	1,014,636	–	–	1,797,386
Placements with banks and other financial institutions	–	–	–	387,822	1,193,976	–	–	1,581,798
Financial assets held under resale agreements	–	–	21,729,204	2,440,712	3,971,085	–	–	28,141,001
Loans and advances to customers	1,634,077	184,378	11,001,001	20,928,222	78,048,591	30,001,754	39,107,780	180,905,803
Financial investments	3,003,109	30,821,223	979,841	2,408,444	9,727,784	43,753,993	11,559,243	102,253,637
Others	4,163,162	619,950	–	–	–	–	–	4,783,112
Total assets	21,281,873	36,775,520	33,716,186	26,267,093	93,956,072	73,755,747	50,667,023	336,419,514
Liabilities								
Borrowings from the central bank	–	–	–	786,776	2,086,991	–	–	2,873,767
Deposits from banks and other financial institutions	–	120,070	–	–	–	–	–	120,070
Financial assets sold under repurchase agreements	–	–	19,697,716	517,801	–	–	–	20,215,517
Deposits from customers	–	71,652,172	14,796,425	16,910,490	60,054,691	90,357,083	–	253,770,861
Debt securities issued	–	–	3,875,656	9,892,549	17,767,004	–	1,999,049	33,534,258
Others	–	2,193,485	23,872	10,504	112,073	159,132	52,337	2,551,403
Total liabilities	–	73,965,727	38,393,669	28,118,120	80,020,759	90,516,215	2,051,386	313,065,876
Net position	21,281,873	(37,190,207)	(4,677,483)	(1,851,027)	13,935,313	(16,760,468)	48,615,637	23,353,638

	31 December 2021							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	11,298,905	12,737,761	5,531	–	–	–	–	24,042,197
Deposits with banks and other financial institutions	–	866,394	114,363	258,307	675,842	–	–	1,914,906
Placements with banks and other financial institutions	–	–	2,700,264	–	–	–	–	2,700,264
Derivative financial assets	–	–	–	–	236	–	–	236
Financial assets held under resale agreements	–	–	16,600,885	7,171,402	2,579,705	–	–	26,351,992
Loans and advances to customers	3,057,678	3,657,179	4,619,992	12,978,645	57,810,114	34,157,796	34,725,988	151,007,392
Financial investments	2,198,908	30,380,133	1,135,882	5,008,901	12,935,363	31,450,870	9,456,612	92,566,669
Others	4,478,909	228,948	–	–	–	–	–	4,707,857
Total assets	21,034,400	47,870,415	25,176,917	25,417,255	74,001,260	65,608,666	44,182,600	303,291,513
Liabilities								
Borrowings from the central bank	–	–	–	316,650	2,482,567	–	–	2,799,217
Deposits from banks and other financial institutions	–	86,388	205,845	–	1,004,933	–	–	1,297,166
Placements from banks and other financial institutions	–	–	–	210,169	–	–	–	210,169
Derivative financial liabilities	–	–	–	–	–	403	–	403
Financial assets sold under repurchase agreements	–	–	14,176,199	1,037,035	132,498	–	–	15,345,732
Deposits from customers	–	61,010,636	5,102,433	5,434,948	50,819,077	76,840,086	–	199,207,180
Debt securities issued	–	–	2,596,252	14,585,095	35,787,454	3,999,433	1,998,955	58,967,189
Others	–	2,860,810	22,233	23,980	160,149	190,163	49,547	3,306,882
Total liabilities	–	63,957,834	22,102,962	21,607,877	90,386,678	81,030,085	2,048,502	281,133,938
Net position	21,034,400	(16,087,419)	3,073,955	3,809,378	(16,385,418)	(15,421,419)	42,134,098	22,157,575

* Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of financial investments represents the amount of impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

The following tables are an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

				31 December 2022				
	Carrying amount	**Contractual undiscounted cash flows**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**2,873,767**	**2,908,175**	**–**	**–**	**799,747**	**2,108,428**	**–**	**–**
Deposits from banks and other financial institutions	**120,070**	**120,070**	**120,070**	**–**	**–**	**–**	**–**	**–**
Financial assets sold under repurchase agreements	**20,215,517**	**20,220,671**	**–**	**19,702,870**	**517,801**	**–**	**–**	**–**
Deposits from customers	**253,770,861**	**264,346,337**	**71,652,172**	**14,811,498**	**16,983,774**	**61,162,975**	**99,735,918**	**–**
Debt securities issued	**33,534,258**	**34,580,400**	**–**	**3,885,600**	**9,930,000**	**18,000,000**	**382,400**	**2,382,400**
Other liabilities	**2,551,403**	**2,586,340**	**2,195,235**	**26,458**	**11,642**	**118,701**	**176,297**	**58,007**
Total non-derivative liabilities	**313,065,876**	**324,761,993**	**73,967,477**	**38,426,426**	**28,242,964**	**81,390,104**	**100,294,615**	**2,440,407**

				31 December 2021				
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	2,799,217	2,838,398	–	–	329,051	2,509,347	–	–
Deposits from banks and other financial institutions	1,297,166	1,310,868	86,388	206,405	–	1,018,075	–	–
Placements from banks and other financial institutions	210,169	211,353	–	–	211,353	–	–	–
Financial assets sold under repurchase agreements	15,345,732	15,349,518	–	14,179,985	1,037,035	132,498	–	–
Deposits from customers	199,207,180	208,651,905	61,010,636	5,107,666	5,457,766	51,748,529	85,327,308	–
Debt securities issued	58,967,189	60,626,000	–	2,605,600	14,660,000	36,380,000	4,502,400	2,478,000
Other liabilities	3,306,882	3,346,187	2,861,365	23,875	25,768	167,950	211,841	55,388
Total non-derivative liabilities	281,133,535	292,334,229	63,958,389	22,123,531	21,720,973	91,956,399	90,041,549	2,533,388

This analysis of contractual undiscounted cash flows of the non-derivative liabilities might be different from actual results.

The following tables analyse the contractual undiscounted cash flows of derivative financial instruments which held by the Group for trading purposes on a net basis. The remaining maturity date is based on the remaining period at end of the reporting period to the contractual maturity date. The amounts of derivative financial instruments included in each period are the contractual undiscounted cash flows.

	31 December 2022							
	Carrying amount	**Contractual undiscounted cash flows**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Derivatives settled on net basis	–	–	–	–	–	–	–	–

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis	(167)	(493)	–	–	–	(90)	(403)	–

This analysis of contractual undiscounted cash flows of the derivative financial instruments might be different from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.

- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

- Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, and establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pays constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

- Combination of punishments and incentives to encourage compliance and standard operations. Integral management will be implemented to personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

40. FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments 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. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(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 issued debt securities are based on their quoted market prices at the end of the reporting period, 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

Fair values of interest rate swaps are estimated as the present value of estimated future cash flows, discounted at the market interest rates at the end of the reporting period. Fair values of credit risk mitigation tools issued-financial guarantee contracts are based on their quoted market prices at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates, which are close to the PBOC rates. Accordingly, the carrying amounts approximate to the fair values.

Derivative financial assets, financial investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 30. Derivative financial liabilities are stated at fair value. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

– Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rates. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	**–**	**1,851,918**	**96,748**	**1,948,666**
– fund investments	**–**	**30,821,223**	**–**	**30,821,223**
– investment management products	**–**	**361,902**	**2,192,760**	**2,554,662**
– other investments	**197,630**	**–**	**–**	**197,630**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**2,741,201**	**–**	**2,741,201**
– investment management products	**–**	**783,117**	**–**	**783,117**
– other investments	**–**	**490,382**	**120,700**	**611,082**
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	**–**	**47,733,104**	**–**	**47,733,104**
Total	**197,630**	**84,782,847**	**2,410,208**	**87,390,685**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	–	3,048,856	94,390	3,143,246
– fund investments	–	30,012,395	–	30,012,395
– investment management products	–	367,738	2,036,552	2,404,290
– other investments	58,677	164,483	–	223,160
Derivative financial assets	–	236	–	236
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	4,618,512	–	4,618,512
– investment management products	–	691,541	–	691,541
– other investments	–	–	120,700	120,700
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	30,896,556	–	30,896,556
Total	58,677	69,800,317	2,251,642	72,110,636
Recurring fair value measurement liabilities				
Derivative financial liabilities	–	403	–	403
Total	–	403	–	403

The movements during the year ended 31 December 2022 in the balance of Level 3 fair value measurements are as follows:

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2022	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	94,390	–	–	2,358	–	–	–	–	–	96,748	2,358
– investment management products	2,036,552	166,455	–	(10,247)	–	–	–	–	–	2,192,760	(10,247)
Subtotal	2,130,942	166,455	–	(7,889)	–	–	–	–	–	2,289,508	(7,889)
Financial investments at fair value through other comprehensive income											
– other investments	120,700	–	–	–	–	–	–	–	–	120,700	–
Total	2,251,642	166,455	–	(7,889)	–	–	–	–	–	2,410,208	(7,889)

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2021	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	108,407	–	–	(14,017)	–	–	–	–	–	94,390	(14,017)
– investment management products	2,240,068	–	–	(201,516)	–	–	–	–	(2,000)	2,036,552	(201,516)
– other investments	50,155	–	–	(155)	–	–	–	–	(50,000)	–	–
Subtotal	2,398,630	–	–	(215,688)	–	–	–	–	(52,000)	2,130,942	(215,533)
Financial investments at fair value through other comprehensive income											
– other investments	135,453	–	–	–	(14,753)	–	–	–	–	120,700	–
Total	2,534,083	–	–	(215,688)	(14,753)	–	–	–	(52,000)	2,251,642	(215,533)

During the year ended 31 December 2022 and the year ended 31 December 2021, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The valuation technique used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2022	**Valuation technique**	**Unobservable inputs**
Financial investments at fair value through profit or loss			
– debt securities	**96,748**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
– investment management products	**2,192,760**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
Financial investments at fair value through other comprehensive income			
– other investments	**120,700**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**

	Fair value as at 31 December 2021	Valuation technique	Unobservable inputs
Financial investments at fair value through profit or loss			
– debt securities	94,390	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,036,552	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– other investments	120,700	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2022 and 2021, there was no significant change in the valuation techniques.

As at 31 December 2022 and 31 December 2021, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of favourable or unfavourable 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2022			
	Effect on net profit		**Effect on other comprehensive income**	
	Favourable	**(Unfavourable)**	**Favourable**	**(Unfavourable)**
Financial investments at fair value through profit or loss				
– debt securities	**2,022**	**(1,981)**	**–**	**–**
– investment management products	**22,614**	**(22,023)**	**–**	**–**
Financial investments at fair value through other comprehensive income				
– other investments	**–**	**–**	**5,234**	**(4,940)**

	At 31 December 2021			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	2,001	(1,960)	–	–
– investment management products	36,819	(35,554)	–	–
Financial investments at fair value through other comprehensive income				
– other investments	–	–	7,317	(6,709)

41. FIDUCIARY ACTIVITIES

(a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2022	31 December 2021
Entrusted loans	**5,233,630**	9,752,254
Entrusted funds	**5,233,933**	9,752,741

(b) Intermediary matchmaking service

As at 31 December 2022 and 31 December 2021, the balances of intermediary matchmaking service business were as follows:

	31 December 2022	31 December 2021
Intermediary matchmaking service business	**–**	5,416,684

42. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan 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. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2022	31 December 2021
Loan commitments		
– Original contractual maturity within one year	**1,758,637**	9,413,161
– Original contractual maturity more than one year (inclusive)	**7,292,468**	5,351,831
Credit card commitments	**6,309,324**	6,557,794
Subtotal	**15,360,429**	21,322,786
Acceptances	**39,084,645**	43,989,895
Letters of credit	**8,156,951**	5,197,724
Letters of guarantee	**198,493**	201,844
Others	**599,000**	600,000
Total	**63,399,518**	71,312,249

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2022	31 December 2021
Credit risk-weighted amounts for credit commitment	**24,435,472**	35,111,798

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2022	31 December 2021
Contracted but not paid for	**57,288**	117,831
Authorised but not contracted for	**9,586**	–
Total	**66,874**	117,831

(d) Outstanding litigations and disputes

As at 31 December 2022, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB28 thousand (31 December 2021: RMB3 million). The Group has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bond underwriting commitments and redemption obligations

The Group had no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2022 or 31 December 2021:

	31 December 2022	31 December 2021
Redemption obligations	**2,617,991**	3,006,715

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2022	31 December 2021
For repurchase agreements:		
– Financial investments measured at amortised cost	**20,149,532**	12,136,216
– Discounted bills	**2,462,061**	4,136,042
Total	**22,611,593**	16,272,258

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 18. The fair value of such collateral accepted by the Group was RMB29,239 million as at 31 December 2022 (31 December 2021: RMB26,831 million). These transactions were conducted under standard terms in the normal course of business.

43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets were recognised as at 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**32,110,901**	**32,110,901**	31,156,284	31,156,284
Financial investments at fair value through other comprehensive income	**783,117**	**783,117**	691,541	691,541
Financial investments at amortised cost	**464,004**	**464,004**	1,748,543	1,748,543
Total	**33,358,022**	**33,358,022**	33,596,368	33,596,368

As at 31 December 2022 and 31 December 2021, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2022 and 31 December 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the year ended 31 December 2022, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB205 million (for the year ended 31 December 2021: RMB178 million).

As at 31 December 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB48,231 million (31 December 2021: RMB52,081 million).

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2022

For the year ended 31 December 2022, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December was RMB3,213 million (for the year ended 31 December 2021: RMB2,495 million).

44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2022**	31 December 2021
Assets			
Cash and deposits with the central bank		**16,893,166**	23,991,095
Deposits with banks and other financial institutions		**1,716,390**	1,430,479
Placements with banks and other financial institutions		**1,573,798**	2,700,264
Derivative financial assets		**–**	236
Financial assets held under resale agreements		**28,141,001**	26,351,992
Loans and advances to customers		**180,751,245**	150,885,748
Financial investments:			
Financial investments at fair value through profit or loss		**35,522,181**	35,783,091
Financial investments at fair value through other comprehensive income		**4,135,400**	5,430,753
Financial investments at amortised cost		**62,596,056**	51,352,825
Interest in an associate		**331,408**	318,624
Investment in a subsidiary	*22*	**25,500**	25,500
Property and equipment		**1,319,598**	1,394,406
Deferred tax assets		**1,773,149**	1,708,339
Other assets		**1,351,800**	1,277,698
Total assets		**336,130,692**	302,651,050

	31 December 2022	31 December 2021
Liabilities and equity		
Liabilities		
Borrowing from the central bank	**2,857,757**	2,794,561
Deposits from banks and other financial institutions	**615,845**	1,297,221
Placements from banks and other financial institutions	**–**	210,169
Derivative financial liabilities	**–**	403
Financial assets sold under repurchase agreements	**20,215,517**	15,345,732
Deposits from customers	**253,024,238**	198,602,717
Income tax payable	**149,077**	64,839
Debt securities issued	**33,534,258**	58,967,189
Other liabilities	**2,392,714**	3,229,170
Total liabilities	**312,789,406**	280,512,001
Equity		
Share capital	**5,838,650**	5,838,650
Capital reserve	**6,627,602**	6,627,602
Surplus reserve	**3,976,682**	3,792,525
General reserve	**3,732,265**	3,151,208
Fair value reserve	**(97,869)**	(30,580)
Impairment reserve	**14,994**	3,448
Deficit on remeasurement of net defined benefit liability	**(4,065)**	(4,365)
Retained earnings	**3,253,027**	2,760,561
Total equity	**23,341,286**	22,139,049
Total liabilities and equity	**336,130,692**	302,651,050

Approved and authorised for issue by the Board of Directors on 28 March 2023.

Hao Qiang	**Zhang Yunfei**	**Zhao Jiquan**	
Chairwoman of the Board	*Executive Director*	*Officer in charge of Finance*	(Company chop)

45. SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to the end of the reporting period and up to the date of approval of this Financial Statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements and is included herein for the purpose of providing information only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity Coverage ratio, Leverage Ratio and Net Stable Funding Ratio

(a) Liquidity coverage ratio

	31 December 2022	**Average for the year ended 31 December 2022**
Liquidity coverage ratio (RMB and foreign currencies)	**208.87%**	**216.69%**

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currencies)	322.30%	232.61%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, the minimum regulatory requirement of liquidity coverage ratio is 100%.

(b) Leverage ratio

	31 December 2022	31 December 2021
Leverage ratio	**6.02%**	6.18%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

(c) Net stable funding ratio

	31 December 2022	30 September 2022	31 December 2021
Net stable funding ratio	**128.32%**	141.87%	138.32%
Stable funds available	**208,056,120**	201,635,841	183,775,996
Stable funding required	**162,134,560**	142,124,749	132,859,594

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency Concentrations

	31 December 2022			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**36,249**	**2,369**	**156**	**38,774**
Spot liabilities	**(35,579)**	**(52)**	**(170)**	**(35,801)**
Net position	**670**	**2,317**	**(14)**	**2,973**

	31 December 2021			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	33,683	2,168	155	36,006
Spot liabilities	(33,071)	(48)	(169)	(33,288)
Net position	612	2,120	(14)	2,718

As at 31 December 2022, the Group's structural position was RMB35 million (31 December 2021: RMB32 million).

3 International Claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims only include deposits from banks and other financial institutions .

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.

	31 December 2022		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**1,886**	**–**	**1,886**
Europe	**79**	**–**	**79**
Total	**1,965**	**–**	**1,965**

	31 December 2021		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,071	–	1,071
Europe	76	–	76
Total	1,147	–	1,147

4 Gross amounts of overdue loans and advances

	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)	**125,067**	77,547
– between 6 months and 1 year (inclusive)	**754,938**	1,355,861
– between 1 year and 3 years (inclusive)	**1,792,186**	997,495
– over 3 years	**231,831**	167,276
Total	**2,904,022**	2,598,179
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.07%**	0.05%
– between 6 months and 1 year (inclusive)	**0.41%**	0.87%
– between 1 year and 3 years (inclusive)	**0.96%**	0.64%
– over 3 years	**0.12%**	0.11%
Total	**1.56%**	1.67%

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com). The 2022 annual report prepared in accordance with IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com), and will be dispatched to holders of H Shares of the Bank in due course.

This annual results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
LI Weiqiang
Joint company secretary

Taiyuan, March 28, 2023

As at the date of this announcement, the executive Directors of the Bank are Ms. HAO Qiang and Mr. ZHANG Yunfei; the non-executive Directors are Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and the independent non-executive Directors are Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang.

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