中國銀行
BANK OF CHINA

中國銀行股份有限公司
BANK OF CHINA LIMITED

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

(the "Bank")

(Stock Code: 3988 and 4619 (Preference Shares))

2022 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of the Bank is pleased to announce the audited results of the Bank and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Bank, complies with the relevant content requirements of the Hong Kong Listing Rules in relation to preliminary announcements of annual results. The printed version of the Bank's 2022 Annual Report will be delivered to the H-Share Holders of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.boc.cn in late April 2023.

Introduction

Bank of China is the bank with the longest continuous operation among Chinese banks. Formally established in February 1912, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and offering international trade settlement, overseas fund transfer and other non-trade foreign exchange services. Restructured into a wholly state-owned commercial bank in 1994, the Bank provides various financial services, and has developed into a large commercial bank delivering services in local and foreign currencies and featuring complete business varieties and strong strength. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2006, becoming the first Chinese bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. The Bank is the official banking partner of the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics, thus making it the only bank in China to serve two Olympic Games. In 2011, Bank of China became the first financial institution from an emerging economy to be designated as a Global Systemically Important Bank, a designation it has now maintained for 12 consecutive years. With its growing international status, competitiveness and comprehensive strengths, the Bank has marched forward into the ranks of the world's large banks. In 2021, the Bank prepared the Group's 14th Five-Year Plan, clarified its positioning and comparative advantages in the domestic economy and in the domestic and international economic flows, and focused on the development of the "Eight Priority Areas" of technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance. It moved faster in forming a strategic development landscape with its domestic commercial banking services as the business mainstay, its globalised operations and diversified business platforms as the two growth engines, and worked hard to write a new chapter of building a first-class global banking group.

As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as 62 countries and regions, and BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets. The Bank has a well-established global service network and an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing, asset management, financial technology, financing leasing and other areas, thus providing its customers with financial solutions featuring global expertise and all-round services accessible at any point of contact.

Bank of China embodies a noble sense of duty and commitment. Over its 111 years of development, the Bank constantly cared about the nation, dedicated to contribute to the country, and continued to strive for prosperity of the country and rejuvenation of the nation. Being deeply rooted in people and committed to providing excellent services, it has fulfilled its responsibilities of delivering financial services for the people, bringing benefits and convenience to the people, and improving the living standards of the people. Keeping the common good in mind and advocating openness and inclusiveness, the Bank has mobilised domestic and overseas resources to serve the two-way interactions between China and the world. It has always followed the law, innovated with prudence, and upheld the spirit of integrity and innovation to strengthen the Bank. As a large state-owned commercial bank on a new journey towards fully building a modern socialist country, the Bank, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, will carry forward the Bank's century-old tradition of pursuing excellence, take full, accurate and comprehensive implementation of the new development philosophy, contribute to the new development pattern; consciously uphold the mission of "Bridge China and the World for the Common Good"; practice the values of "provide excellent service, innovate with prudence, uphold openness and inclusiveness, collaborate for mutual growth"; accelerate the building of a first-class global banking group, bolster the Chinese modernisation, promote high-quality economic and social development, and make an even greater contribution to realising the Chinese Dream of national rejuvenation in all respects.

Outline of the 14th Five-Year Development Plan and Long-Range Objectives through the Year 2035

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will step forward into the nation's new development stage; fully, faithfully and comprehensively implement the new development philosophy; and contribute to the new development pattern. With reform and innovation as its fundamental driver, and meeting people's growing needs for a better life as its fundamental purpose, the Bank will adhere to the general principle of seeking progress while maintaining stability, deepen supply-side structural reform in the financial sector, accelerate its comprehensive digital transformation, and promote high-quality and sustainable development alongside high-standard opening up. It will fulfil its responsibility and mission as a large state-owned bank, focus on serving the real economy, and continue to promote technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance. The Bank will strengthen risk awareness, adhere to "bottom-line" thinking in risk management, and reinforce prudence and compliance in its operations. Maintaining a systematic approach, it will accelerate the building of a strategic development pattern with its domestic commercial banking services as the mainstay of its business and its globalised operations and diversified business platforms as its two growth engines. Taking the strategic approach of "invigorate, adapt to change and drive for major breakthroughs", the Bank will strive to build a first-class global banking group.

Corporate Culture Concept System

OUR MISSION

Bridge China and the World for the Common Good

OUR VISION

Build a First-Class Global Banking Group

OUR VALUES

Provide Excellent Service
Innovate with Prudence
Uphold Openness and Inclusiveness
Collaborate for Mutual Growth

Honours and Awards

The Banker	Ranked 4th in Top 1000 World Banks
	Ranked 4th in Top 500 Global Banking Brands
FORTUNE	Ranked 42nd in Global 500 (2022)
Global Finance	Outstanding Leadership in ESG-related Loans
	Stars of China – Best Private Bank
	Best Bank for Sustainable Finance
Asiamoney	China's Best Bank for ESG
	China Private Banking Award – Best State-owned Bank
IFF	Global Green Finance Award – Innovation Award
The Asian Banker	Best Bank Infrastructure Technology Implementation in China
The Asset	Triple A Innovation Award for Digital Finance
	Best Custodian for QDII
	Best Issuer for Sustainable Finance
	Best Bond Adviser – Global
Trade Finance Global	Best Trade Finance Bank in Asia-Pacific
PBOC	Finance Technology Development Award
China Banking Association	Outstanding Contribution Award for Green Credit Committee
China Banking Association, 21st Century Institute of Finance	Typical Case of Inclusive Finance in China (2022)
China Foreign Exchange Trade System	Best RMB-Foreign Exchange Market Maker
CBN	Best Bank in Wealth Management
Sina	Best Bank with Responsible Investment
International Data Corporation (IDC)	IDC Financial Industry Technology Application Scenario Innovation Award
People.cn	People's Inventive Service Award – Bank of China's Mobile Banking
Directors & Boards	Gold Prize of Round Table – Special Contribution to Board Governance
Securities Times	Best Company for Investor Relations
	Best Board of Directors for Investor Relations
LACP	Annual Report Gold Award
Interbrand	Ranked 6th in Best China Brands
Hurun Research Institute	Ranked 6th in the Most Successful Chinese Heritage Brands
Xinhuanet, 58.com, ChinaHR.com	Best and Most Attractive Employer for College Student
Forbes	2022 Forbes China's Best Employer
	Most Sustainable Employer
	Most Digitally Responsible Employer

Contents

Definitions

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

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing Articles of Association of the Bank
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage points
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Consumer Finance	BOC Consumer Finance Co., Ltd.
BOC Financial Technology	BOC Financial Technology Co., Ltd.
BOC Fullerton Community Bank	BOC Fullerton Community Bank Co., Ltd.
BOC Insurance	Bank of China Insurance Company Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong SAR and a wholly-owned subsidiary of BOCHK (Holdings)

BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong SAR, the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Co., Ltd., a company incorporated in the Chinese mainland, the ordinary shares of which are listed on the SSE
BOCL	BOC Financial Leasing Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
BOC Wealth Management	BOC Wealth Management Co., Ltd.
CAS	Chinese Accounting Standards
CBIRC	China Banking and Insurance Regulatory Commission
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The Company Law of PRC
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Huijin	Central Huijin Investment Ltd.
IFRS	International Financial Reporting Standards
Independent Director	Independent director under the listing rules of the SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SAFE	State Administration of Foreign Exchange, PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2022 Annual Report and Annual Results Announcement of the Bank have been approved by the Board of Directors of the Bank on 30 March 2023. The number of directors who should attend the meeting is 13, with 12 directors attending the meeting in person. Independent Director Mr. JIANG Guohua did not attend the meeting in person due to other important business engagements and appointed Independent Director Mr. E Weinan as his authorised proxy to attend and vote on his behalf. All of the 13 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2022 financial statements prepared by the Bank in accordance with CAS and IFRS have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

Vice Chairman of the Board of Directors and President of the Bank Mr. LIU Jin, who is also responsible for the Bank's finance and accounting, and Principal of the accounting department Ms. WEN Lan, warrant the authenticity, accuracy and completeness of the financial statements in this report.

The Board of Directors has recommended a final dividend on ordinary shares for 2022 of RMB2.32 per ten shares (before tax), subject to approval in the forthcoming 2022 Annual General Meeting. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

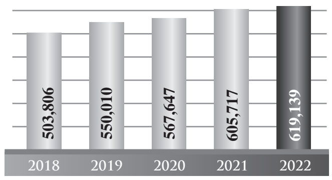
During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that has violated the applicable regulations and procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources that the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause the actual results to differ materially. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

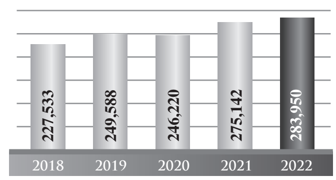
The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse changes in market prices and operational risk. It shall at the same time meet regulatory and compliance requirements. The Bank actively adopts adequate measures to effectively manage all types of risks. Please refer to the section "Management Discussion and Analysis – Risk Management" for details.

Financial Highlights

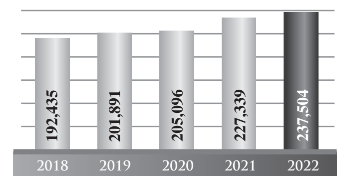
Operating income
RMB Million



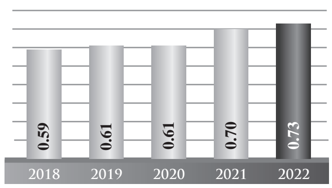
Operating profit
RMB Million



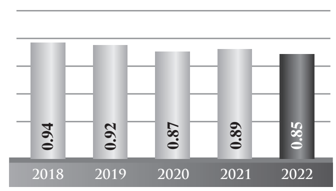
Profit for the year
RMB Million



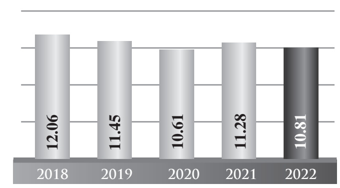
EPS (basic)
RMB



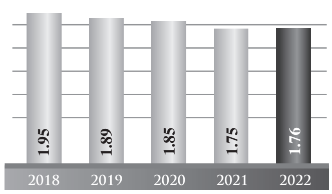
ROA
%



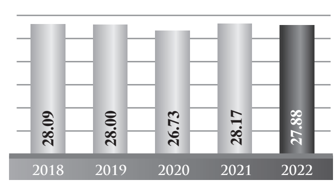
ROE
%



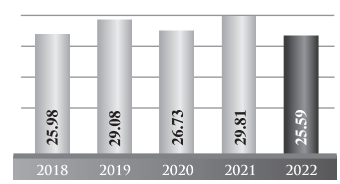
Net interest margin
%



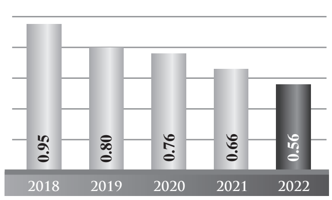
Cost to income ratio (calculated under regulations in the Chinese mainland)
%



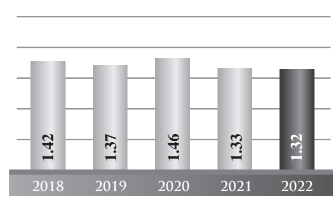
Non-interest income to operating income
%



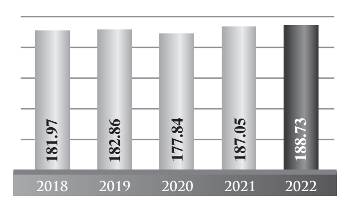
Credit cost
%



Non-performing loans to total loans
%



Allowance for loan impairment losses to non-performing loans
%



Note: The financial information in this report has been prepared in accordance with IFRS. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	2022	2021	2020	2019	2018
Results of operations						
Net interest income		**460,678**	425,142	415,918	390,050	372,930
Non-interest income	1	**158,461**	180,575	151,729	159,960	130,876
Operating income		**619,139**	605,717	567,647	550,010	503,806
Operating expenses		**(231,196)**	(226,355)	(202,411)	(198,269)	(176,979)
Impairment losses on assets		**(103,993)**	(104,220)	(119,016)	(102,153)	(99,294)
Operating profit		**283,950**	275,142	246,220	249,588	227,533
Profit before income tax		**284,595**	276,620	246,378	250,645	229,643
Profit for the year		**237,504**	227,339	205,096	201,891	192,435
Profit attributable to equity holders of the Bank		**227,439**	216,559	192,870	187,405	180,086
Total dividend of ordinary shares		**N.A.**	65,060	57,994	56,228	54,167
Financial position						
Total assets		**28,913,857**	26,722,408	24,402,659	22,769,744	21,267,275
Loans, gross		**17,554,322**	15,712,574	14,216,477	13,068,785	11,819,272
Allowance for loan impairment losses	2	**(437,241)**	(390,541)	(368,619)	(325,923)	(303,781)
Investments	3	**6,445,743**	6,164,671	5,591,117	5,514,062	5,054,551
Total liabilities		**26,346,286**	24,371,855	22,239,822	20,793,048	19,541,878
Due to customers		**20,201,825**	18,142,887	16,879,171	15,817,548	14,883,596
Capital and reserves attributable to equity holders of the Bank		**2,427,589**	2,225,153	2,038,419	1,851,701	1,612,980
Share capital		**294,388**	294,388	294,388	294,388	294,388
Per share						
Basic earnings per share (RMB)		**0.73**	0.70	0.61	0.61	0.59
Dividend per share (before tax, RMB)	4	**0.232**	0.221	0.197	0.191	0.184
Net assets per share (RMB)	5	**6.99**	6.47	5.98	5.61	5.14
Key financial ratios						
Return on average total assets (%)	6	**0.85**	0.89	0.87	0.92	0.94
Return on average equity (%)	7	**10.81**	11.28	10.61	11.45	12.06
Net interest margin (%)	8	**1.76**	1.75	1.85	1.89	1.95
Non-interest income to operating income (%)	9	**25.59**	29.81	26.73	29.08	25.98
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	10	**27.88**	28.17	26.73	28.00	28.09
Capital ratios	11					
Net common equity tier 1 capital		**1,991,342**	1,843,886	1,704,778	1,596,378	1,465,769
Net additional tier 1 capital		**381,648**	329,845	287,843	210,057	109,524
Net tier 2 capital		**573,481**	525,108	458,434	394,843	347,057
Common equity tier 1 capital adequacy ratio (%)		**11.84**	11.30	11.28	11.30	11.41
Tier 1 capital adequacy ratio (%)		**14.11**	13.32	13.19	12.79	12.27
Capital adequacy ratio (%)		**17.52**	16.53	16.22	15.59	14.97
Asset quality						
Credit-impaired loans to total loans (%)	12	**1.32**	1.33	1.46	1.37	1.42
Non-performing loans to total loans (%)	13	**1.32**	1.33	1.46	1.37	1.42
Allowance for loan impairment losses to non-performing loans (%)	14	**188.73**	187.05	177.84	182.86	181.97
Credit cost (%)	15	**0.56**	0.66	0.76	0.80	0.95
Allowance for loan impairment losses to total loans (%)	16	**2.50**	2.49	2.60	2.50	2.58
Exchange rate						
USD/RMB year-end central parity rate		**6.9646**	6.3757	6.5249	6.9762	6.8632
EUR/RMB year-end central parity rate		**7.4229**	7.2197	8.0250	7.8155	7.8473
HKD/RMB year-end central parity rate		**0.8933**	0.8176	0.8416	0.8958	0.8762

Notes:

1 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial asset + other operating income.

2 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

3 The investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

4 Dividend per share is the dividend per ordinary share distributed to ordinary shareholders.

5 Net assets per share = (capital and reserves attributable to equity holders of the Bank at year-end − other equity instruments) ÷ number of ordinary shares in issue at year-end.

6 Return on average total assets = profit for the year ÷ average total assets × 100%. Average total assets = (total assets at the beginning of the year + total assets at year-end) ÷ 2.

7 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank × 100%. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies – Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

8 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%. Average balance is average daily balance derived from the Group's management accounts (unaudited).

9 Non-interest income to operating income = non-interest income ÷ operating income × 100%.

10 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.

11 The capital ratios are calculated under the advanced approaches and in accordance with *Capital Rules for Commercial Banks (Provisional)* (Y. J. H.L. [2012] No. 1).

12 Credit-impaired loans to total loans = credit-impaired loans at year-end ÷ total loans at year-end × 100%. Total loans are exclusive of accrued interest when being used to calculate credit-impaired loans to total loans.

13 Non-performing loans to total loans = non-performing loans at year-end ÷ total loans at year-end ×100%. Total loans are exclusive of accrued interest when being used to calculate non-performing loans to total loans.

14 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at year-end ÷ non-performing loans at year-end × 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to non-performing loans.

15 Credit cost = impairment losses on loans ÷ average balance of loans × 100%. Average balance of loans = (balance of loans at the beginning of the year + balance of loans at year-end) ÷ 2. Total loans are exclusive of accrued interest when being used to calculate credit cost.

16 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at year-end ÷ total loans at year-end × 100%. Calculation is based on the data at the Group level, with historical data adjusted accordingly. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to total loans.

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司("中國銀行")

Registered Name in English
BANK OF CHINA LIMITED
("Bank of China")

Vice Chairman and President
LIU Jin

Listing Affairs Representative
YU Ke
Office Address:
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Registered Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China

Office Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: www.boc.cn
Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong SAR
Bank of China Tower, 1 Garden Road, Central, Hong Kong, China

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website of the SSE for Publication of the Annual Report
www.sse.com.cn

Website of the HKEX for Publication of the Annual Report
www.hkexnews.hk

Place Where Annual Report Can Be Obtained
Head Office of Bank of China Limited
Shanghai Stock Exchange

Legal Advisor
King & Wood Mallesons
Clifford Chance

Auditors

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP
Office Address:
Room 01, Unit 507, DBS Bank Tower, 1318 Lu Jia Zui Ring Road, (Shanghai) Pilot Free Trade Zone, China
Certified Public Accountants who signed the auditor's report:
Ms. HO Shuk Ching Margarita, Mr. ZHU Yu, Mr. LI Dan

International Auditor

PricewaterhouseCoopers
Office Address:
22/F, Prince's Building, Central, Hong Kong, China

Unified Social Credit Code

911000001000013428

Financial Institution Licence Serial Number

B0003H111000001

Registered Capital

RMB294,387,791,241

Securities Information

A Share

Shanghai Stock Exchange
Stock Name：中國銀行
Stock Code：601988

H Share

The Stock Exchange of Hong Kong Limited
Stock Name：Bank of China
Stock Code：3988

Domestic Preference Share

Shanghai Stock Exchange
Third Tranche
Stock Name：中行優3
Stock Code：360033

Fourth Tranche
Stock Name：中行優4
Stock Code：360035

Offshore Preference Share Second Tranche

The Stock Exchange of Hong Kong Limited
Stock Name: BOC 20USDPREF
Stock Code: 4619

Message from the Board of Directors

The past year of 2022 was one of great changes and new beginnings. As the 20th National Congress of the Communist Party of China sounded a clarion call of the times for the Chinese people forging ahead on a new journey, Bank of China too, opened a brand-new chapter in its quest for excellence and glory, having just celebrated its 110th anniversary. All our 300,000-plus employees united as one, worked tirelessly with confidence, and delivered continued and steady growth while serving the high-quality economic and social development. For the year, the Group reported operating income of RMB619.139 billion, up 2.22% from the previous year; profit for the year reached RMB237.504 billion, up 4.47%; profit attributable to equity holders of the Bank increased by 5.02% to RMB227.439 billion. By the end of the year, the Group reported total assets of RMB28.91 trillion and total liabilities of RMB26.35 trillion, a year-on-year increase of 8.20% and 8.10%, respectively; ratio of non-performing loans was 1.32%, down 0.01 percentage point, and the allowance for loan impairment losses to non-performing loans was 188.73%, up 1.68 percentage points. In line of these results, the Board of Directors has proposed a cash dividend of RMB2.32 per ten ordinary shares, representing a dividend payout ratio of 30%.

2022 was also full of moments worth memorising, where our persistence and hard work always prevailed over the many challenges we faced. Despite profound changes and uncertainty in the international landscape, recurring waves of COVID-19, and prolonged volatility in the financial markets, China's economy enjoyed strong resilience, tremendous potential and great vitality, and the fundamentals sustaining its long-term growth have remained strong. Here at the Bank, by orienting towards the new development pattern featuring positive interplay between domestic and international economic flows, we've managed to weather through the headwinds from unexpected factors. We maintained sound growth and accomplished a chain of important jobs that would boost our long-term prospect, representing big strides forward towards our goal of building a first-class global banking group.

We have upheld our founding commitment to serve the country, and ramped up support to the macro-economy. With a focus on boosting domestic demand, facilitating investment and protecting people's livelihoods, we channeled more financial resources to steady and sustained economic development: domestic RMB loans grew by over RMB1.58 trillion, hitting a historical high; financing cost for businesses in real economy was cut further to protect recovery and growth, with the rate on new loans down by 53 basis points. Especially, we increased support for the new growth drivers in the economy; domestic lending to the technology sector, to the strategic and emerging industries, and to green development-related fields all achieved a double-digit growth. And to benefit the widest range of market participants, we made further improvements to the long-acting mechanism of serving micro and small enterprises to dare to lend, willing to lend, able to lend and good at lending, and grew inclusive loans by nearly 40%. Additionally, following a more people-centered agenda, we increasingly shifted the focus of our services to lower-tier cities, bringing about a stable expansion in consumer finance, which had already provided over 230 million times of services through a large array of different scenarios including cross-border facilitation, education, sports, and the silver economy. We also provided tailored services for special customer groups like business starters, new citizens, and people affected by COVID-19, to financially empower more people in their pursuits.

We've made substantial progress in our mission to bridge China and the world, helping to strengthen the financial ties between domestic and international economic flows. As one of the major cross-border financial services provider in the country, we provided over RMB550 billion of import and export financing for the year, up 15% year on year; we remained the market-share leader in core products such as Chinese offshore bond underwriting and Panda bond underwriting; and we provided high-quality services to the CIIE, CIFTIS, CICPE, CIPIT, Canton Fair and other major exhibition events hosted in China, to support businesses to tap into opportunities both at home and abroad. Moreover, having served the Beijing 2008 Summer Olympics, we again became the sole banking partner to the Beijing 2022 Winter Olympics, a complete success that we're so proud to be part of; and it has made us the only bank to have sponsored both the Winter and Summer Olympics. Global presence wise, we pressed ahead with regionalised management and integrated operations. We enhanced BOCHK's role in managing all our operations in Southeast Asia, and developed a synergy mechanism for our institutions in areas under the Regional Comprehensive Economic Partnership ("RCEP"). Our regional headquarters in the EU, the IPU, was also put into operation, integrating operations in EU region by business line. Benefiting from the quick adaptions we've made in response to the changes in international situations, and our market-by-market strategies, contribution from overseas operations to the Group has picked up again.

We advanced reform to shape our core advantages towards the future with an equal emphasis on upholding fundamental principles and breaking new ground. With a practical and problem-oriented approach we launched self-targeting reform programs to address both the surface and root causes of the problems we identified. Especially, we went in depth to rectify issues raised during the disciplinary inspection tours, and achieved some major breakthroughs in solving the deep-rooted problems undermining reform and development. These efforts have helped us continuously optimise our operation and management, and build up stronger momentum of high-quality growth. In keeping up with the changing times and all the latest developments in technology and customer demand, we pushed for faster digital transformation on all fronts and advanced technology system reform: with components of the new enterprise-level infrastructure put into use, we've made the important leap from zero to one; the wider roll-out of smart operation transformation initiatives among our network of outlets and the cultivation of a pool of digital-savvy talent have accelerated and further unleashed the power of technology to support business. In face of new financial business types and patterns, we set up the Scenario Ecosystem and Innovation Department to build a whole-process product management system covering research, incubation and operation. We also made better use of our human resources, the most important assets of the Bank, by launching regular talent rotation programs between the Head Office and branches, between domestic and overseas operations, and between our banking and non-banking arms, to foster a larger globalized and versatile workforce. Furthermore, to increase our competitiveness, we made systematic efforts to develop expertise in the "Eight Priority Areas", private banking, data analysis, and comprehensive risk management; and kept optimizing our incentives and accountability policies, effectively freeing up the energy of our people.

We stepped up efforts in building a stronger risk culture and awareness, and enhanced our foundation for sustainable development through prudent operation. To stay alert and responsive to even the slightest clues of threats, we established a research and analysis mechanism for major risks, and moved risk management ahead of the market curve, which has helped us effectively deal with external shocks from the spillover from geopolitical conflicts, to interest rate hikes by major central banks, and to the violent turbulence in global financial markets, with performance indicators staying at healthy levels. We implemented the comprehensive risk management system 2.0, to exercise better management over the cycle of "risk analysis, risk identification, stress testing, action plans, risk response, and post evaluation", accelerate the building of a long-effect mechanism for compliance management in overseas operations, and prompted the culture of comprehensive risk management at all levels. We also worked proactively to conduct reviews of our credit assets, identifying and resolving credit risks as appropriate, which has allowed us to maintain healthy and stable asset quality. Replenishing capital both internally and from outer sources, we've increased our capital adequacy ratio by 0.99 percentage points, and raised the allowance for losses to non-performing loans by 1.68 percentage points from the end of previous year, bolstering our cushion against risk.

2023 is the first year for the comprehensive implementation of the guiding principles of the 20th National Congress of the CPC, as well as the critical mid-point in the Group's plan for the 14th Five-Year Period. The Bank will thoroughly and faithfully follow through Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and carry out the strategies and initiatives of the CPC Central Committee and the State Council, to serve Chinese modernisation with our brand of financial expertise and wisdom.

At the heart of our campaign, to facilitate Chinese modernisation is our commitment to support the real economy. We will unlock the power of finance to boost consumer spending and investment, both in size and quality. Through the "Eight Priority Areas", we're going to provide more services that benefit the real economy directly. We will continue to strengthen domestic commercial banking as the mainstay of the Group, while building on our advantages in globalisation and diversified business platforms that differentiate us from the competition. We will reinforce the synergy between our domestic and overseas operations and between banking and non-banking arms, to deliver truly global and comprehensive services featuring China elements, and to be better aligned with the new development pattern. Powered by and leveraging the full digital transformation in all areas, we will drive for further integration of data and systems for higher efficiency and productivity. And we will hold the bottom line of preventing major financial risks, stay cautious and incisive as if treading on thin ice, and build risk management into one of our core competences for the future. We will also adhere to the philosophy of customer-centricity, and benchmark everything we do against the expectations and the final experience of customers, to become a trustworthy long-term partner in their life.

As the new era continues to unfold, and with it come a larger array of new opportunities and hopes than ever, the Bank of China will carry forward our mission of bridging China and the world for the common good, and steadfastly pursue high-quality development. Harboring stronger entrepreneurship while also remaining down-to-earth, we will set sail again, in higher spirits and at full steam, on our journey to grow BOC into a first-class global banking group and make greater contributions to the cause of building China into a modern socialist country in all respects.

30 March 2023

Message from the Senior Management

The past year of 2022 was marked by extraordinary hard work, but great rewards as well. Early in the year, we celebrated our 110th anniversary, a new starting point that saw us shouldering greater responsibilities and rising above challenge after challenge. We carried through the strategies and plans of the CPC Central Committee and the State Council, delivering simultaneous gains on multiple fronts, including serving the real economy, forestalling financial risks, deepening reform and innovation, and Covid-19 prevention and control. We also pushed ahead with the Group's plan for the 14th Five-Year Period and made substantial progress on all major strategic priorities, which has better positioned us to serve as a ballast for the economy and got us off to a new stage of excellence.

We focused on serving the high-quality development of the economy and society, and along the way, achieved fruitful results in each of the "Eight Priority Areas". Our outstanding credit balance for technology finance exceeded RMB1 trillion, and loans granted to strategic and emerging industries doubled within the year. For green finance, we gathered pace to build and expand "BOC Green +", our full range of diverse green financial products and services. In addition, we issued RMB87.7 billion worth of green bonds in domestic and offshore markets, leading the peers; and completed operational carbon footprint verification for over 10,000 entities under the Group. With respect to inclusive finance, over 60% of new inclusive loans were processed online, and more than RMB345 billion of credit facilities were extended to over 18,000 specialized and sophisticated enterprises producing new and unique products. We also reinforced our advantage in cross-border finance, further expanding the client base for our cross-border settlement services; and provided wider offerings of consumer finance products, with remarkable growth in non-mortgage loans. In terms of wealth finance, we acquired a record number of new domestic medium to high-net worth clients and saw the total retail assets under management (AUM) of the Group closing on RMB13 trillion. For supply-chain finance, we ramped up support for core enterprises and their upstream and downstream partners, with RMB2.5 trillion of revolving credit facilities and RMB2.2 trillion of term loans newly granted and increasingly rich scenario-based services under the "BOC Smart Chain" brand. In the market of counties and townships, our network of outlets has constantly grown in coverage, and reported over RMB2 trillion in outstanding balance of agriculture loans. Also, we directed more financing resources to support businesses upgrading equipment, manufacturers with medium and long-term needs, and projects eligible for funding under the development and policy-backed financial instruments, to better align our services with what the country and people expected of us.

We enhanced the synergy between the "One Mainstay" and "Two Engines" in an effort to sharpen our competitive edge. To keep up with the trend and meet customer needs, we worked to ensure that our global expertise and all-round services are accessible at any point of contact. There has been constant improvement for the strategic development landscape with our domestic commercial banking services as the business mainstay, our globalised operations and diversified business platforms as the two growth engines. Domestically, we reviewed and optimised our development plans for the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle to suit the changing environment; a move that has enabled our domestic commercial banking business to amplify its anchoring role amid the increasing uncertainty. For overseas operations, we've set up the Cross-border Finance Committee under the Executive Committee, and updated our market-by-market strategies to reflect the changing international landscape. The Bank's overseas commercial banking business led to a higher contribution to the Group's total profit at 18.28%. Furthermore, we unveiled new financial service solutions to support the RCEP and the internationalisation of RMB; and participated in more projects in BRI partner countries, with over USD269.0 billion of credit extended to over 900 projects already. We also hosted many match-making events under the "100 Activities for 10,000 Enterprises" program, in partnership with various government ministries and agencies, to facilitate growth of export-oriented enterprises. For non-commercial banking operations, we've enhanced the role of Integrated Service and Synergy Office to cover all key regions, built a debt-equity financing platform, and launched technological innovation-themed FOFs for the Yangtze River Delta and Hengqing New Area, enabling our non-banking subsidiaries to outperform major peers in their contribution to the Group's total revenue. And in our private banking line, we've set up the "Entrepreneurs' Office", to create a globally integrated platform providing all-around and full-cycle wealth management services.

We achieved initial success in digital transformation on all fronts, laying a solid foundation for future reform and development. We pressed ahead with the reform to the technology management system, promoting our ability to invigorate and adapt to change, thus enhancing IT capacity for the year. We got 611 FinTech patents approved, which was a great leap ahead. We reengineered key businesses process to fit them into the EA framework, and ensured all new systems would go live as scheduled, bringing our next-generation distributed technology platform into shape. We also established Digital Asset Operation Centre, which enhanced our capabilities in data mining, application and management; and we completed the building of a national operation center that boosted our productivity through business integration. To adapt to digital economy, we released the white paper on "Building Scenario-Based Financial Services Ecosystem V2.0" and launched new digital service package such as "I-SMART BOC inclusive finance services", "digital CIIE services" and "smart business treasurer", to cater for different sectors and areas. In addition, we featured e-CNY in our Winter Olympics scenarios, and built the largest network of merchants using our e-wallet services in China. And we upgraded our online and mobile banking services at a faster pace, hitting 76.2 million monthly active users of our mobile personal banking APP.

We made progress in refined management, building a solid foundation for operation and development. While cutting fees and interest rates in support of the real economy, we proactive balanced sheet management and maintain a stable net interest margin and a steadily-increasing EVA. In our pursuit of better financial performance, we continued to trim cost and expenditure and improve input-output efficiency, lowering the cost-to-income ratio by 0.29 percentage points. We advanced projects aiming to generate more accounts and attract more clients: on the corporate side, we saw a double-digit growth in basic corporate clients and a 9.1% increase in effective corporate clients; on the retail side, the number of private banking customers witnessed steady growth, and the personal clients, still higher. In addition, we accelerated the building of comprehensive risk management system, and kept all major risk indicators within regulatory and the Board's requirements. We also set up a Cyber Security Operation Centre to enhance our IT defense system.

Such achievements were only made possible by the devotion and tenacity of our staff. In 2022, all our 300,000-plus employees met challenges head-on, went out of their way and achieved satisfactory results that are especially hard to come by in times like this, celebrating the 110th anniversary of the Bank in an extraordinary way and fully demonstrating the century-old inheritance of BOC. For that, the Senior Management extends the most heartfelt thanks to all our customers, shareholders and friends from all sectors of society for your generous trust and support; and to all our employees for your extraordinary hard work and contribution.

In 2023, we will continue to make confident strides towards our goals. Following the guiding principles of the 20th CPC National Congress, the Senior Management team will work closely with the Board of Directors and the Board of Supervisors, to lead the Bank to enhance strategy execution, sharpen market competitiveness, and better serve the high-quality economic and social development. We will remain steadfast, diligent and united on our great journey to build BOC into a first-class global banking group.

30 March 2023

Message from the Board of Supervisors

In 2022, in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank, the Board of Supervisors performed its duties diligently and earnestly, acted with initiative, and deepened its understanding of the political and people-centred nature of financial work. It aligned its efforts with national decisions and plans on economic and financial work, the rectification requirements raised in the discipline inspection of the CPC Central Committee, the audit opinions of the National Audit Office, regulatory requirements, the Bank's 14th Five-Year Development Plan and its core supervisory responsibilities, thus further enhancing its political orientation and capacity as a supervisory body. By intensifying supervision efforts, employing new supervision methods, strengthening supervision quality and effectiveness, and reinforcing self-development, the Board of Supervisors forged synergies with all parties related to corporate governance so as to jointly promote the high-quality development of the Bank.

In 2022, the Board of Supervisors actively adhered to the strategies and priorities of the country and constantly improved its supervision efficiency, keeping a close eye on the work priorities of the Bank. **It focused on the Bank's efforts to fully observe major national decisions and plans as well as the inspection feedback of the CPC Central Committee, and intensified its supervisory and guidance efforts.** The Board of Supervisors paid close attention to the Bank's efforts to help stabilise the economy, increase the supply of financial resources to key areas, better meet people's diverse financial needs, and effectively forestall and defuse major financial risks, etc., and gave timely reflections and prompts by means of letters of supervisory recommendation, supervision and evaluation opinions, quarterly supervision reports and special survey reports. **It effectively performed its strategy supervision responsibilities.** The Board of Supervisors closely followed up on the implementation progress of the Group's 14th Five-Year Development Plan, provided evaluation opinions on the execution of its strategic plans, conducted special surveys on various topics such as promoting high-level opening up, cross-border risk management, integrated operations and IT management, and supervised and encouraged the Group to continue to develop the key strategic aspects of the "Eight Priority Areas", consolidate and expand its advantages in globalised and integrated operations, and accelerate digital transformation, so as to continuously improve the effectiveness of strategy implementation. **It organised duty performance supervision for directors and senior management members in an orderly manner.** The Board of Supervisors conscientiously conducted an annual evaluation of the duty performance of the Board of Directors and the Senior Management, carried out special surveys on financial services support for the rural revitalisation strategy and the implementation of the Guangdong-Hong Kong-Macao Greater Bay Area strategy, and supervised and encouraged the Board of Directors and Senior Management to better serve major national strategies and perform their duties in compliance with the law and regulations. **It strengthened supervision of financial management.** The Board of Supervisors issued deliberations on regular reports, conducted special surveys on the effectiveness of financial management, and supervised and encouraged the Group to improve the refined management of its financial operations, in a bid to enhance the Group's comprehensive competitiveness. **It deepened supervision of risk management and internal control through a problem-oriented approach.** In response to changes in the external situation, the Board of Supervisors delivered supervision reports and risk alerts in a timely manner, conducted special surveys on the key links of comprehensive risk management, and supervised and encouraged the Group to strengthen credit risk prevention and control in key areas, improve market risk and derivative risk management, reinforce cross-border and cross-industry integrated risk management for overseas institutions and comprehensive operation companies, and enhance the effectiveness of major risk screening and stress tests. All these efforts ensured that no systemic risks arose. **It worked to enhance coordination and integration.** The Board of Supervisors adhered to the coordination mechanism that exists between directors and supervisors, deepened its coordination with the Bank's second and third lines of defence and comprehensive management departments, and strengthened the supervision and guidance of internal and external audits, in a bid to better leverage supervision synergies.

In 2022, the Board of Supervisors made further headway in pursuing self-improvement. It improved its policy system, strengthened its team building, upgraded its professionalism, and enhanced the incentive and constraint mechanism for supervisors to perform their duties. All members of the Board of Supervisors performed their supervisory duties faithfully and diligently, and rendered professional, well-considered and unbiased suggestions. The Board of Directors and Senior Management highly valued and strongly supported the work of the Board of Supervisors, and earnestly responded to and widely adopted its opinions and recommendations. In this way, the supervision results of the Board of Supervisors were effectively communicated, implemented and applied across the Bank. The work of the Board of Supervisors was fully recognised and appreciated by the market and its peers, with the Board of Supervisors of the Bank winning the "Best Practices Award for the Board of Supervisors of Listed Companies" for the first time.

In 2022, the Board of Supervisors completed changes to some of its members in compliance with laws and regulations and the Articles of Association of the Bank. The Board of Supervisors would like to express our sincere gratitude to Mr. LENG Jie and Mr. ZHENG Zhiguang, who no longer serve as supervisors of the Bank, for their efforts and contributions to the Bank during their tenure, and extend our warm welcome to Mr. HUI Ping and Mr. CHU Yiyun as new supervisors of the Bank.

In 2023, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors will earnestly implement the guiding principles of the 20th CPC National Congress, major national decisions and plans, and regulatory requirements, by taking practical actions to complete all supervision work to a high standard of quality. With a focus on the Bank's 14th Five-Year Development Plan, it will continue to conduct effective supervision of strategy, duty performance, financial management, risk management and internal control in a more forward-looking, timely and professional manner, and make greater contributions to the Bank's drive towards building a first-class global banking group.

30 March 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Economic and Financial Environment

In 2022, global economic growth decelerated amid intensified international geopolitical conflicts, greater downward pressures on the global economy and increased uncertainty in the development environment.

Major developed economies continued to tighten monetary policy, albeit with a slowdown in interest rate hikes. The US Federal Reserve, European Central Bank and Bank of England hiked interest rates by an aggregate of 425 bps, 250 bps and 325 bps respectively in 2022. The Bank of Japan fine-tuned its yield curve control policy and several emerging economies repeatedly raised interest rates. Global exchange rates experienced intensified volatility, and the US Dollar Index and US Treasury yields moved higher, causing cross-border capital increasingly flow back to the US. Global financial markets fluctuated sharply, with rebounds in major US and European stock markets. The risk of sovereign debt default increased in some economies. Commodity prices soared at the beginning of the year and softened towards year-end.

China efficiently coordinated its epidemic prevention and control with economic and social development, intensified macroeconomic policies, and coped with shocks brought about by unexpected factors, thus steadily improving the quality of its development and maintaining a stable economic and social situation. In 2022, China's gross domestic product (GDP) increased by 3.0% year-on-year. Value-added of industrial enterprises above a designated size rose by 3.6% year-on-year, total retail sales of consumer goods (TRSCG) fell by 0.2% year-on-year, total fixed asset investments (TFAI) (excluding those by rural households) grew by 5.1% year-on-year, total imports and exports of goods rose by 7.7% year-on-year, the trade surplus was RMB5.86 trillion, and the consumer price index (CPI) went up by 2.0% year-on-year.

The PBOC stepped up efforts to implement a prudent monetary policy and gave full play to the guiding role of structural monetary policy instruments, realising reasonable growth in the scale of monetary credit and social financing, continuous optimisation of the credit structure, and a steady decrease in comprehensive financing costs, which strongly supported the stabilisation of the macro economy. Overall, financial markets operated smoothly, liquidity was kept adequate at a reasonable level, and RMB exchange rates remained generally stable at an adaptive and equilibrium level. As at 31 December 2022, the outstanding broad money supply (M2) grew by 11.8% year-on-year to RMB266.4 trillion. Outstanding RMB loans increased by 11.1% to RMB214.0 trillion. Aggregate financing to the real economy (AFRE) increased by 9.6% to RMB344.21 trillion. The Shanghai Stock Exchange Composite Index stood at 3,089, down 15.1% from the prior year-end. The central parity rate of RMB against USD was 6.9646, a depreciation of 8.5% compared with the prior year-end.

China's banking institutions firmly supported the national development strategy and strengthened their support to key fields and weak links of the national economy as well as coordinated regional development. The financial industry helped stabilise the macro economy by facilitating the financing and execution of major projects and meeting the financial service needs of key fields such as infrastructure and strategic emerging industries. New consumer finance scenarios were created to support consumption recovery and expansion. In an ongoing effort to enhance public well-being, stronger support was provided to assist micro and small-sized enterprises, bolster the private sector, serve rural revitalisation and promote common prosperity. The new development philosophy was applied to support sci-tech innovation and high-level opening up, and to boost green, circular and low-carbon economic and social development. By forestalling and defusing major risks in real estate and local government debt, the banking industry defended the bottom line that no systemic risk should occur. As at the end of 2022, the total assets of China's banking industry grew by 10.0% from the prior year-end to RMB379.39 trillion, while total liabilities increased by 10.4% to RMB348.00 trillion. Commercial banking institutions recorded an aggregate profit after tax of RMB2.30 trillion. Outstanding non-performing loans (NPLs) stood at RMB2.98 trillion at the year-end, with an NPL ratio of 1.63%.

Income Statement Analysis

Closely adhering to the requirements of the Group's 14th Five-Year Plan, the Bank coordinated its pandemic response efforts with the advancement of its operations and management, gave full play to the synergies of the "One Mainstay, Two Engines" strategy, and focused on all aspects of the "Eight Priority Areas for Enhancing Financial Services Capabilities", thus pursuing progress while ensuring stability in business performance. In 2022, the Group achieved a profit for the year of RMB237.504 billion, an increase of RMB10.165 billion or 4.47% compared with the prior year. It realised a profit attributable to equity holders of the Bank of RMB227.439 billion, an increase of RMB10.880 billion or 5.02% compared with the prior year. Return on average total assets (ROA) was 0.85% and return on average equity (ROE) was 10.81%.

The principal components and changes of the Group's consolidated income statement are set out below:

Unit: RMB million, except percentages

Items	**2022**	2021	Change	Change (%)
Net interest income	**460,678**	425,142	35,536	8.36%
Non-interest income	**158,461**	180,575	(22,114)	(12.25%)
Including: net fee and commission income	**72,248**	81,426	(9,178)	(11.27%)
Operating income	**619,139**	605,717	13,422	2.22%
Operating expenses	**(231,196)**	(226,355)	(4,841)	2.14%
Impairment losses on assets	**(103,993)**	(104,220)	227	(0.22%)
Operating profit	**283,950**	275,142	8,808	3.20%
Profit before income tax	**284,595**	276,620	7,975	2.88%
Income tax expense	**(47,091)**	(49,281)	2,190	(4.44%)
Profit for the year	**237,504**	227,339	10,165	4.47%
Profit attributable to equity holders of the Bank	**227,439**	216,559	10,880	5.02%

A detailed review of the Group's principal items in each quarter of 2022 is summarised in the following table:

Unit: RMB million

Items	For the three-month period ended			
	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Operating income	151,203	154,325	152,460	161,151
Profit attributable to equity holders of the Bank	54,358	53,157	62,173	57,751
Net cash inflow/(outflow) from operating activities	302,030	(186,627)	167,397	(294,137)

Net Interest Income and Net Interest Margin

In 2022, the Group achieved net interest income of RMB460.678 billion, an increase of RMB35.536 billion or 8.36% compared with the prior year. Specifically, interest income stood at RMB882.273 billion, an increase of RMB92.785 billion or 11.75% compared with the prior year, and interest expense stood at RMB421.595 billion, an increase of RMB57.249 billion or 15.71% compared with the prior year.

Interest Income

In 2022, interest income on loans was RMB652.729 billion, an increase of RMB71.729 billion or 12.35% compared with the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB165.954 billion, an increase of RMB12.095 billion or 7.86% compared with the prior year, mainly due to an increase in investment scale.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB63.590 billion, an increase of RMB8.961 billion or 16.40% compared with the prior year, mainly due to the increase in interest rates.

Interest Expense

In 2022, interest expense on due to customers was RMB311.936 billion, an increase of RMB48.337 billion or 18.34% compared with the prior year, principally due to an increase in the scale and the interest rate of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB65.378 billion, an increase of RMB6.467 billion or 10.98% compared with the prior year, which was primarily attributable to the increase in interest rates.

Interest expense on bonds issued was RMB44.281 billion, an increase of RMB2.445 billion or 5.84% compared with the prior year, which was mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In 2022, the Group's net interest margin was 1.76%, up 1bp compared with the prior year. With the reduction of the RMB Loan Prime Rate (LPR) and decline of RMB loan yields, the Bank seized the opportunity arising from the US Federal rates hike and optimised its asset and liability structure, making steady progress on the net interest margin. First, average interest rates of foreign currency assets increased, which was driven by US Federal rates hike and optimisation of asset structure of foreign currency. Second, RMB assets structure was optimised. The proportion of RMB loans within the Bank's interest-earning assets increased, with the proportion of the average balance of RMB medium and long-term loans within its total RMB loans in the Chinese mainland being 74.45%. Third, the Bank maintained a balance between quantity and price, strengthened liability cost control, the costs of its domestic RMB liabilities kept decreasing.

The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor[2], are summarised in the following table:

Unit: RMB million, except percentages

Items	**2022** Average balance	**2022** Interest income/ expense	**2022** Average interest rate	2021 Average balance	2021 Interest income/ expense	2021 Average interest rate	Analysis of changes in interest income/expense: Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**16,750,217**	**652,729**	**3.90%**	15,173,295	581,000	3.83%	60,396	11,333	71,729
Investments	**5,616,331**	**165,954**	**2.95%**	5,237,687	153,859	2.94%	11,132	963	12,095
Balances with central banks and due from and placements with banks and other financial institutions	**3,878,780**	**63,590**	**1.64%**	3,860,706	54,629	1.42%	257	8,704	8,961
Total	**26,245,328**	**882,273**	**3.36%**	24,271,688	789,488	3.25%	71,785	21,000	92,785
Interest-bearing liabilities									
Due to customers	**18,854,117**	**311,936**	**1.65%**	17,356,352	263,599	1.52%	22,766	25,571	48,337
Due to and placements from banks and other financial institutions	**3,831,831**	**65,378**	**1.71%**	3,739,854	58,911	1.58%	1,453	5,014	6,467
Bonds issued	**1,440,787**	**44,281**	**3.07%**	1,313,387	41,836	3.19%	4,064	(1,619)	2,445
Total	**24,126,735**	**421,595**	**1.75%**	22,409,593	364,346	1.63%	28,283	28,966	57,249
Net interest income		**460,678**			425,142		43,502	(7,966)	35,536
Net interest margin			**1.76%**			1.75%			1Bp

1 Average balances are average daily balances derived from the Group's management accounts (unaudited).

2 The impact on interest income/expense of variances in the volume factor is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact on interest income/expense of variances in the interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as a change in the interest rate factor.

Notes:

1 Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.
2 Balances with central banks and due from and placements with banks and other financial institutions include mandatory reserves, surplus reserves, other placements with central banks and due from and placements with banks and other financial institutions.
3 Due to and placements from banks and other financial institutions include due to and placements from banks and other financial institutions, due to central banks and other funds.

The average balances and average interest rates of loans and due to customers in the Chinese mainland, classified by business type, are summarised in the following table:

	2022		2021		Change	
Items	**Average balance**	**Average interest rate**	Average balance	Average interest rate	Average balance	Average interest rate
RMB businesses in the Chinese mainland			Unit: RMB million, except percentages			
Loans						
Corporate loans	**7,492,173**	**3.86%**	6,535,897	4.08%	956,276	(22)Bps
Personal loans	**5,554,541**	**4.84%**	5,243,820	4.83%	310,721	1Bp
Trade bills	**445,560**	**1.80%**	287,532	2.66%	158,028	(86)Bps
Total	**13,492,274**	**4.20%**	12,067,249	4.38%	1,425,025	(18)Bps
Including:						
Medium and long-term loans	**10,045,168**	**4.59%**	9,072,085	4.73%	973,083	(14)Bps
Short-term loans within 1 year and others	**3,447,106**	**3.05%**	2,995,164	3.31%	451,942	(26)Bps
Due to customers						
Corporate demand deposits	**3,978,931**	**0.92%**	3,693,355	0.82%	285,576	10Bps
Corporate time deposits	**2,871,172**	**2.77%**	2,614,618	2.85%	256,554	(8)Bps
Personal demand deposits	**2,570,715**	**0.30%**	2,387,414	0.35%	183,301	(5)Bps
Personal time deposits	**4,220,928**	**2.93%**	3,671,859	3.07%	549,069	(14)Bps
Other	**738,426**	**3.11%**	664,564	3.22%	73,862	(11)Bps
Total	**14,380,172**	**1.88%**	13,031,810	1.90%	1,348,362	(2)Bps
Foreign currency businesses in the Chinese mainland			Unit: USD million, except percentages			
Loans	**52,880**	**1.88%**	45,029	0.97%	7,851	91Bps
Due to customers						
Corporate demand deposits	**70,372**	**0.27%**	76,620	0.25%	(6,248)	2Bps
Corporate time deposits	**38,048**	**1.19%**	31,506	0.78%	6,542	41Bps
Personal demand deposits	**27,024**	**0.02%**	26,307	0.01%	717	1Bp
Personal time deposits	**15,829**	**0.40%**	16,390	0.40%	(561)	–
Other	**3,146**	**1.68%**	2,605	1.73%	541	(5)Bps
Total	**154,419**	**0.50%**	153,428	0.36%	991	14Bps

Note: "Due to customers – Other" includes structured deposits.

Non-interest Income

In 2022, the Group reported non-interest income of RMB158.461 billion, a decrease of RMB22.114 billion or 12.25% compared with the prior year. Non-interest income represented 25.59% of operating income.

Net Fee and Commission Income

The Group earned net fee and commission income of RMB72.248 billion, a decrease of RMB9.178 billion or 11.27% compared with the prior year, representing 11.67% of operating income. The decrease was mainly driven by a decline in income from agency commission fees and the sale of wealth management products and funds, which was influenced by the weak overall performance of the capital market.

Changes in net fee and commission income are set out below:

Unit: RMB million, except percentages

Items	2022	2021	Change	Change (%)
Group				
Agency commissions	**22,319**	29,875	(7,556)	(25.29%)
Bank card fees	**12,256**	12,717	(461)	(3.63%)
Settlement and clearing fees	**15,994**	15,371	623	4.05%
Credit commitment fees	**11,368**	11,868	(500)	(4.21%)
Consultancy and advisory fees	**5,651**	4,576	1,075	23.49%
Spread income from foreign exchange business	**5,788**	5,520	268	4.86%
Custodian and other fiduciary service fees	**6,844**	6,400	444	6.94%
Other	**6,882**	8,126	(1,244)	(15.31%)
Fee and commission income	**87,102**	94,453	(7,351)	(7.78%)
Fee and commission expense	**(14,854)**	(13,027)	(1,827)	14.02%
Net fee and commission income	**72,248**	81,426	(9,178)	(11.27%)
Chinese mainland				
Agency commissions	**17,702**	22,869	(5,167)	(22.59%)
Bank card fees	**10,078**	10,490	(412)	(3.93%)
Settlement and clearing fees	**14,370**	13,799	571	4.14%
Credit commitment fees	**5,400**	5,733	(333)	(5.81%)
Consultancy and advisory fees	**4,780**	4,466	314	7.03%
Spread income from foreign exchange business	**5,520**	5,307	213	4.01%
Custodian and other fiduciary service fees	**6,194**	6,232	(38)	(0.61%)
Other	**5,435**	8,031	(2,596)	(32.32%)
Fee and commission income	**69,479**	76,927	(7,448)	(9.68%)
Fee and commission expense	**(10,772)**	(12,587)	1,815	(14.42%)
Net fee and commission income	**58,707**	64,340	(5,633)	(8.76%)

Other Non-interest Income

The Group realised other non-interest income of RMB86.213 billion, a decrease of RMB12.936 billion or 13.05% compared with the prior year. This was primarily attributable to a decrease in net trading gains compared with the prior year as a result of market price fluctuations. Please refer to Notes V.3, 4, 5 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2022	2021	Change	Change (%)
Net trading gains	**13,332**	28,291	(14,959)	(52.88%)
Net gains on transfers of financial asset	**2,057**	3,197	(1,140)	(35.66%)
Other operating income	**70,824**	67,661	3,163	4.67%
Total	**86,213**	99,149	(12,936)	(13.05%)

Operating Expenses

The Bank continued to operate its business in a prudent manner. It optimised its cost structure, allocated greater resources to key products, areas and regions, and strictly reduced the general expenses so as to further strengthen its refined management and improve input and output efficiency. In 2022, the Group recorded operating expenses of RMB231.196 billion, an increase of RMB4.841 billion or 2.14% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 27.88%, a decrease of 0.29 percentage points compared with the prior year. Please refer to Notes V.6, 7 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2022	2021	Change	Change (%)
Staff costs	**102,756**	99,317	3,439	3.46%
General operating and administrative expenses	**45,647**	47,403	(1,756)	(3.70%)
Depreciation and amortisation	**23,908**	23,882	26	0.11%
Taxes and surcharges	**6,135**	5,715	420	7.35%
Insurance benefits and claims	**33,164**	31,579	1,585	5.02%
Other	**19,586**	18,459	1,127	6.11%
Total	**231,196**	226,355	4,841	2.14%

Impairment Losses on Assets

The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking risk management approach, thus ensuring generally stable credit asset quality. It stringently implemented a prudent and solid risk provisioning policy and maintained adequate capacity for risk mitigation. In 2022, the Group's impairment losses on assets totalled RMB103.993 billion, a decrease of RMB0.227 billion or 0.22% compared with the prior year. Please refer to the section "Risk Management – Credit Risk Management" and Notes V.9, 17 and VI.2 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

Income Tax Expense

In 2022, the Group incurred income tax of RMB47.091 billion, a decrease of RMB2.190 billion or 4.44% compared with the prior year. The Group's effective tax rate was 16.55%. Please refer to Note V.10 to the Consolidated Financial Statements for the reconciliation of statutory income tax expense to effective income tax expense.

Financial Position Analysis

The Bank committed itself to high-quality development, proactively adjusted its business strategies in a timely manner and continually improved its business structure, thus achieving steady growth in assets and liabilities. As at the end of 2022, the Group's total assets amounted to RMB28,913.857 billion, an increase of RMB2,191.449 billion or 8.20% compared with the prior year-end. The Group's total liabilities amounted to RMB26,346.286 billion, an increase of RMB1,974.431 billion or 8.10% compared with the prior year-end.

The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

Items	**As at 31 December 2022**		As at 31 December 2021	
	Amount	**% of total**	Amount	% of total
Assets				
Loans and advances to customers, net	**17,117,566**	**59.20%**	15,322,484	57.34%
Investments	**6,445,743**	**22.29%**	6,164,671	23.07%
Balances with central banks	**2,313,859**	**8.00%**	2,228,726	8.34%
Due from and placements with banks and other financial institutions	**1,924,454**	**6.66%**	1,842,711	6.90%
Other assets	**1,112,235**	**3.85%**	1,163,816	4.35%
Total assets	**28,913,857**	**100.00%**	26,722,408	100.00%
Liabilities				
Due to customers	**20,201,825**	**76.68%**	18,142,887	74.44%
Due to and placements from banks and other financial institutions and due to central banks	**3,622,516**	**13.75%**	4,046,063	16.60%
Other borrowed funds	**1,565,840**	**5.94%**	1,415,032	5.81%
Other liabilities	**956,105**	**3.63%**	767,873	3.15%
Total liabilities	**26,346,286**	**100.00%**	24,371,855	100.00%

Note: "Other borrowed funds" includes bonds issued and other borrowings.

Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank and increased its support for the real economy, thus achieving solid growth in lending scale. It thoroughly implemented China's major regional strategies and coordinated regional development strategies, bolstered support for key areas such as inclusive finance, green finance and strategic emerging industries, and continued to improve its credit structure. As at the end of 2022, the Group's loan and advances to customers amounted to RMB17,554.322 billion, an increase of RMB1,841.748 billion or 11.72% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB14,343.427 billion, an increase of RMB1,584.769 billion or 12.42% compared with the prior year-end, while its foreign currency loans amounted to USD461.031 billion, a decrease of USD2.278 billion or 0.49% compared with the prior year-end. Please refer to Note V.17 to the Consolidated Financial Statements for detailed information.

The Bank further improved its risk management system, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing assets, thus maintaining generally stable asset quality. As at the end of 2022, the balance of the Group's allowance for loan impairment losses amounted to RMB437.241 billion, an increase of RMB46.700 billion compared with the prior year-end. The balance of the Group's restructured NPLs amounted to RMB28.417 billion, an increase of RMB5.204 billion compared with the prior year-end.

Loans and Advances to Customers by Geography

Unit: RMB million, except percentages

Items	As at 31 December 2022 Amount	% of total	As at 31 December 2021 Amount	% of total
Corporate loans				
Chinese mainland: RMB	**8,523,463**	**48.55%**	7,161,416	45.58%
Foreign currency	**295,121**	**1.68%**	329,463	2.10%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**2,280,239**	**13.00%**	2,090,365	13.30%
Subtotal	**11,098,823**	**63.23%**	9,581,244	60.98%
Personal loans				
Chinese mainland: RMB	**5,681,110**	**32.36%**	5,461,645	34.76%
Foreign currency	**1,089**	**0.01%**	735	0.00%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**726,327**	**4.14%**	631,370	4.02%
Subtotal	**6,408,526**	**36.51%**	6,093,750	38.78%
Accrued interest	**46,973**	**0.26%**	37,580	0.24%
Total loans	**17,554,322**	**100.00%**	15,712,574	100.00%

Investments

The Bank closely tracked domestic and overseas financial market dynamics, maintained investment activity at a reasonable pace and dynamically adjusted its portfolio structure. As at the end of 2022, the Group held investments of RMB6,445.743 billion, an increase of RMB281.072 billion or 4.56% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB5,006.109 billion, an increase of RMB229.213 billion or 4.80% compared with the prior year-end, while foreign currency investments totalled USD206.707 billion, a decrease of USD10.959 billion or 5.03% compared with the prior year-end.

The classification of the Group's financial investment portfolio is shown below:

Unit: RMB million, except percentages

Items	As at 31 December 2022 Amount	% of total	As at 31 December 2021 Amount	% of total
Financial assets at fair value through profit or loss	**571,960**	**8.87%**	561,642	9.11%
Financial assets at fair value through other comprehensive income	**2,468,375**	**38.30%**	2,389,830	38.77%
Financial assets at amortised cost	**3,405,408**	**52.83%**	3,213,199	52.12%
Total	**6,445,743**	**100.00%**	6,164,671	100.00%

Investments by Issuer Type

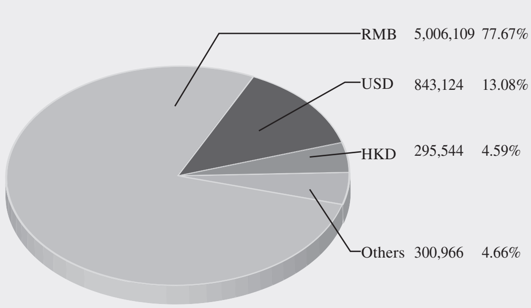
Unit: RMB million, except percentages

Items	As at 31 December 2022 Amount	As at 31 December 2022 % of total	As at 31 December 2021 Amount	As at 31 December 2021 % of total
Debt securities				
Issuers in the Chinese mainland				
Government	**3,382,602**	**52.48%**	3,183,332	51.64%
Public sector and quasi-governments	**168,182**	**2.61%**	164,741	2.67%
Policy banks	**609,877**	**9.46%**	532,783	8.64%
Financial institutions	**411,966**	**6.39%**	505,577	8.21%
Corporates	**249,773**	**3.88%**	269,345	4.37%
China Orient Asset Management Corporation	**152,433**	**2.36%**	152,433	2.47%
Subtotal	**4,974,833**	**77.18%**	4,808,211	78.00%
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
Governments	**685,784**	**10.64%**	646,221	10.48%
Public sector and quasi-governments	**124,637**	**1.93%**	100,072	1.62%
Financial institutions	**207,957**	**3.23%**	158,740	2.58%
Corporates	**132,781**	**2.06%**	147,209	2.39%
Subtotal	**1,151,159**	**17.86%**	1,052,242	17.07%
Equity instruments and others	**319,751**	**4.96%**	304,218	4.93%
Total	**6,445,743**	**100.00%**	6,164,671	100.00%

Note: "Equity instruments and others" includes accrual interest.

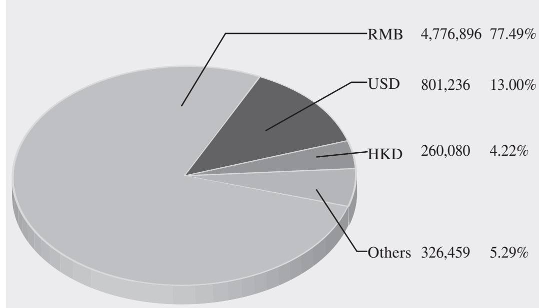
Investments by Currency

Unit: RMB million, except percentages



As at 31 December 2022

Unit: RMB million, except percentages



As at 31 December 2021

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual rate	Maturity date	Impairment Allowance
Bond issued by policy banks in 2019	16,627	3.48%	2029-01-08	–
Bond issued by policy banks in 2019	15,176	3.65%	2029-05-21	–
Bond issued by policy banks in 2018	12,940	4.98%	2025-01-12	–
Bond issued by policy banks in 2022	12,200	2.82%	2027-06-17	–
Bond issued by policy banks in 2018	11,657	4.88%	2028-02-09	–
Bond issued by policy banks in 2017	11,650	4.39%	2027-09-08	–
Bond issued by policy banks in 2018	10,730	4.73%	2025-04-02	–
Bond issued by policy banks in 2019	10,145	3.75%	2029-01-25	–
Bond issued by policy banks in 2017	9,308	4.04%	2027-04-10	–
Bond issued by policy banks in 2019	8,981	3.74%	2029-07-12	–

Note: Financial bonds refer to debt securities issued by financial institutions in the bond market, including the bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

In order to improve both the scale and pricing of its deposits, the Bank continuously accelerated product and service innovation, improved the building of scenario-based financial services ecosystems, enhanced its financial services offering and expanded the scale of customers' financial assets. It actively expanded key deposit products such as salary payment agency, cash management, quick payment service and social security cards, with the increment of domestic RMB deposits reaching a record high. By vigorously expanding demand deposits and reducing the scale of high-cost deposits such as structured deposits and negotiated deposits, the Bank achieved a decline in the interest rates paid out on its RMB deposits and continuously improved the development quality of its deposit business. As at the end of 2022, the Group's due to customers amounted to RMB20,201.825 billion, an increase of RMB2,058.938 billion or 11.35% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB15,879.434 billion, an increase of RMB1,731.214 billion or 12.24% compared with the prior year-end, while its foreign currency due to customers stood at USD620.623 billion, a decrease of USD5.923 billion or 0.95% compared with the prior year-end.

The principal components of due to customers of the Group and its institutions in the Chinese mainland are set out below:

Unit: RMB million, except percentages

Items	As at 31 December 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
Group				
Corporate deposits				
Demand deposits	**5,370,057**	**26.58%**	5,275,514	29.08%
Time deposits	**4,462,328**	**22.09%**	3,968,527	21.87%
Structured deposits	**328,602**	**1.63%**	351,445	1.94%
Subtotal	**10,160,987**	**50.30%**	9,595,486	52.89%
Personal deposits				
Demand deposits	**3,757,373**	**18.60%**	3,487,433	19.22%
Time deposits	**5,384,034**	**26.65%**	4,299,050	23.70%
Structured deposits	**255,289**	**1.26%**	300,628	1.66%
Subtotal	**9,396,696**	**46.51%**	8,087,111	44.58%
Certificates of deposits	**290,082**	**1.44%**	160,419	0.88%
Others	**354,060**	**1.75%**	299,871	1.65%
Total	**20,201,825**	**100.00%**	18,142,887	100.00%
Chinese mainland				
Corporate deposits				
Demand deposits	**4,614,933**	**27.88%**	4,482,516	30.06%
Time deposits	**3,246,549**	**19.62%**	2,892,996	19.40%
Structured deposits	**299,839**	**1.81%**	320,078	2.15%
Subtotal	**8,161,321**	**49.31%**	7,695,590	51.61%
Personal deposits				
Demand deposits	**3,097,561**	**18.72%**	2,711,693	18.19%
Time deposits	**4,713,810**	**28.48%**	3,920,101	26.29%
Structured deposits	**246,813**	**1.49%**	297,935	2.00%
Subtotal	**8,058,184**	**48.69%**	6,929,729	46.48%
Others	**331,027**	**2.00%**	285,430	1.91%
Total	**16,550,532**	**100.00%**	14,910,749	100.00%

Note: "Others" is inclusive of accrued interest.

Due to Customers by Geography

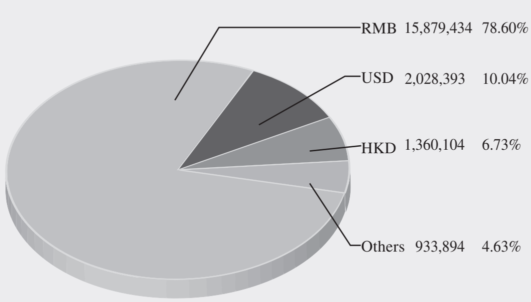
Unit: RMB million, except percentages

Items	As at 31 December 2022 Amount	As at 31 December 2022 % of total	As at 31 December 2021 Amount	As at 31 December 2021 % of total
Corporate deposits				
Chinese mainland: RMB	**7,532,878**	**37.29%**	6,949,089	38.30%
Foreign currency	**628,443**	**3.11%**	746,501	4.12%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**1,999,666**	**9.90%**	1,899,896	10.47%
Subtotal	**10,160,987**	**50.30%**	9,595,486	52.89%
Personal deposits				
Chinese mainland: RMB	**7,752,565**	**38.38%**	6,635,794	36.58%
Foreign currency	**305,619**	**1.51%**	293,935	1.62%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**1,338,512**	**6.62%**	1,157,382	6.38%
Subtotal	**9,396,696**	**46.51%**	8,087,111	44.58%
Certificates of deposits	**290,082**	**1.44%**	160,419	0.88%
Others	**354,060**	**1.75%**	299,871	1.65%
Total deposits	**20,201,825**	**100.00%**	18,142,887	100.00%

Note: "Others" includes accrued interest.

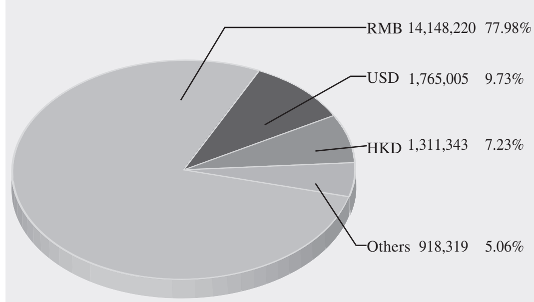
Due to Customers by Currency

Unit: RMB million, except percentages



As at 31 December 2022

Unit: RMB million, except percentages



As at 31 December 2021

Liability Quality Management

The Bank earnestly implemented regulatory requirements on liability quality management and continuously improved its liability quality management system to support the development of its liability business. According to its business strategy, risk appetite, and overall business characteristics, the Bank effectively managed the source, structure, and cost of liabilities, with relevant indicators meeting internal and external management requirements. By enhancing the expansion in customer deposits, strengthening internal and external pricing management, improving its market financing capabilities, and appropriately managing the level of mismatch in the terms and currencies of its liability business, the Bank improved its liability quality management and achieved steady development of the Group's liability business.

Equity

As at the end of 2022, the Group's total equity stood at RMB2,567.571 billion, an increase of RMB217.018 billion or 9.23% compared with the prior year-end. This was primarily attributable to the following factors: (1) In 2022, the Group realised a profit for the year of RMB237.504 billion, among which profit attributable to equity holders of the Bank amounted to RMB227.439 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB50.0 billion of undated capital bonds. (3) As per the 2021 profit distribution plan approved at the Annual General Meeting, a cash dividend of RMB65.060 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB5.187 billion and interest on undated capital bonds of RMB8.233 billion. Please refer to the "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements for detailed information.

Off-balance Sheet Items

Off-balance sheet items include derivative financial instruments, contingent liabilities and commitments, etc.

The Group entered into various derivative financial instruments relating to foreign currency exchange rates, interest rates, equity, credit, precious metals and other commodities for trading, hedging, asset and liability management and on behalf of customers. Please refer to Note V.16 to the Consolidated Financial Statements for the contractual/notional amounts and fair values of derivative instruments.

Contingent liabilities and commitments include legal proceedings and arbitrations, assets pledged, collateral accepted, capital commitments, operating leases, treasury bond redemption commitments, credit commitments and underwriting obligations, etc. Please refer to Note V.41 to the Consolidated Financial Statements for detailed information on contingent liabilities and commitments.

Cash Flow Analysis

As at the end of 2022, the balance of the Group's cash and cash equivalents was RMB2,091.466 billion, an increase of RMB115.835 billion compared with the prior year-end.

In 2022, net cash flow from operating activities was an outflow of RMB11.337 billion while it was an inflow of RMB843.258 billion compared with the prior year. This was mainly attributable to a net decrease in due to banks and other financial institutions as compared to a net increase in the prior year.

Net cash flow from investing activities was an outflow of RMB22.242 billion, a decrease of RMB373.319 billion compared with the prior year. This was mainly attributable to an increase in proceeds from the disposal/maturity of financial investments compared with the prior year.

Net cash flow from financing activities was an inflow of RMB53.047 billion, a decrease of RMB21.297 billion compared with the prior year. This was mainly attributable to an increase in repayments of debts issued compared with the prior year.

Segment Reporting by Geography

From a geographical perspective, the Group operates in three principal regions: the Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China), and other countries and regions. From a business perspective, the Group provides financial services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

A geographical analysis of profit contribution and related assets and liabilities is set forth in the following table:

Unit: RMB million

	Chinese mainland		Hong Kong (China), Macao (China) and Taiwan (China)		Other countries and regions		Elimination		Group	
Items	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net interest income	**401,927**	375,906	**40,069**	34,053	**18,385**	15,183	**297**	–	**460,678**	425,142
Non-interest income	**83,329**	105,139	**70,816**	72,855	**7,008**	5,129	**(2,692)**	(2,548)	**158,461**	180,575
Including: net fee and commission income	**58,707**	64,340	**10,489**	14,480	**4,278**	3,959	**(1,226)**	(1,353)	**72,248**	81,426
Operating expenses	**(165,056)**	(163,673)	**(60,587)**	(57,445)	**(8,043)**	(7,843)	**2,490**	2,606	**(231,196)**	(226,355)
Impairment losses on assets	**(89,983)**	(99,622)	**(11,360)**	(4,317)	**(2,650)**	(281)	**–**	–	**(103,993)**	(104,220)
Profit before income tax	**230,644**	218,529	**39,156**	45,845	**14,700**	12,188	**95**	58	**284,595**	276,620
As at the year-end										
Assets	**23,377,604**	21,491,846	**4,969,602**	4,625,924	**2,347,203**	2,292,838	**(1,780,552)**	(1,688,200)	**28,913,857**	26,722,408
Liabilities	**21,330,202**	19,607,634	**4,524,959**	4,230,215	**2,271,615**	2,222,113	**(1,780,490)**	(1,688,107)	**26,346,286**	24,371,855

As at the end of 2022, total assets[3] of the Bank's Chinese mainland segment amounted to RMB23,377.604 billion, an increase of RMB1,885.758 billion or 8.77% compared with the prior year-end, representing 76.16% of the Group's total assets. In 2022, this segment recorded a profit before income tax of RMB230.644 billion, an increase of RMB12.115 billion or 5.54% compared with the prior year, representing 81.07% of the Group's profit before income tax.

[3] Figures for segment assets, segment profit before income tax and their respective proportions are prior to intragroup elimination.

Total assets of the Hong Kong (China), Macao (China) and Taiwan (China) segment amounted to RMB4,969.602 billion, an increase of RMB343.678 billion or 7.43% compared with the prior year-end, representing 16.19% of the Group's total assets. In 2022, this segment recorded a profit before income tax of RMB39.156 billion, a decrease of RMB6.689 billion or 14.59% compared with the prior year, representing 13.76% of the Group's profit before income tax.

Total assets of the other countries and regions segment amounted to RMB2,347.203 billion, an increase of RMB54.365 billion or 2.37% compared with the prior year-end, representing 7.65% of the Group's total assets. In 2022, this segment recorded a profit before income tax of RMB14.700 billion, an increase of RMB2.512 billion or 20.61% compared with the prior year, representing 5.17% of the Group's profit before income tax.

Operating income for the main business segments of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	**2022**		2021	
	Amount	**% of total**	Amount	% of total
Commercial banking business	**559,321**	**90.34%**	528,041	87.17%
Including: Corporate banking	**223,381**	**36.08%**	203,654	33.62%
Personal banking	**245,653**	**39.68%**	216,450	35.73%
Treasury operations	**90,287**	**14.58%**	107,937	17.82%
Investment banking and insurance	**42,905**	**6.93%**	45,122	7.45%
Others and elimination	**16,913**	**2.73%**	32,554	5.38%
Total	**619,139**	**100.00%**	605,717	100.00%

Please refer to Note V.44 to the Consolidated Financial Statements for detailed information related to the Group's other operating results and financial position in terms of its geographic segment and business segments categories.

Critical Accounting Estimates and Judgements

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. These estimates and judgements are continually evaluated and are based on historical experience, expectations of future events that are believed to be reasonable under the circumstances and other factors. The management believes that the accounting estimates and judgements have properly reflected the Bank's operating environment. Please refer to Notes II and III to the Consolidated Financial Statements for detailed information related to the Bank's accounting policies and accounting estimates.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	As at 31 December 2022	As at 31 December 2021	Change
Due from and placements with banks and other financial institutions at fair value	**12,333**	–	12,333
Financial assets at fair value through profit or loss			
Debt securities	**357,320**	356,462	858
Equity instruments	**112,217**	102,268	9,949
Fund investments and other	**102,423**	102,912	(489)
Loans and advances to customers at fair value	**587,256**	355,600	231,656
Financial assets at fair value through other comprehensive income			
Debt securities	**2,441,174**	2,363,078	78,096
Equity instruments and other	**27,201**	26,752	449
Derivative financial assets	**152,033**	95,799	56,234
Derivative financial liabilities	**(135,838)**	(89,151)	(46,687)
Due to and placements from banks and other financial institutions at fair value	**–**	(162)	162
Due to customers at fair value	**(36,701)**	(31,311)	(5,390)
Bonds issued at fair value	**(2,080)**	(317)	(1,763)
Financial liabilities held for trading	**(53,868)**	(12,458)	(41,410)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks,* the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks,* CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note VI.5 to the Consolidated Financial Statements for detailed information related to fair value measurement.

Other Financial Information

There are no differences in the equity and profit for the year of the Group prepared in accordance with IFRS to those prepared in accordance with CAS. Please refer to Supplementary Information I to the Consolidated Financial Statements for detailed information.

BUSINESS REVIEW

Overview of Strategic Progress

In 2022, the Bank earnestly executed the national decisions and plans, pushing forward the implementation of its 14th Five-Year Plan while serving the overall development of the country and helping to stabilise the overall economic situation, and its strategy has been successfully implemented. Adhering to its original aspiration of serving the real economy, the Bank continued to apply the new development philosophy fully, faithfully and in all fields of endeavour. It also took necessary steps to deepen supply-side structural reform in the financial sector and pushed forward the in-depth development of the “Eight Priority Areas for Enhancing Financial Services Capabilities”. Leveraging the unique advantages of the “One Mainstay, Two Engines” strategy, the Bank contributed to the positive interplay between domestic circulation and international circulation within the nation’s new development pattern. To embrace the digital era, it intensified the application of various technologies such as big data, cloud computing, artificial intelligence, block-chain and 5G mobile communications, as part of its efforts to accelerate digital transformation. Firmly adopting bottom-line thinking, the Bank made efforts to advance its comprehensive risk management, build a stronger line of defence against risks, and mitigate risks and challenges, thus continuously improving the efficiency of its comprehensive risk management.

During the year, the Bank delivered a number of outcomes in the course of promoting the “Eight Priority Areas for Enhancing Financial Services Capabilities”, namely technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance, which allowed it to serve the real economy with constantly improved quality and efficiency.

Technology Finance

To better align with the goal of making China a global leader in science and technology, the Bank prioritised technology finance within its first development strategy for the “Eight Priority Areas for Enhancing Financial Services Capabilities”, committing to serving as an all-elements integrator, a full-chain innovator and a full-cycle provider of technology finance, with the aim of becoming the leading bank for technology finance in the new development stage.

✧ **Intensifying comprehensive support.** The Bank promoted transformation across its technology finance business, expanding its client base from mature corporates to businesses in the start-up and growth stage, evolving its available products from bank credit to comprehensive financial services, and refining its risk system from traditional modes to become more adaptive to scientific and technological innovation. As at the end of 2022, comprehensive technology finance support exceeded RMB1.45 trillion, including over RMB1 trillion of credit support[4] to nearly 50,000 customers, more than RMB120 billion of capital input such as equity investment, bond investment and leasing, and more than RMB330 billion of non-capital input such as undertakings and asset management. The number of outlets offering technology finance services grew to 184.

[4] Including national high-tech enterprises and technology-based small and medium-sized enterprises.

- ✧ **Improving the product and service system.** The Bank conducted in-depth research on high-tech industries, clarified the key customers of technology finance, explored innovative business modes for credit granting and implemented differentiated risk management systems, thus improving the financing experience for technological enterprises. It developed exclusive evaluation model and optimised its method of risk assessment. It developed unique products for scientific and technological innovation, provided featured products and services such as option loans and intellectual property pledge financing for technology enterprises. The Bank built a comprehensive spectrum of financial products, launched an information platform for technology finance, and facilitated high-quality business linkages between commercial and investment banks, providing full-lifecycle services for technological enterprises.

- ✧ **Continuing to deepen cooperation with governments.** The Bank has deepened strategic cooperative relations with the Ministry of Science and Technology ("MST"), the Ministry of Industry and Information Technology, China National Intellectual Property Administration and China Association for Science and Technology. It also jointly released an *Action Plan for Assisting Enterprises' Innovation through FinTech and "One Mainstay, Two Engines"* with Torch High Technology Industry Department Centre of the MST, with the aim of promoting innovation-driven high-quality development in various aspects, including collaborative efforts to support the nation's strategic strengths in science and technology, deepen the service system for "specialised, refined, featured and innovative" enterprises and increase the application of scientific and technological achievements.

Green Finance

As a signatory to the UN Principles for Responsible Banking, the Bank is committed to the mission of "Bridge China and the World for the Common Good", firmly supports sustainable development, and promotes the realisation of the "carbon peaking and neutrality" with financial strength. In strict adherence with the national decision and plan of "carbon peak and carbon neutrality", the Bank fully implemented the *Green Finance Guidelines for Banks and Insurers* issued by CBIRC and its green development strategy, optimised its green finance governance structure, and improved supporting measures for green finance, with the goal of becoming the first-choice bank for green finance. As a result, it achieved rapid and sound progress in green finance.

- ✧ **Rapid growth in green credit.** As at the end of 2022, the Bank's domestic green credit balance[5] reached RMB1,987.2 billion, a year-on-year increase of 41.08%. The Bank participated in benchmark green projects with international influence, supported the world's largest offshore wind power project currently under construction, ranking first among Chinese banks on Bloomberg's "Global Green Loans" and "Global Sustainability-Linked Loans" lists.

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[5] The balance of green credit is based on CBIRC statistic standard.

- **A leading position in the green bond market.** The Bank issued the world's first green bond based on the updated version of the *Common Ground Taxonomy: Climate Change Mitigation* as well as the first USD-denominated biodiversity themed green bond among the global financial institutions. In 2022, the Bank issued RMB87.7 billion green financial bonds in domestic and overseas markets, ranking first among Chinese banks. It underwrote domestic and overseas green bonds for RMB259.529 billion and USD28.985 billion respectively, ranking first among Chinese banks on Bloomberg's "Global Offshore Green Bonds" ranking. The Bank also ranked first on the National Association of Financial Market Institutional Investors (NAFMII)'s List of Investors in Green Debt Financing Instruments in 2022.

- **Abundant and diversified green products and services.** The Bank has built the "BOC Green+" global brand and launched 35 green financial products and services in five categories, covering green loans, green inclusive finance, green trade finance, green bond investment, and green liquidity management, etc. It also launched a series of green services including the rediscounting of carbon emission reduction bills and the settlement of carbon emission rights and China Certified Emission Reduction (CCER). It developed green inclusive finance products such as "Green Rural Credit Loan", "Inclusive Loan · Carbon E Loan" and "Inclusive Loan · Plateau Animal Husbandry Loan". The Bank launched personal green accounts and issued corporate green deposits. It was responsible for the successful issuance of the first sustainability-linked ESG syndicated loan led by a Chinese bank in the domestic syndicated loan market. By promoting cooperation between commercial banks and comprehensive operation companies, the Bank developed green products and services related to funds, wealth management, leasing, insurance, supply chain finance, custody and equity investment, so as to meet the customers' various financial needs for low-carbon transition.

- **Active participation in green finance collaboration.** The Bank played an active role in the review of the framework of the United Nations Principles for Responsible Banking (PRB) and the preparation of China's disclosure guidelines, and duly performed its duties as the co-chair of the Green Financial Product Innovation Taskforce of the Green Investment Principle (GIP) for the Belt and Road Initiative. As the first and only Chinese commercial bank to join the Green Finance Working Group of the International Financial Forum (IFF), the Bank participated in the preparation of the *Sino-US White Paper on Green Finance*. It took part in the standard formulation and discussion activities of the International Sustainability Standards Board (ISSB), the technical committee responsible for the development of the International Organization for Standardization (ISO) standards relating to sustainable finance (ISO/TC322), and the China Green Bond Standard Committee. It was elected as the Vice Chair of the China Council of the Sustainable Markets Initiative. The Bank participated in the second part of the 15th Conference of the Parties of the Convention on Biological Diversity (COP15) and the activities of the 27th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP27). It also took part in the standard formulation activities organised by the National Development and Reform Commission, the MOF, the PBOC, China Banking Association (CBA) and the National Association of Financial Market Institutional Investors (NAFMII), and gradually evolving from a market participant in green finance to an industry leader in standard formulation.

- ✧ **Green finance capacity building.** The Bank issued the *Plan for Green Finance Talents Project* and established a green finance talent training system for the 14th Five-Year period covering a total of 10,000 people across three levels and over six broad themes. A series of themed training courses were held in respect of business development, ESG risk management, and green operation, etc., including green finance policy interpretation, product-specific training and green finance talent training courses for comprehensive operation companies. An online training system consisting of eight modules and more than 80 courses was established, which has attracted more than 750,000 views. Through multiple measures, the Bank constantly improved the employees' competence and performance in green finance with a view to building a strong green finance talent team. In line with the *Bank's Measures for the Evaluation of Green Finance Demonstration Institutions* and the *Scheme for the Development of Featured Outlets*, several branches were selected as demonstration institutions, and 157 featured outlets were established. Furthermore, multiple efforts were made to encourage the Bank's institutions in the Chinese mainland at all levels to enhance their competitiveness in various fields of green finance. The Bank issued the *Initiative and Guide on Green Actions of Bank of China* to apply the green development concept, in a bid to achieve the goal of "carbon peak and carbon neutrality". The Bank launched publications themed on green finance and ESG to keep customers informed about the latest industry trends.

Inclusive Finance

The Bank made great efforts to bring the benefits of finance to the public. Focusing on the financial need of micro and small-sized enterprises, it continuously pushed forward product and service innovation and scaled up support for the real economy, as part of its efforts to promote the high-quality development of inclusive finance.

- ✧ **Constantly improving the quality and coverage of inclusive financial services.** As at the end of 2022, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[6] reached a record high of RMB1,228.3 billion, an increase of 39.34% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. The number of micro and small-sized customers with outstanding loans stood at nearly 750,000, an increase of almost 130,000 compared with the prior year-end. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.81%, reflecting the comparatively larger interest rate concessions made by the Bank to borrowers in the real economy. The Bank further improved its service channels by completing the acceptance checks of more than 1,000 inclusive finance outlets.

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6 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Notice of the General Office of China Banking and Insurance Regulatory Commission on Further Strengthening the Financial Support for the Development of Micro and Small-sized Enterprises in 2022* (Yin Bao Jian Ban Fa [2022] No.37).

- ✧ **Accelerating the digital transformation of inclusive financial services.** The Bank strengthened the integration and application of diverse data, launched various online products such as "Inclusive Guarantee Loan", "Online Mortgage Loan" and "Business E-Loan", and made step-by-step improvements to its online inclusive finance product system, covering credit, mortgages, pledge and guarantee business, in a bid to facilitate the leapfrog growth of its online loan business. It also accelerated system upgrades, empowered its credit factory model through technological means and further enhanced business handling efficiency. Moreover, the Bank launched the "BOC Inclusive Finance" app so as to expand its digital service channels and provide customers with comprehensive online services including financing application, business information and business opportunities matchmaking, in an effort to establish a smart service ecosystem for inclusive finance.

- ✧ **Implementing effectively measures to help ease enterprises' burdens.** The Bank rolled out an "Inclusive Loan for Employment Promotion" action plan and the "Inclusive Employment Loan", established a long-action mechanism to stabilise and promote employment, and jointly launched special loans with relevant departments to stabilise and expand employment, so as to help stabilise employment and ensure people's livelihood. With a focus on the key tasks of helping micro and small-sized enterprises, supporting rural revitalisation and technological innovation, and promoting employment, the Bank also worked with the All-China Federation of Industry and Commerce to implement a loan assistance programme for micro and small-sized enterprises that aims to empower their development. It carried out the "Inclusive Services for Intellectual Property" campaign to alleviate the pain points of key industries such as catering and cultural tourism and provided more than RMB7.5 billion in intellectual property pledge financing for more than 1,100 enterprises through its "Inclusive Loan for Intellectual Property" and other products. It also actively implemented the policy of deferring principal and interest repayment on loans and popularised products and services for loan renewal.

(Please refer to the section "Inclusive Finance" for detailed information about inclusive finance.)

Cross-Border Finance

The Bank fully leveraged its strengths in globalised and integrated operations, actively served the nation's new pattern of development and high standard opening up, helped stabilise foreign trade and foreign investment, and further built up its distinctive advantages in cross-border finance, thus consolidating and strengthening its market reputation as a "leading cross-border service bank".

- ✧ **Consolidating competitive advantages in core products.** The Bank maintained its leading position in terms of the market share in core products such as international settlement, cross-border RMB settlement, foreign exchange trading, syndicated loans in Europe, Africa and the Americas, syndicated loans in Asia Pacific (excluding Japan), and the underwriting of Chinese offshore bonds and Panda bonds. The number of subscribers and the volume of remittance to its "Cross-boundary Wealth Management Connect" services continued to lead the industry. As at the end of 2022, the number of subscribers to and the volume of cross-border remittance under its "Cross-boundary Wealth Management Connect" services continued to lead the industry, accounting for over 60% and 50% of the market respectively.

It continued to provide the Chinese mainland personal account opening witness service (known as the "Greater Bay Area Account Opening" service) to Hong Kong residents and expanded the service in Guangdong to serve Macao residents, thus becoming the first bank to launch this service in both Hong Kong and Macao. As at the end of 2022, a total of 208 thousand accounts had been opened.

✧ **Consolidating the financial support to stabilise the foreign trade.** The Bank provided import and export trade enterprises with cross-border settlement services covering local and foreign currencies through online and offline channels. The Group and its institutions in the Chinese mainland respectively reached USD7.7 trillion and USD3.4 trillion in international settlement volume, and both of them reached a rapid growth, thus further sharpening the market leading edge. Throughout the year, the Bank directly provided more than RMB550.0 billion in import and export trade finance, representing an increase of over 15% year-on-year. It also provided more than RMB280.0 billion of cross-border payment for foreign trade customers, with a growth rate of 85%. The Bank continued to provide high-quality services to national-level trade fairs, and helped to match up trade and investment by offering comprehensive financial solutions. It launched the "100+10,000" campaign to promote high-quality trade development. Under the campaign 150 activities were organised in over 30 regions across China, serving more than 33,000 enterprises that engage in foreign trade directly.

✧ **Advancing the digital businesses innovation.** The Bank served as the sole bank to enable self-service conversion of foreign currencies into e-CNY, and realised management of authorised foreign currency exchange hotels with connected systems and unified operation. Notably, the self-service e-CNY exchange machine was the only object from the financial industry to be displayed on the exhibition of "Forging Ahead in the New Era" achievements. The Bank also pushed forward its cross-border scenarios development in all respects. As at the end of 2022, the registered users of the "BOC Cross-Border Go" app exceeded six million, with new BOC customers accounting for over 20% of the total users.

✧ **Taking orderly steps to facilitate RMB internationalisation.** The Bank accelerated product innovation and completed the first cross-border transaction of the "Currency Bridge" project in the Chinese mainland, Hong Kong (China), the United Arab Emirates and Thailand, etc. It promoted local currency settlement based on cross-border RMB use, completed the first direct exchange of RMB against the Argentine peso, and expanded the service coverage of China-Indonesia local currency settlement. It also continued to publish the White Paper on RMB Internationalisation, BOC Cross-border RMB Index (CRI), and BOC Offshore RMB Index (ORI), providing professional support for global customers to understand and use RMB. The Group and its institutions in the Chinese mainland registered RMB31.14 trillion[7] and RMB10.39 trillion respectively in cross-border RMB settlement, representing an increase of 26.1% and 23.6%, further enhancing its leading market position.

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[7] Including cross-border RMB settlement under BOCHK capital account.

Consumer Finance Business

The Bank took multiple measures to help stabilise the housing market, expand domestic demand and prevent risks. The scale of consumer finance loans grew steadily, asset quality remained stable, the customer base was further consolidated, the pace of digital transformation was constantly accelerated, and remarkable results were achieved in terms of high-quality development.

- ✧ **Promoting the steady development of the real estate market.** The Bank actively cooperated with local governments to guarantee the delivery of housing projects, offered more mortgage loans and reduced the financing costs of home buyers.

- ✧ **Improving the layout and scale of non-housing consumer loans.** Taking full advantage of the window of market opportunities, the Bank developed an efficient and convenient consumer loan product system and continued to expand its customer segments. It optimised its pricing system to reduce customers' financing costs of the customers. As at the end of 2022, the Bank's commercial banking business in the Chinese mainland had achieved a leading position in RMB consumer loans. Its credit card instalment business outperformed the market in terms of transaction volume growth rate, and registered a steady increase in market share. BOC Consumer Finance continued to grow rapidly, securing a leading position in the industry in terms of its overall competitiveness.

Wealth Finance Business

The Bank actively implemented the national strategy of "common prosperity", served as a display window for personal wealth finance services, and sharpened the core competitiveness of its wealth finance business.

- ✧ **Focusing on platform-based operation and asset allocation.** With a buy-side mentality, the Bank built a "Group-wide + Market-wide" open wealth management platform. It upgraded the "BOC Selection" platform to offer a more competitive pool of preferred products, strengthened sales of asset allocation products, optimised online asset allocation-related functions, and improved asset allocation service capabilities. As at the end of 2022, the Bank had established cooperation with 10 wealth management companies, and the balance of agency sales of personal wealth management products increased by 13.33% compared with the prior year-end. The number of its medium to high-end customers grew by a record high.

- ✧ **Focusing on specialised and digitalised operations.** With the aim of delivering professional services, the Bank improved its differentiated service platform comprising wealth management, private bankers and investment consultants, optimised investment strategy information service system, and published the *Report on Global Asset Allocation Strategy by Private Banking BOC* for the fifth consecutive year. The cumulative yield of the strategy portfolio in the past three years outperformed the relevant benchmarks. Moreover, the Bank reinforced digital empowerment, put into operation the "Smart Reach 2.0" digital marketing system, and established a mobile banking community theming "Fortune", realising whole-cycle accompany of customers covering pre-sales, in-sales and after-sales processes. As at the end of 2022, the Bank had 31 cooperating financial institutions covering funds, insurance, brokerage firms and wealth management, operating in the online community.

- ✧ **Focusing on globalised and integrated operations.** Taking advantage of its "One Mainstay, Two Engines" strategy, the Bank launched the innovative "Entrepreneur office" service as part of its efforts to continuously optimise its all-around, full-cycle and globally integrated professional service platform. It accelerated the development of its Asia-Pacific private banking platform, and strengthened the coordination between commercial banks and investment banks, thus continuously improving its comprehensive financial service capabilities for the high-net-worth customers. As at the end of 2022, the number of private banking customers reached 159,600, and the number of family trust service customers increased by 105.60% compared with the prior year-end.

Supply Chain Finance

The Bank actively integrated its work into national strategies and the country's development direction, gave full play to its advantages in supply chain finance, innovated supply chain financial service models, channelled more financial resources to stabilise the supply chain and ease enterprises' difficulties with the aim of "safeguarding the stability and security of supply chains", and continuously injected impetus into the economy's overall development.

- ✧ **Helping to safeguard the stability and security of supply chains, while reaching new highs in supply chain finance.** In 2022, the Bank provided a total of RMB2.5 trillion of liquidity support to core supply chain enterprises, as well as RMB2.2 trillion of on- and off-balance trade finance to enterprises across the upstream and downstream of supply chain, representing an increase of 14% and 31% respectively compared with the prior year.

- ✧ **Maintaining competitiveness in comprehensive operations through increasingly extensive "BOC Smart Chain" service capabilities.** Relying on its advantages in comprehensive operations, the Group developed an integrated system of supply chain financial products and solutions covering "negotiable instruments, letters of credit, factoring, loans, bonds, insurance and leasing" to meet customers' diversified financing needs of customers.

- ✧ **Releasing brand new sub-chains of "BOC Smart Chain" to promote industrial transformation and upgrading.** The Bank carried out special operations to extend high-quality supply chain financial services, and released new sub-chains of "BOC Smart Chain", including "Cold-Chain Logistics Chain", "Green Chain", "Aviation Chain" and "Home Appliance Chain", thus safeguarding the smooth operation, transformation and upgrading of related industries of national strategic and key areas.

County-level Finance

The Bank focused on key areas such as national food security, the consolidation of poverty alleviation achievements, rural industries with local characteristics at the county level and new urbanisation with a focus on county towns, gradually established a digitalised, scenario-driven, featured, platform-based, intelligent and refined "Six-way" business model; used its financial strengths to advance comprehensive rural revitalisation; promoted the integration of urban and rural development, and helped to modernise agriculture and rural areas.

- ✧ **Achieving sound and stable business development.** As at the end of 2022, the loan balance of county-level outlets stood at RMB2,757.8 billion. Specifically, the loan balance of outlets in areas that were lifted out of poverty registered RMB412.3 billion and the loan balance of outlets in the 160 key counties to receive assistance in pursuing rural revitalisation reached RMB25 billion. The growth rate of each of these loan balances was higher than the average loan growth rate of the Bank's total loans.

- ✧ **Optimising service channels step by step.** The Bank established outlets in 1,178 counties (excluding municipal districts), realising a county coverage rate of 63.13%. It built more than 550 featured outlets. In addition, it increased the promotion of mobile banking in counties and launched the "Beautiful Countryside" version of its mobile banking service.

- ✧ **Accelerating the product and service innovation.** The Bank deepened industry research in agriculture-related fields and sped up the innovation of scenario-based, online and featured products and services. It launched "Seed Industry Loan", "Agricultural Machinery Loan" and other service schemes in key areas and put into operation online products with regional features such as "Cotton Loan" and "Farmer Supporter Quick Loan". The Bank's "Digital Inclusive Finance Serving Rural Revitalisation" project received the 2022 Innovation Achievement Award from "Innovation China".

Commercial Banking in the Chinese Mainland

Actively serving national strategies, the Bank deeply integrated itself to the new development pattern of domestic and international dual circulations while giving full play to the "Eight Priority Areas for Enhancing Financial Services Capabilities", further highlighting its primary role as a domestic commercial bank. In 2022, the Group's commercial banking business in the Chinese mainland recorded an operating income of RMB474.381 billion, an increase of RMB5.035 billion or 1.07% compared with the prior year. Details are summarised in the table below:

Unit: RMB million, except percentages

Items	2022 Amount	2022 % of total	2021 Amount	2021 % of total
Corporate banking business	**190,147**	**40.08%**	176,662	37.64%
Personal banking business	**227,269**	**47.91%**	199,157	42.43%
Treasury operations	**59,721**	**12.59%**	83,336	17.76%
Others	**(2,756)**	**(0.58%)**	10,191	2.17%
Total	**474,381**	**100.00%**	469,346	100.00%

Corporate Banking

With a focus on high-quality development, the Bank continued to advance the transformation of its corporate financial services so as to serve the real economy more efficiently and effectively. It prioritised the support to high-quality development in key areas such as strategic emerging industries, manufacturing, inclusive finance and green finance, thus contributing to the transformation and upgrading of the national economy. It also proactively expanded its core customer groups in the advanced manufacturing and digital economy-related industries, so as to help reinforce the country's strategic strengths in science and technology. In addition, the Bank accelerated progress in the coordinated development of key regions including the Beijing-Tianjin-Hebei region, Xiongan New Area, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port and other key areas by virtue of its financial resources, thus supporting national strategies for coordinated regional development. Centring on customers' needs and experience, the Bank rapidly increased the scale of its assets under management (AUM), and implemented differentiated precision marketing. It also promoted the management of financial product aggregates (FPA), gave full play to the advantages of the Group's comprehensive operations, and provided integrated service solutions covering the whole product line of "investment, loans, bonds, equity, insurance and leasing" to meet the diversified financing needs of all customers. The Bank successfully implemented an e-CNY trial during the Winter Olympic Games and ensured that all event-related financial services were carbon neutral through green construction practices, low-carbon operations and carbon allowance offsetting. It achieved the goal of "zero infections, zero accidents, zero mistakes and zero complaints", thus making outstanding contributions to the success of the Winter Olympic Games. In 2022, the Group's corporate banking business in the Chinese mainland recorded an operating income of RMB190.147 billion, an increase of RMB13.485 billion or 7.63% compared with the prior year.

Corporate Deposits

Upholding its customer-centric approach, the Bank continued to consolidate its development foundations and remained committed to building a comprehensive and tiered marketing management system. Focusing on customers' diversified financial needs, it further enhanced its cross-industry services, comprehensive marketing awareness, and made efforts to increase the scale of its AUM. Furthermore, by proactively integrating into the domestic and international dual circulations, the Bank strived to connect its business product channels for domestic settlement and international settlement, increased business volumes in payments and settlements, enhanced fund retention capacity, and boosted the sound and sustainable development of its deposit business. As at the end of 2022, RMB corporate deposits of the Group's commercial banking business in the Chinese mainland totalled RMB7,532.714 billion, an increase of RMB583.789 billion or 8.40% compared with the prior year-end, and the market share of daily average deposits continuously increased. Foreign currency corporate deposits amounted to USD90.234 billion, securing the leading position in the industry.

Corporate Loans

The Bank actively performed its responsibilities, deeply implemented the national development strategy, optimised its loan structure, and effectively improved the quality and efficiency of its service to the real economy. It devoted itself to the development of the Chinese modern industrial system and to bolster the nation's strategic strengths in science and technology. The Bank actively promoted a shift in service focus from traditional industries to new industries, new business forms and new business models, and increased credit extension to strategic emerging industries. It strived to promote the nation's coordinated regional development strategy, supporting industrial upgrading and transformation as well as the development of city clusters in the Beijing-Tianjin-Hebei region and Xiongan New Area. The Bank also increased its investment in the advanced manufacturing sector, high-quality service sector, new infrastructure construction, new urbanisation and other sectors in the Yangtze River Delta, and vigorously seized opportunities arising from the technology finance, industry finance and cross-border finance sectors of the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank adopted policies tailored to local conditions and pursued accelerated development in the ecological protection of the Yellow River basin, the development of modern agriculture and animal husbandry, new urbanisation, infrastructure connectivity, and the upgrading and transformation of traditional industries. It further stepped up its efforts to promote financial connectivity in the Chengdu-Chongqing economic circle, and energetically supported new forms of consumption. In addition, the Bank contributed to the development of the Hainan Free Trade Port and Smart Hainan, positioning itself as the first-choice bank for the Hainan Free Trade Port. To serve the national strategy of expanding domestic demand, it increased support for consumption, capitalised on the new trend of consumption upgrading and accelerated the construction of scenario-based financial services ecosystem. To serve common prosperity for all, the Bank continuously strengthened its inclusive finance services and made breakthroughs in online products. It also proactively integrated into the national rural revitalisation strategy and increased support for agricultural modernisation. To serve the nation's ecological conservation strategy, it further boosted the development of green finance and improved relevant products and services, which in turn supported the sustainable development of the economy and society and helped the Bank to build a brand reputation for green finance. The Bank made good use of various re-lending instruments to increase support for key areas and weak links of the national economy and help stabilise economic growth. It contributed to the high-quality opening up of the Chinese economy by providing solid financial services to the Belt and Road initiative and strengthening Chinese enterprises' "Going Global" efforts and overseas economic and trade cooperation. As at the end of 2022, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB8,475.671 billion, an increase of RMB1,352.024 billion or 18.98% compared with the prior year-end, with a further increase in market share. Foreign currency corporate loans totalled USD42.374 billion, maintaining the Bank's top position among peers. Specifically, technology finance loans grew by 14%, loans granted to strategic emerging industries grew by 115%, green credits rose by 41%, and medium and long-term manufacturing loans went up by 39% compared with the prior year-end.

Financial Institutions Business

The Bank continued to build up its integrated financial services platform and deepen all-round cooperation with various kinds of financial institutions, retaining a leading position in terms of financial institution customer coverage. It has maintained correspondent relationships with nearly 1,200 institutions around the world and has opened 1,438 cross-border RMB clearing accounts for correspondent banks from 112 countries and regions, thus securing a leading position among domestic banks. It promoted the RMB Cross-Border Interbank Payment System (CIPS) and established partnerships for indirect participants with 583 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Investors (QFI) and its agency service for overseas central banks and other sovereign institutions held leading positions in the industry in terms of both customer base and business scale. It also ranked first in the custodian amount of bonds invested by overseas institutions in the China interbank bond market (CIBM). The Bank became one of the first settlement banks to facilitate Interbank-exchange-traded Bond Market Connect Business, and successfully supported its first transaction as the exclusive settlement bank for the conversion of Shanghai-listed B shares to Hong Kong-listed H shares. It assisted China Central Depository & Clearing Co., Ltd. (CCDC) in the issuance and proceeds transfer of the first green asset-backed securities in the free trade zone, and became the first bank to launch an online contracting function after joining the Commodity Clearing Net of Shanghai Clearing House. It also successfully qualified as one of the first margin depository banks of the Guangzhou Futures Exchange. The Bank was awarded "Best Bank of Innovative Cooperation with Futures Market Participants" by *Futures Daily Press*. All of this represented the further enhancement of its brand image in terms of serving financial infrastructures. The Bank also strengthened cooperation with the Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB) and other multilateral development institutions. It assisted both the AIIB and NDB with the issuance of Panda bonds by serving as lead underwriter and lead bookrunner, and successfully marketed NDB's insurance business for super-sovereign organisations, the first of its kind in the Chinese mainland. As at the end of 2022, the Bank held the largest market share in foreign currency deposits from financial institutions, and further increased its market share in terms of third-party funds under custody.

Transaction Banking

The Bank fully implemented national development strategies, pursued progress while ensuring stability, made innovations rooted in tradition, strived for steady development progress in transaction banking, and became more effective and efficient in serving the national strategy of high-level opening up and promoting the "dual circulation" development pattern in which domestic and international circulations reinforce each other.

Consolidating its position as the main channel for foreign trade financial services, and bolstering the "dual circulation" development pattern. The Bank issued the *BOC Action Plan for Supporting High-quality Development of Foreign Trade and Making Cross-cyclical Adjustments to Ensure Stable Foreign Trade* and the *Action Plan for Seizing New Opportunities in RCEP Free Trade Zone to Develop a New Development Pattern of Dual Circulation* and other action plans, and continuously strengthened financial support to ensure stable foreign trade. It maintained the leading position in the industry in terms of cross-border guarantee and cross-border cash management businesses. Product and service solutions for new foreign trade patterns were introduced, offering smooth connections to several global leading cross-border e-commerce payment service providers.

Refining the product and service system and improving the quality and efficiency of support for the real economy. The Bank improved its "Global Cash Management Platform+" product system and seized market opportunities to build treasury management systems for state-owned enterprises (SOEs), thus greatly increasing its service coverage and capabilities for large customers. Ten industry-specific cash management solutions were developed to facilitate the scenario-based, standardised and batch expansion of the cash management business. According to requirements on promoting the healthy development of the real estate sector through financial services, the Bank took steady and orderly steps to issue letters of guarantee for real estate developers to replace funds from presale fund supervision accounts. The Bank participated in the PBOC's account system reforms and was involved in the first batch of pilots to trail unified settlement accounts for local and foreign currencies.

Accelerating the digital transformation of transaction banking and boosting the effectiveness of digital operations. The Bank reached several significant milestones towards online supply chain financing. In 2022, full-process online supply chain financing products such as "Rong Yi Xin", "Rong Yi Da", "Online Domestic Factoring" and "Online Export Factoring" were put into operation, alongside comprehensive online services for core products. The "BOC Cross-border Remittance STP" was launched as a competitive product to provide customers with instant and automatic crediting services related to SWIFT cross-border inward remittance, with the volume of direct crediting services reaching USD100 billion during the year. The Bank rapidly iterated the functions of its "BOC Intelligent Funds Supervision Service" system, which features nine regulatory function modules, an online and offline omni-channel service system, and additional BOC smart management product solutions such as "An Xin Jian, Zhuan Kuan Bao, Jiao Yi Xin" for key customer groups and core scenarios. As a result, the Bank registered rapid growth in the scale of funds under supervision. It also launched an integrated system for central government budget management and optimised the functions of its bank confirmation letter system.

The Bank was honoured with "Best Trade Financier in Asia Pacific" by *Trade Finance Global*, "Excellent Trading Institution for Cross-border Trade Financing" by Shanghai Commercial Paper Exchange (SHCPE), and "Best Cash Management Bank" at the 12th (2022) Most Trusted Financial Service Providers by Trade & Economic Enterprises in China (Gold Trade Awards), demonstrating its professional expertise in transaction banking.

Inclusive Finance

Fully implementing national decisions and plans to stabilise the economy, as well as the work requirements of regulators, the Bank deepened and expanded financial services support for micro and small-sized enterprises. It advanced inclusive finance through greater business volume, expanded coverage, reduced price and improved quality, and pushed forward the 14th Five-Year Plan for inclusive finance despite difficulties and challenges.

Coordinating its needs of epidemic response and economic and social development, the Bank continued to optimise the supply of inclusive finance. It innovated products and services and gradually built a modern inclusive financial service system that is driven by technological innovation, supported by a scenario ecosystem, shaped by global connectivity, and characterised by integrated services. Furthermore, the Bank accelerated the application of digital technology, upgraded and launched "I·SMART Digital Inclusive Financial Services+", and attached great importance to comprehensively improving service quality and efficiency, and realised more abundant scenario-based products, more diversified special services, more convenient customer experience, more intelligent risk prevention and control, and more efficient technological operation. It strived to boost the brand influence of its "Inclusive Loan" product, launched the "BOC Inclusive Finance" app and organised a series of publicity campaigns including "Benefit You and Me", "Inclusive Services for Specialised, Refined, Featured and Innovative Enterprises" and "Business Integrity Publicity Month", so as to raise reach rate among customers through diverse channels. Four of the Bank's cases were successfully selected as "Typical Cases of Inclusive Finance in China (2022)".

The Bank strengthened financial support for key areas and weak links in order to serve the overall national development strategy. It also improved financial services for micro and small-sized enterprises engaged in technological innovation and launched exclusive credit products to provide credit support to more than 18,000 "specialised, refined, featured and innovative" enterprises. To promote the development of intellectual property finance, the Bank served as co-host and sole strategic partner of the "2022 Intellectual Property Annual Meeting" alongside the China National Intellectual Property Administration, with whom it also jointly released the "Intellectual Property Pledge Financing Index". To stabilise foreign investment and foreign trade, the Bank launched the "Micro and Small Foreign Trade Services" business solutions. Moreover, the Bank further deepened its cross-border matchmaking mechanism to serve high-level opening-up. As at the end of 2022, 101 business matchmaking activities had been held, providing more than 50,000 enterprises from 126 countries and regions with "financing + intelligence" value-added services. The Bank strengthened financial services for new citizens, launched the "Benefit for Common Prosperity" service plan, implemented ten measures to support new citizens, and built "service harbours" for new citizens in more than 500 outlets.

Pension Business

The Bank adhered to the national strategy of actively responding to the aging population. Focusing on building the national elderly care security system, the Bank developed and improved pension products and services for the elderly and continued to provide a range of products including enterprise annuities, occupational annuities and employee benefit plans. It continually enriched its inclusive pension scenarios, pushed forward the strategic layout of its pension business, and fully supported the development of the silver economy. As at the end of 2022, pension funds held in trust by the Bank reached RMB170.243 billion, an increase of RMB28.698 billion or 20.27% compared with the prior year-end. The total number of enterprise annuity individual accounts held by the Bank reached 3.8987 million, an increase of 0.2228 million or 6.06% compared with the prior year-end. Pension assets under custody amounted to RMB906.602 billion, an increase of RMB123.100 billion or 15.71% compared with the prior year-end. The Bank provided enterprise annuity services for more than 17,200 institutional clients.

Digital Transformation of Corporate Banking

The Bank continuously improved the functions of its global service platform for corporate banking customers, continued to enrich the platform's data foundations and accelerated its promotion and application across the globe, acquired new customers via marketing insights based on multiple scenarios, and built up a unified core capability in data analysis. It supported the differentiated management of corporate customers for different business lines, in order to enhance the customer penetration and refine management capabilities of its institutions. To empower the development of green finance through intelligence, it launched the first phase of its green finance management system with a view to supporting the intelligent identification and accurate measurement of environmental benefits.

Personal Banking

The Bank remained committed to the concept of customer at the centre, professionalism as the key, and innovation as the engine. It continued to develop a retail banking business with wealth finance at its core, cross-border finance and consumer finance as its features, and key regions as its breakthrough drivers. It adhered to its strategic objectives, strengthened the guiding role of technology, consolidated its customer base, and optimised its products and services in order to drive the high-quality development of its personal banking business. In 2022, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB227.269 billion, an increase of RMB28.112 billion or 14.12% compared with the prior year-end.

Account Management Business

Upholding the concept of "finance for the people", the Bank worked to develop a comprehensive financial service scheme for new citizens, added a new citizens' financial services section to its mobile banking channel, and issued new citizen-themed debit cards in Shenzhen on a pilot basis. It launched an innovative "easy account opening" service, effectively addressing the difficulties that residents such as college graduates and migrant workers face in opening accounts. It provided all-round personal banking services to the Beijing 2022 Winter Olympics and developed Winter Olympics-themed annual bank statements for personal customers. It promoted the building of a personal pension business system by optimising technical functions and enriching product supply, with the aim of providing whole-process and high-quality financial services to personal pension system participants. Moreover, the Bank established a long-acting mechanism for personal banking account services and improved its ability to prevent telephone and internet fraud risks. It provided inclusive, convenient and high-quality account management services, and constantly worked to reduce fees and make profit concessions. Annual fees for personal debit cards and management fees for petty accounts have been waived as 1 February 2022. During the year, the Bank was awarded "Retail Bank with Excellent Competitiveness" by *China Business Journal*.

Wealth Finance Business

Upholding the concept of value creation, the Bank effectively expanded the coverage and improved the quality of its wealth finance business. As at the end of 2022, the financial asset under management of the Group's personal customers approached RMB13 trillion and the number of medium and high-end customers had increased by a record high. The Bank built a "Group-wide + Market-wide" wealth finance platform, expanded the pool of preferred products with competitiveness, increased the supply of pension financial products, actively introduced innovative mutual fund products, and seized opportunities arising from the transformation of wealth management products. As at the end of 2022, the Bank had established partnerships with ten wealth management companies, with the balance of its agency sales of personal wealth management products increasing by 13.33% compared with the prior year-end. It developed a mobile banking community theming "Fortune", and continuously optimised content management and user experience, in order to run its online wealth management business in a more precise, professional and inclusive manner. As at the end of 2022, there were 31 cooperating financial institutions covering funds, insurance, brokerage firms and wealth management operating in the online community. The Bank also focused on sales of asset allocation products, optimised online asset allocation-related functions, and improved its asset allocation service capabilities. Adhering to the principle of professional development, the Bank published the *Report on Global Asset Allocation Strategy by Private Banking BOC* for the fifth consecutive year and optimised "BOC Investment Strategy", a global investment strategy information service system covering stocks, currencies, commodities and other major asset categories, which offers daily, weekly, monthly, quarterly and annual reports. As at the end of 2022, the Bank had established 8,226 wealth management centres and 1,087 prestigious wealth management centres in the Chinese mainland. It was recognised as the "Best Bank in Wealth Management" by *CBN* and honoured with the "Golden Bull Award for Sales of Wealth Management Products in the Banking Industry" from *China Securities Journal*.

Consumer Finance Business

The Bank increased support for serving the real economy, maintained steady growth in housing loans and drove rapid development in non-housing consumer loans. It vigorously supported people's basic housing needs and the need for improved housing conditions and reduced financing costs for home buyers, thus facilitating the steady and healthy development of the real estate market. At the same time, the Bank continued to accelerate product promotion, innovation and upgrading; built an efficient and convenient consumer loan product system, and launched featured products and services aimed at new citizens, farmers and other customer groups, in a bid to promote the expansion of non-housing consumer loans and help expand domestic demand by boosting consumption. In addition, the Bank supported pandemic prevention and control, actively implemented the requirements of national policies, provided grace periods and deferred the repayments for people suffering from the pandemic, and implemented an interest exemption and deferred repayment policy for government-sponsored student loans to students. It continued to promote digital transformation and scenario integration, and accelerated the development of online products such as "BOC E-Credit". As at the end of 2022, the RMB personal loan balance of the Group's commercial banks in the Chinese mainland totalled RMB5,681.110 billion, an increase of RMB219.465 billion or 4.02% compared with the prior year-end.

The Bank continued to develop traditional scenario-based financial services and provided high-quality financial products and services for resident consumption scenarios based on three major product systems. It consolidated and expanded its advantages in auto instalment loans, integrating its corporate and personal businesses to tap the potential of various channels. With a focus on home decoration, the Bank strengthened cooperation with high-quality regional home decoration enterprises in order to steadily develop its home decoration instalment loans. A precision marketing solution was introduced to engage the target customer groups of its "BOC E-instalment" product. In addition, its "BOC E-instalment" product, served as "Family Consumption Reserve Fund", was upgraded to provide digital service as its core feature, so as to meet customers' diversified and rational consumption needs.

Private Banking Business

In order to accelerate the high-quality development of its private banking business, the Bank adhered to the concept of "private banking driven by the Group's strengths", carried out its mission of serving the real economy, and continuously innovated and expanded its private banking products and services. It launched a new brand identity for BOC Private Banking and promoted its service concept of "managing the value of wealth". It improved its investment strategy information service system, built an asset allocation platform, and provided a variety of products with public welfare features. It further developed its family trust business with the number of family trust service customers growing by 105.60% compared with the prior year-end. The Bank's premium trust services registered rapid growth. The Bank was the first in the market to set up charitable trusts through a points donation mechanism. It launched the innovative "Entrepreneur Office", a top-tier private banking service that helps entrepreneurs achieve their long-term personal, family, enterprise and social responsibility development visions by pooling Group-wide resources and providing an all-around, full-cycle, globally-integrated and professional service platform. The Bank recorded remarkable achievements in building its Asia-Pacific private banking platform and consolidated the advantages of its globally integrated services.

It accelerated the training and development of its professional teams and constantly improved channel coverage, with 172 private banking centres now established in the Chinese mainland. As at the end of 2022, the Group had 159.6 thousand private banking customers with RMB2.42 trillion of financial assets under management. In 2022, the Bank was awarded the "Star of China | Best Private Bank" and the "Best Private Bank for Entrepreneurs" by *Global Finance*, the "Best National Private Bank in China" and the "Best Private Bank in China Asset Allocation Services and Research" and the "Best Private Bank in China Services for Business Entrepreneurs" by *Asian Private Banker*, the "Jinzhen Award | Best Domestic Private Bank – Risk Management" by *Wealth Management*. It was also recognised as the "Private Bank in China | Best State-owned Bank" by *Asiamoney*, the "Top 10 Digital Wealth Management Innovation Award" and "Top 10 Family Trust Management Innovation Award" by *The Banker*, the "Best Bank for Sales of Private Equity Fund" under the 2022 China Private Equity Fund Yinghua Awards by *China Fund News*, "Golden Shell Award | Outstanding Private Bank" by *21st Century Business Herald*, and the "Outstanding Financial Institutions of the Year – Outstanding Private Bank of the Year" by *Wall Street News*.

Personal Foreign Exchange Business

The Bank continued to deepen cross-border finance service and promoted service process digitalisation in its foreign exchange business as a move to consolidate its leading edge in cross-border finance. It offered personal foreign currency deposit and withdrawal services in 25 currencies and personal foreign exchange services in 39 currencies, securing its leading position among peers. Striving to meet the needs of differentiated customer segments, it continued to optimise and promote online foreign exchange purchase and remittance services for those studying abroad as well as salary settlement services for expatriate employees. To meet domestic customers' overseas tourism needs, the Bank broadened its reservation service channels for foreign currency cash, supporting multi-channel reservation through mobile banking, WeChat banking and online banking, and successfully integrating into more than 20 third-party platforms, with its reservation service available across major cities in the Chinese mainland. For overseas tourists visiting China, the Bank took the opportunities arising from the Beijing 2022 Winter Olympics by becoming the first and only bank to launch a self-service machine that supports the conversion of foreign currencies to e-CNY. This machine was the only object from the financial industry to be displayed on the exhibition of "Forging Ahead in the New Era" achievements. During the Beijing 2022 Winter Olympics, the Bank provided personal foreign exchange services and support in a smooth and orderly manner, offered a foreign exchange "green channel" to short-term visitors, made efforts to improve the micro-payment experience for visitors to China, and realised networked systems and unified operation and management of authorised foreign currency exchange hotels, thus greatly reinforcing its brand image as an official banking partner of both the Winter and Summer Olympic Games.

Bank Card Business

The Bank made steady progress in accelerating the digital transformation and enriching scenario-based financial services for its bank card business, with the aim of improving its service capability and brand competitiveness. The Bank integrated bank card business into the group's strategic scenario-based financial service ecosystem construction and accelerated the process of digital transformation. It created an integrated online and offline service model for social security, optimised the physical social security card services, and continuously promoted the e-codes for medical insurance. As at the end of 2022, the Bank had cumulatively issued 119.4554 million physical and 18.3636 million electronic social security cards. The Bank fine-tuned its online services for its "BOC E-instalment" product. It popularised the scenario-based mobile extension PAD, and greatly improved its on-site service capacity. With the official launch of the BOC Colorful Life App (for Cloud Flash Pay), the Bank became the first major state-owned bank to access China UnionPay Cloud Flash Pay. The new APP integrates UnionPay QR code payment, online payment, bank card management and other functions to create a comprehensive scenario-based financial services ecosystem, providing users with a better and more convenient payment experience. It vigorously promoted its themed bank cards during Beijing 2022 Winter Olympics, with the total number of Great Wall Winter debit card and Visa Bank of China Beijing 2022 Winter Olympics themed card issued exceeding 22.0 million and 1.98 million respectively. It extended the coverage of its Railway e-Card service to 71 railway lines, covering key areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Hainan Free Trade Port, serving over 10 million travels.

The Bank continuously optimised the bank card product system and consolidated the foundation of development. To implement the nation's rural revitalisation strategy, the Bank assumed its responsibility as a major bank and launched a rural revitalisation card for key customers in counties and towns. It issued 1.63 million debit cards with the theme of rural revitalisation. Treating mobile banking as a critical platform to acquire and activate credit card customers, the Bank developed a one-stop customer acquisition and activation model that allows customers to apply for and activate cards, link cards to accounts and make purchases. Given the current trend towards green finance, the Bank strengthened its new energy vehicle services and maintained a leading position among major banks in terms of auto instalment business.

Deepening its cooperation with mainstream payment institutions, the Bank launched the "BOC Benefit Day – Super Weekend" campaign covering livelihood consumption sectors such as restaurants, convenience stores, department stores and fresh groceries. Combining online and offline channels, the Bank integrated the resources of leading merchants to carry out marketing campaigns, and thus to facilitate business and economic recovery. In response to national strategies on domestic demand expansion and the development of key regions, the Bank supported the development of Beijing, Shanghai, Tianjin, Chongqing, Guangzhou, etc., as international shopping and consumption destinations, launched diversified marketing campaigns to promote consumption. The Bank took multiple measures to reduce bad debts, including cash collection, write-offs and securitisations, and thus maintained stable asset quality in its credit card business.

The Bank's bank card issuance and transaction volumes as at the end of 2022 are set forth below:

Unit: million cards/RMB billion, except percentages

Items	As at 31 December 2022	As at 31 December 2021	Change (%)
Cumulative number of debit cards	**647.4456**	621.0535	4.25%
Cumulative number of credit cards	**138.2661**	135.0722	2.36%
Cumulative number of social security cards with financial functions	**119.4554**	116.4572	2.57%
Balance of credit card loans	**508.755**	496.299	2.51%
	As at 31 December 2022	As at 31 December 2021	Change (%)
Transaction amount of debit cards	**8,830.402**	9,262.792	(4.67%)
Transaction amount of credit cards	**1,468.378**	1,562.469	(6.02%)
Instalments volume of credit cards	**338.374**	358.240	(5.55%)

Digital Transformation of Personal Banking

Focusing on digital channels and products, the Bank accelerated the digital transformation of its personal banking business and constantly enhanced its digitalised operation capabilities. In terms of digital channels, the Bank established an integrated and collaborative multi-channel system, improved mobile banking functions, put into operation special mobile banking service sections for new citizens, Railway e-Card travelers and personal pensions participants, and launched the "Beautiful Countryside" version, so as to enhance the customer experience. It built an open banking portal to enhance its capacity for cooperation through open banking. The Bank also established an open platform for wealth management and partnered with 31 financial institutions, covering funds, insurance, brokerage firms and wealth management. With regard to digital products, the Bank advanced middle-office building for investment products, realised the whole life-cycle management of products, and created a multi-dimensional product labelling system. In addition, the Bank cultivated agile and efficient asset allocation capabilities in order to serve customers' individual product needs. In 2022, the volume of the Bank's mobile banking transactions reached RMB46.73 trillion, up 18.67% compared with the same period of the prior year. The number of non-financial mobile banking scenarios totalled 870, and the number of monthly active mobile banking customers stood at 76.20 million.

E-CNY

In 2022, the Bank steadily pushed forward the pilot e-CNY project with a focus on serving the real economy, by taking advantage of e-CNY's unique characteristics as a financial infrastructure.

The Bank successfully accomplished its e-CNY trial during the 2022 Beijing Winter Olympic Games. As the only official banking partner of both the Winter and Summer Olympic Games, the Bank exclusively undertook the e-CNY collection and settlement service for merchants within the security red line of the Beijing 2022 Winter Olympic Games, facilitated the stunning debut of e-CNY in international large-scale events as an important FinTech achievement of China, and effectively addressed the difficulties and pain points of foreigners using RMB in China, with zero failures, zero errors, zero customer complaints and zero negative public opinions.

The Bank consolidated its advantages in cross-border finance. It actively explored solutions to optimise international payments with digital currencies. Under the guidance of regulators, the Bank successfully linked its e-CNY system with the HK local clearing system, and issued the first batch of red packets in Hong Kong. It also participated in the real-trade pilot test of the multi-CBDC Bridge project.

The Bank enriched its product system. Actively integrated e-CNY into the new business patterns, the Bank took the lead in the industry to launch smart contract-based prepaid cards and quasi-account-based hardware wallets. Its foreign currency exchange machine supporting e-CNY was unveiled at the exhibition of "Forging Ahead in the New Era" as an innovative achievement of the financial industry.

The Bank strengthened channel building. It further enriched e-CNY related functions in mobile banking, broadened traditional corporate customer groups covering government affairs, tobacco and house construction, and optimised offline channels, effectively promoting the rapid growth of the e-CNY transactions volume.

The Bank expanded the landscape of its scenario-based financial services ecosystem. It launched the "WISDOM" e-CNY ecosystem, integrated e-CNY into the "Eight Priority Areas for Enhancing Financial Services Capabilities" and the "Four Scenario-based Financial Services Ecosystem". The bank devoted itself to e-CNY application on boosting rural revitalisation and the issuance of the government's consumption coupons, and achieved its first e-CNY cooperation with social security and provident fund. It also supported payroll, targeted subsidies and inclusive loan issuance. Its e-CNY service was unveiled at the China International Import Expo (CIIE), China International Consumer Products Expo (CICPE), China International Fair for Trade in Services and other marketing exhibitions.

In the next step, the Bank will continue to fully advance the plan of "steadily promoting e-CNY pilot project" speculated in the national 14th Five-Year Plan and the requirements of the PBOC for the pilot research and development, respond to the development trend of the digital economy and the digitalisation of China, serve the regional coordinated development, help build a new development pattern, and forge product development capabilities, so as to build a leading scenario-based financial services ecosystem and achieve higher-quality development.

Financial Markets Business

The Bank closely tracked global financial market dynamics, aligned itself with national strategic demands, served the development of the real economy, and bolstered high-quality development. It stepped up efforts to ensure prudent operations and compliance with regulatory requirements, and continuously adjusted its business structure, thus consolidating its leading position in the financial markets business.

Securities Investment

By strengthening its analysis and forecasting regarding the economic situation and market trend, the Bank proactively seized market opportunities and dynamically adjusted its investment structure in a bid to mitigate portfolio risk. It supported the development of the real economy, continuously increased the proportion of key fields such as local government bonds and green bonds in its RMB investment portfolios, taking a leading position in the market in terms of investment in green debt financing instruments. In terms of foreign currency investment portfolios, the Bank actively responded to the sharp interest rate hike cycle of USD, reasonably controlled the duration of portfolios, optimised the product structure of portfolios, and actively participated in the Chinese government sovereign bond market and the offshore bond market for Chinese enterprises. It effectively balanced market risk and investment opportunities, actively increased investments at times of periodical high interest rates, and significantly improved the book yield of portfolios.

Trading

The Bank continuously improved its financial markets business system, consolidated development foundations, enhanced its comprehensive customer service capabilities, and actively performed its responsibilities as a core market-maker.

Sharpening market advantages. The Bank outperformed peers in terms of market share of foreign currency exchange against RMB, providing 40 currency pairs available for exchange. It also led the domestic market in terms of the total number of tradable foreign currencies. It won the "Best RMB Foreign Exchange Market Maker", the "Best Foreign Currency Pair Market Maker" and the "Excellent Currency Trading Institution along the Belt and Road" in the interbank foreign exchange market ratings. The Bank also maintained the leading position in market-making rankings for precious metals of Shanghai Gold Exchange and Shanghai Futures Exchange.

Serving the development of the real economy. The Bank actively publicised the concept of FX risk neutrality and made comprehensive use of financial market trading instruments to help enterprises enhance their risk management. It also launched new service for micro, small and medium-sized enterprises to help them prevent FX risk under extreme circumstances, and steadily expanded its hedging services coverage among inclusive finance customers. The Bank supported the development of green finance by offering high-quality market-making and quotation services.

Serving the two-way opening-up of financial markets. The Bank expanded its overseas institutional investor counterparty base and enhanced quotation services for onshore bonds and derivatives by leveraging its multi-tier service mechanism, which integrates trading, sales and research. It remained at the forefront of the market for many years in a row in terms of cash bond trading with overseas institutions, and won the "Excellent Market Maker under the Bond Connect" award for five consecutive years. It served the Belt and Road Initiative and provided high-quality hedging and exchange services to relevant sovereign financial institutions.

Consolidating the line of defence for risks. The Bank improved its comprehensive risk management system and risk management mechanism, strengthened the compliance level of all employees, and continuously enhanced its risk control capacity. Furthermore, the Bank made more forward-looking, proactive and professional analysis and judgement of financial markets, rapidly launched a market emergency response mechanism, and effectively responded to complicated and severe market fluctuations, thereby ensuring stable operations.

Investment Banking

The Bank followed its mission to serve the real economy, fully leveraged the advantages arising from its globalised operations and diversified business platform, and provided its clients with comprehensive, professional and customised "onshore + offshore" and "financing + intelligence" integrated financial services plans, including financial products and services such as bond underwriting and distribution, asset-backed securitisation (ABS), and professional M&A financial advisory services, etc. To facilitate the development of China's multi-layered capital markets and support customers in their direct financing, the Bank underwrote bonds in the China interbank market of a total amount of RMB1,377.605 billion. It adhered to promote the development of green finance, and took the lead in the volume of underwriting of green bonds. It underwrote the first batch of low-carbon transition bonds, the first sustainable development Panda bond by an international development institution, the first green Panda bond by an automobile industry issuer, and the first blue offshore RMB bond by a local government. The Bank continued to improve its competitive advantages in cross-border business. It helped overseas issuers including the Government of Hungary, Asian Infrastructure Investment Bank and Mercedes-Benz to issue Panda bonds, maintaining first place in the Panda bond market share. The Bank also continued to top the offshore China bond underwriting league table, which in turn helped to channel international funds to support the real economy. Acting as the sole global coordinator, it helped the Ministry of Finance of the People's Republic of China to issue a RMB3.0 billion sovereign bond in Macao, making a further contribution to RMB internationalisation. As the lead-left underwriter, the Bank provided services to Hainan, Guangdong, Shenzhen local governments in their respective issuances. In doing so, it helped to enhance the level of opening up and high-quality development of Hainan Free Trade Port, facilitated the integration of the Guangdong-Hong Kong-Macao Greater Bay Area and the growth of its financial markets. It actively promoted the asset-backed securitisation underwriting business and maintained a leading position in terms of market share in ABS underwriting in the China interbank bond market. Its sales volume of NAFMII credit bonds continued to rank first among interbank-peers. The Bank was awarded "Best Progress Award" by Green Investment Principles (GIP), "Best Bond Underwriter Bank" by Wind, and "The Gamma Award for Best Bond Underwriter Bank" by *Securities Times*. As such, the brand influence of "BOC Debt Capital Markets" was continuously enhanced.

The Bank actively promoted its credit asset-backed securitisation business, issuing four credit asset-backed securitisations during the year, including one tranche of RMBS transactions with a total issuance volume of RMB13.074 billion and three tranches of NPL transactions with a total issuance volume of RMB0.669 billion.

The Bank continued to build its professional financial advisory service system, strengthened group-level coordination and met clients' needs. It provided clients with professional advisory services in M&A, equity financing, project financing, debt restructuring and divestitures. It served clients including local governments, innovative high-tech enterprises and manufacturing enterprises.

Asset Management

The Bank seized market opportunities arising from the new development stage, such as continuous growth in residents' wealth and the construction of the third pillar of elderly care, and took various steps to accelerate digital transformation, improve its investment and research capacity, strengthen investor education, improve the inclusiveness of business development, promote the construction of multi-level capital markets, strengthen risk prevention and control, in order to build a high-quality asset management development system.

The Asset Management Committee of the Bank is responsible for the overall management and top-level design of its asset management business line. The newly established Asset Management Department promotes the implementation and coordinated development of the Group's asset management business strategy. The Bank actively followed global market trend of asset management, provided overall support to the deepening of financial reform and two-way opening up of financial markets, accelerated the construction of an overseas asset management platform, and cultivated the Bank of China Asset Management (Global) brand. It carried out its asset management business across the Group, providing individual and institutional investors with access to local and foreign currency products from a comprehensive range of asset classes and diversified investment strategies across the complete investment cycle. At the same time, the Bank continued to accelerate the issuance of innovative products with various distinctive themes, constantly enriched its "green", "pension", "technology", "cross-border" and other themed product systems, and continually increased its business scale and market share. As at the end of 2022, the Group's AUM reached RMB3.1 trillion, and the market influence of the Bank's asset management business was enhanced. In the future, the Bank will strengthen the overall coordination of its asset management business under the development pattern of "One Mainstay, Two Engines" strategy, continue to increase its investment in the asset management business, enhance the comprehensive capabilities of the group's asset management business in areas such as investment research, sales, and technology. The Bank will continue to serve the real economy, effectively connect both ends of investment and financing, actively implement development strategies such as wealth management and cross-border finance, and accelerate the creation of a first-class asset management commercial banking group.

Custody Business

The Bank continued to improve its operational custody services and remained committed to supporting the real economy and major national strategies through safe and efficient asset custody capabilities. As at the end of 2022, total assets of the Group's custody business amounted to RMB16.52 trillion, an increase of 8.45% year-on-year, marking sustained growth in the scale and income of its custody business with a further increase in market share. The Bank made efforts to serve the building of a multi-tier pension security system, became the first in the industry to develop a personal pension custody service scheme, and introduced a series of innovative custody products such as the first batch of pension insurance products, pension target funds, and pension finance products. Moreover, it strongly supported the development of green finance by providing custody services to products such as green bond issuance funds, green industry funds, and green asset-backed securitisation (ABS), with green assets under its custody reaching RMB55.0 billion as at the end of 2022. The Bank endeavoured to improve the operation and service capabilities of its custody business in all respects. It continued to strengthen the continuity management of its business and improve the direct connection rate of its custody system, in a bid to build a comprehensive risk management system for its custody business.

Village Bank

As an important platform for implementing inclusive finance and the nation's rural revitalisation strategy, BOC Fullerton Community Bank is committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". As at the end of 2022, BOC Fullerton Community Bank controlled 134 village banks with 189 sub-branches in 22 provinces (including municipalities directly under the Central Government), making it the largest domestic village bank group in terms of total institutions. Its registered capital amounted to RMB10.585 billion, with total assets and net assets standing at RMB95.326 billion and RMB14.929 billion respectively. In 2022, BOC Fullerton Community Bank achieved a profit for the year of RMB426 million.

BOC Fullerton Community Bank continually improved its product and service system, further expanding its customer base and business scale. As at the end of 2022, the balances of total deposits and loans of its banks stood at RMB60.764 billion and RMB73.429 billion respectively, an increase of 11.38% and 6.05% compared with the prior year-end. The average loan balance per customer was RMB161,700. BOC Fullerton Community Bank also set up and optimised a comprehensive risk management system for business lines that supports farmers and small-sized enterprises, thus maintaining good asset quality. The NPL ratio was 1.83%, and the ratio of allowance for loan impairment losses to NPLs was 222.50%. With a focus on rural industry development, rural infrastructure construction, improvement to living environments and other key areas, BOC Fullerton Community Bank actively provided support for specialised cooperatives, family farms, specialised large households and other new business entities. In addition, it recorded notable achievements in using digital means to upgrade its services in order to unblock "last mile" barriers of county-level financial services.

BOC Fullerton Community Bank won "Socially Responsible Financial Institution with Excellent Competitiveness", "Influential Promotional Video in China's Banking Industry" and many other social honors.

Globalised Operation

As the most globalised Chinese bank, the Bank steadily pushed ahead with its globalisation agenda, continuously improved its global services and actively served China's new development pattern and high standard opening up, boosting the domestic economy while facilitating the positive interplay between domestic and international economic flows. The Bank constantly explored new development opportunities to amplify the interplay between domestic and international markets and resources, to promote trade and investment cooperation, and to improve its ability to create value. In the course of its global development, the Bank strengthened its risk and compliance management, and enhanced its capabilities for safe operation, which would allow it to ensure safe, sustainable and stable development. In addition, the Bank has been an active contributor to bilateral and multilateral international financial organisations, has engaged in the formulation of a range of international standards and rules, and used its presence at high-level international conferences to increase China's financial influence. As at the end of 2022, the Bank's overseas commercial banking business realised customer deposits and loans of USD519.499 billion and USD430.920 billion respectively, an increase of 3.63% and 1.65% compared with the prior year-end. In 2022, the Bank's overseas commercial banking business achieved a profit before income tax of USD7.706 billion, an increase of 8.17% compared with the prior year, accounting for 18.28% of the Group's total profit before income tax.

In keeping up with the demand of its global clients for financial services, the Bank continued to optimise its global network and further improved its global service capabilities. As at the end of 2022, the Bank had 531 overseas institutions covering 62 countries and regions, including 42 countries along the Belt and Road. BOC (Macau) Limited was officially opened for business in November 2022.

The Bank made continuous efforts to promote regionalised management and integrated development for its overseas operations, and achieved steady progress in building overseas regional headquarters. BOCHK strengthened its role in managing branches and subsidiaries in the Southeast Asian region. Bank of China (Europe) S.A., as the Intermediate Parent Undertaking (IPU) of the Bank's operations in the EU, was successfully put into operation, paving the way for integrated operations and improved service quality and efficiency in the region. In addition, the Bank continued to categorise its branches and subsidiaries outside the Chinese mainland, and reviewed and revised its market-by-market differential development strategies for overseas operations, creating greater synergy between domestic and overseas institutions. In this way, the Bank enhanced its capacity to support the global development of its customers, and continuously provided high-quality financial services for their "Bringing In" and "Going Global" efforts.

Corporate Banking

Keeping a close eye on market changes, the Bank strengthened its risk management, took effective measures in line with local conditions, and gave full play to its advantages in globalised operations to actively serve "Bringing In" and "Going Global" customers, World Top 500 and local corporate customers. It fully utilised syndicated loans, M&A financing, project financing and other advantageous products to support key areas and projects such as infrastructure construction, green industries and international production capacity cooperation, continued to promote the high-quality development of the Belt and Road Initiative, and realised positive interplay between domestic and international circulations through high-quality, efficient, personalised and comprehensive financial services. As a result, overseas corporate deposits and loans maintained stable growth and the Bank's industry and customer structure continuously improved.

The Bank pushed forward the establishment of an integrated service mechanism, focused on bilateral trade and customers, strengthened the business linkage and expansion of domestic and overseas corporate banking, explored business opportunities in bilateral trade and investment, improved its bilateral trade information sharing mechanism, and considered the serving of "Bringing In" and "Going Global" customers as an important part of its global development. It refined its differentiated development strategy for transaction banking in its overseas institutions, achieved rapid growth in overseas international settlement business, further improved its global strategic synergies, and enhanced the quality and efficiency of its customer services.

Following the forefront of cross-border trade and investment facilitation reforms, the Bank leveraged on its global cash management product advantages to provide multinational enterprises with cross-border fund centralised management services, maintaining its leading market share. The Bank continued to improve overseas cash management functions, constantly enhancing its integrated service level. Its business covers 38 countries and regions overseas, and the number of overseas accounts on the global cash management platform increased by 39% compared with the prior year-end.

It gave full play to the advantages arising from its global institution network and conducted all-round cooperation with various kinds of financial institutions in areas such as clearing, settlement, lending, investment, custody, treasury operations and comprehensive capital market services. As a result, the Bank further expanded its customer base and enhanced its international influence. Making agile responses to market fluctuations, the Bank actively provided market advice to overseas institutional customers and promoted the investment value of RMB to medium and long-term investors around the world. As such, it enjoyed steady growth in its overseas institutional investor customer base. Moreover, the Bank made full use of its international partnership network, drew on advanced global expertise and established a peer communication and cooperation mechanism to continually strengthen its participation in ESG-related fields across the world.

Giving full play to the role of "attracting intelligence", the Bank focused on scientific and technological achievements to meet their needs for a better life and improve people's living standards. By means of SME matchmaking, the Bank introduced mature and replicable practices and models from overseas enterprises to their domestic counterparts, so as to build a bridge for cross-border intellectual property financing.

Personal Banking

The Bank continued to leverage its advantages in globalised operations and established a personal banking presence in over 30 countries and regions, serving over six million customers. Focusing on customers' local and cross-border financial service needs, it improved its service system, provided customers with account, savings, settlement and electronic channel services, delivered wealth management and private banking services in Hong Kong (China), Macao (China) and Singapore, and continuously improved customer experience.

Leveraging the Group's advantages in globalised operations, it continued to improve its one-stop comprehensive service, with an emphasis on customers studying abroad, non-resident customers and customers with needs related to capital accounts and trade in goods. It continued to build its Asia-Pacific private banking platform, fostering synergy between commercial banking and investment banking, and consolidating the advantages of globally integrated services. It also focused on key areas and continued to improve its account opening and cross-border wealth management services via its "Greater Bay Area Account Opening" and "Cross-boundary Wealth Management Connect" services, etc. As at the end of 2022, the Bank had opened a total of over 208,000 accounts in the region via its "Greater Bay Area Account Opening" service. The total number of the Bank's subscribers to and the volume of cross-border remittance under "Cross-boundary Wealth Management Connect" services remained market leading position. Focusing on technology empowerment, the Bank accelerated the digital innovation of cross-border and overseas personal financial services, and provided exclusive support for e-CNY exchange with foreign currency cash, enabling authorised foreign currency exchange in hotels through a connected and unified operation management system. The Bank continued to enhance online service capabilities and optimise its functions of overseas personal mobile banking to further improve customers' experience.

Meeting the needs of overseas customers for personal loans and card usage, the Bank's overseas commercial banking operations achieved healthy and sound development and realised solid growth in personal loan business. The Bank strengthened its advantages in cross-border credit card services and carried out "Global Wonderful" marketing activities and brand promotions themed on cross-border business, driving cross-border credit card transactions. As a result, its market share rose significantly compared with the prior year. The Bank focused on expanding its customer base and consolidating its market position among Chinese students studying abroad. In addition to the "reward points for overseas consumption" campaign of its BOC Overseas Student credit card, the Bank launched the Zhuojun VISA British pound card and provided more currency options for popular products. It carried out integrated marketing with its cross-border scenario segment and strengthened customer acquisition of BOC Overseas Student credit card through the "Cross-border GO" app, international secondary schools and other channels, thus gaining a synergistic advantage in cross-border personal banking. In response to the policies of the Macao SAR, the Macau Branch launched a BOC Bay Plus Youth card with inbuilt features such as entrepreneurship services, professional services, emergency assistance, payment and SME services. Embracing the concept of green finance, the Singapore Branch launched the BOC Visa Infinite card, which offers rewards for green consumption and is made from 100% recyclable eco-friendly materials.

Financial Markets Business

The Bank made steady progress in terms of its overseas bond investments, focused on improving liquidity regulation, achieved a moderate increase in income contribution of return on assets, ensured centralised global management of its investment operations, and strengthened risk control.

Taking full advantage of the globalised and integrated operations of its trading business, the Bank provided customers worldwide with 5×24 round-the-clock quotation services from its operations in Hong Kong (China), London and New York. In line with national strategies, it actively provided RMB market-making and quotation services and RMB futures business in Singapore, South Korea and other countries and regions, and thus pushed forward RMB internationalisation as scheduled. All overseas institutions continued to develop their local markets and steadily improved their comprehensive financial service capabilities for customers. The Hong Kong Offshore RMB Trading Centre continued to expand its product coverage and improve its market-making and operational capabilities, thus facilitating RMB internationalisation. The London Trading Centre continuously strengthened business support for the Bank's branches in Europe, Middle East and Africa, supported the branches' use of its electronic transaction platform, and thus enhanced quotation efficiency.

In 2022, the Bank underwrote Panda bonds with a total volume of RMB21.191 billion, ranking first with a market share of 25.69%. It underwrote offshore China bonds with a total volume of USD4.437 billion, also ranking first with a market share of 5.92%. It underwrote USD4.773 billion of Asia (excluding Japan) G3 currency bonds, achieving a market share of 3.01% and ranking top among Chinese institutions.

The Bank maintained a leading position among its Chinese peers in cross-border custody business, with its cross-border custody assets ranking first among Chinese banks. It made great efforts to expand its cross-border custody business for global depositary receipts (GDR). As at the end of 2022, the Bank led its Chinese peers in the number of GDR issuers using its custody services.

Clearing Business

The Bank actively contributed to RMB internationalisation and strongly promoted cross-border RMB use, thus further consolidating its leading edge in international payments. As at the end of 2022, the Bank accounted for 13 out of 30 authorised RMB clearing banks in the world, continuing to lead its peers. It provided continuous support to expand the global coverage of the RMB Cross-border Interbank Payment System (CIPS). The Group ranked first in terms of the number of CIPS direct participants and indirect participants in the market. In 2022, the Group's cross-border RMB clearing transactions totalled RMB741 trillion, an increase of more than 17% compared with the prior year, maintaining the leading position in the global market.

Digital Transformation and Online Service Channels

The Bank continuously improved its online service capabilities, effectively enhanced the convenience of customer transactions and promoted the stable growth of corporate banking e-channel trading volume and customer size. It promoted the establishment of a quantitative trading platform, improved quantitative trading infrastructure, enriched quantitative trading strategies and enhanced quantitative trading capacity.

The Bank continuously increased IT investment in its overseas institutions, devoted solid efforts to infrastructure upgrading and renovation, and pushed forward the functional optimisation and product promotion of its overseas systems, so as to meet local business needs and adapt to regulatory requirements related to new business patterns such as open banking and Revised Payment Service Directive (PSD2).

The Bank officially launched the global promotion of the new version of its online banking service. It focused on upgrading the overseas institutional customer experience, improving local service capabilities and promoting business process integration in online corporate banking, and launched a new version of "standard with distinctive features" overseas corporate online banking featuring regional online service capabilities, integrated local services and cross-border services, covering 54 countries and regions and supporting 14 languages including Chinese, English, Korean, Japanese, German, French and Russian, thus consolidating its leading position of the overseas corporate online banking among Chinese peers.

The Bank continued to promote the construction of a technology-enabled platform and accelerated its iteration and upgrading. Based on its Global Service Platform (GSP), it upgraded and improved functions related to customer marketing and product management, and developed a unified platform for group customer management, single customer management, marketing management and performance management. It improved the post-lending management platform for corporate banking, developed a mobile version, and enhanced online, process-oriented, standardised and intelligent post-lending management. It also optimised the risk warning system and quantitative scoring system for potential risks to improve the hit rate and accuracy of risk early warning.

The Bank strengthened the development of mobile finance, providing overseas personal mobile banking services covering 30 countries and regions and available in 12 languages. It continually upgraded service functions of its overseas personal mobile banking, newly introduced online update of customer information, the direct remittance service of RMB salary, QR code payment and other functions, and launched real-time petty-amount transfer and payment services with local featured characteristics in various regions of Southeast Asia, with the aim of meeting diversified online service needs and improving online service quality and customer experience.

Management for Business Continuity

The Bank implemented its epidemic-related business continuity contingency plans and enhanced its business emergency response capabilities at critical moments so as to ensure smooth business operations. It enhanced the online service capabilities of its overseas institutions with the help of mobile banking, giving fully play to the advantages of its globalised services.

BOCHK

As a banking group listed in Hong Kong and controlled by the Bank, BOCHK deeply embraced the spirit of the Group's 14th Five-Year Plan and upheld its customer-centric philosophy with a view to achieving high-quality development. Implementing the concept of sustainable development, BOCHK facilitated the growth of green and inclusive finance and strived to provide customers with comprehensive, professional and high-quality services. It remained committed to its core market of Hong Kong and bolstered its integrated financial service capabilities. It placed emphasis on reinforcing its competitive advantages in cross-border business by capturing market opportunities arising from national policies. BOCHK strengthened its regional management mechanism so as to improve the quality and efficiency of its businesses in Southeast Asian, and continuously enhanced its technological foundations with the aim of building a full-scale digital bank. BOCHK was fully compliant with the loss-absorbing capacity requirements in Hong Kong as scheduled to further enhance its financial resilience, promote prudent operations and sustainable growth and help strengthening Hong Kong's status as a leading International Finance Centre. As at the end of 2022, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,685.057 billion and net assets stood at HKD331.846 billion. The profit for the year amounted to HKD29.038 billion.

BOCHK implemented the concept of sustainable development with a focus on green and inclusive finance. Capitalising on the vibrant growth in market demand for green finance, BOCHK seized the green finance opportunities brought by the goal of carbon neutrality and supported its clients' green and low-carbon transition, making every effort to become a leader in promoting the development of green finance in Hong Kong. During the year, BOCHK launched a number of pioneering green and sustainable financial projects. It was the first one to roll out a retail green bond trading platform via mobile banking and launched a sustainable infrastructure-themed fund. It also exclusively introduced an RMB-denominated decarbonisation-themed fund and issued "sustainable and smart living" themed green bonds for two consecutive years. BOCHK continuously expanded its green products offerings, including sustainability-linked loans, green mortgages, green personal loans and green time deposits, green bond underwriting, green consulting, green cash management and green repo transactions. Meanwhile, BOCHK cooperated with S&P Dow Jones Indices to launch the "S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index", the first climate transition index covering listed companies in the Guangdong-Hong Kong-Macao Greater Bay Area. It was also among the first batch of market participants of Core Climate, an international carbon marketplace launched by HKEX. BOCHK set the operational carbon neutrality goal for 2030, and completed a green energy saving upgrade of Bank of China Tower, which was accredited with BEAM Plus Platinum certification. It was rated AAA by MSCI ESG for two consecutive years. Committed to promoting inclusive finance, BOCHK enhanced its financial support initiatives for SMEs and continued to participate in various financial support schemes and economic development plans introduced by the HKSAR Government and HKMA. To facilitate the use of alternative data, it was among the first batch of participating banks in the HKMA's Commercial Data Interchange project, which enables commercial data to be used in credit assessments for SMEs, and introduced the BOCHK Bill Merchant Loan Programme, which utilised BoC Bill electronic transaction data in the loan approval process, relieving the financing pain points of SME customers.

BOCHK deeply cultivated its core market of Hong Kong and bolstered its integrated financial service capabilities. BOCHK gave full play to the synergistic effects of deeper internal and external collaboration and reinforced its product value and service capabilities, cementing its core competitive advantages in Hong Kong. As a result, it outperformed local market averages in terms of total customer deposits and loan growth as well as asset quality. BOCHK captured market opportunities and strengthened its support to a number of key projects to meet customers' comprehensive demands for professional and integrated services. It expanded its supply chain finance business and maintained its leadership as an arranger bank in the Hong Kong-Macao syndicated loan market and as an IPO receiving bank. It expanded the development of key businesses such as trade finance, payments and settlement, and treasury business, and secured market leadership in the cash pooling business. BOCHK endeavoured to strengthen the breadth and depth of its wealth management business by enhancing its exclusive products and corresponding services for high-end customers, leading to steady growth in its high-end customer base. To better align with the financial needs and lifestyles of the younger generation, it launched "Banking TrendyToo", a brand that targets a younger customer segment with a view to helping them fulfil their financial goals. In light of pandemic-driven changes to the market environment and customers' operations and behaviour, BOCHK accelerated its development into a digital bank, strengthening the capacity of its business platform infrastructure, optimising its business workflows and introducing a number of innovative financial services so as to enhance customers' mobile banking experience. The number of personal customers using its electronic channels registered stable growth as a result. BOCHK also stepped up its efforts to develop its mortgage scenario ecosystem and maintained its leading position in terms of the total number of new mortgage loans in Hong Kong. In addition, it recorded stable growth in the scale of consumer finance businesses such as BoC Pay and BoC Bill.

BOCHK reinforced its competitive advantages in cross-border finance and RMB business by actively capturing market opportunities arising from national policies. BOCHK facilitated the development of industries and clients in major regions by offering them diversified products and services. It continuously monitored the development plan progress and business opportunities arising from Hong Kong's Northern Metropolis and actively provided the area with comprehensive financial support, with a view to contributing to interconnectivity within the Greater Bay Area. BOCHK promoted RMB internationalisation in an orderly manner, capturing market opportunities from national policies and pushing forward the development of cross-border finance. It assisted the People's Government of Hainan Province and Shenzhen Municipal People's Government to issue offshore RMB local government bonds in Hong Kong, further reinforcing Hong Kong's position as a global hub for offshore RMB business and as a green finance centre in the Asia Pacific region. To satisfy customers' growing demand for RMB investment and wealth management products, BOCHK rolled out a series of "RMB One" packages featuring comprehensive offerings of different RMB products and services. It also introduced a number of facilitative measures to remotely support cross-border customers and enhance the cross-border customer experience, and recorded steady growth in the total number of accounts opened under the "Greater Bay Area Account Opening Service". BOCHK enhanced the product and service suite of "Bank of China Cross-boundary Wealth Management Connect", with the aggregate number of accounts opened and the amount of funds remitted or transferred for both Northbound and Southbound services ranking among the top tier in Hong Kong. Clearing volumes grew year-on-year as BOCHK, Bank of China (Malaysia) Berhad and BOCHK Manila Branch capitalised on their role as the RMB clearing bank in Hong Kong (China), Malaysia and the Philippines respectively. It offered an expanded range of RMB products and services as part of its ongoing commitment to promote the development of RMB business in the Southeast Asian region, with BOCHK Phnom Penh Branch, BOCHK Vientiane Branch and BOCHK Brunei Branch each achieving breakthroughs in their RMB trade finance business. It enhanced the innovation and promotion of RMB-related products and placed emphasis on cultivating the offshore RMB market in the Southeast Asian region, receiving a number of industry-wide awards and accolades as a result.

BOCHK strengthened its regional management model and mechanism and improved the quality and efficiency of its Southeast Asian businesses. It continued to pursue regional integrated development, serving as the regional headquarters and adopting the organic integration of market-by-market strategies as its orientation for a differentiated management approach across its regional entities. As a result, each of its Southeast Asian entities recorded stable growth in business development and made progress towards the goal of becoming a mainstream foreign bank in its respective local market. Seizing opportunities from the Regional Comprehensive Economic Partnership (RCEP), BOCHK optimised its regional service framework and focused on the development of Belt and Road and "Going Global" projects, as well as business opportunities from large corporate customers in the region, achieving concrete results from its business collaborations. It successfully led or took part in a number of syndicated projects in the region, with BOCHK Manila Branch also participating in the Government of the Philippines' USD sovereign bond issuance. BOCHK endeavoured to enhance customers' experience by offering innovative RMB products and services. At the same time, it assisted several peer banks in Southeast Asia to apply for indirect participant qualification in the Cross-Border Interbank Payment System (CIPS) and maintained its leading position in cross-border RMB business in a number of countries. BOCHK made solid efforts in promoting the regional development of green finance and successfully pushed forward a number of green finance projects in the region, with BOCHK Vientiane Branch introducing the first certified green deposits in Laos and BOCHK Phnom Penh Branch launching the first certified ESG-social responsibility deposits in all of Southeast Asia. Meanwhile, BOCHK deepened the technological empowerment of its regional entities, gradually upgrading their branded services and features. Several of its Southeast Asian entities successfully participated in the national-level payment projects of their respective local markets, while Bank of China (Thai) Public Company Limited, Bank of China (Malaysia) Berhad and BOCHK Manila Branch each initiated an online RMB salary direct remittance service that outperformed their respective domestic peers. BOCHK extended the reach of its Wealth Management services to Thailand, Malaysia, Indonesia and Cambodia, while simultaneously enabling service solutions for mutual brand recognition between Hong Kong (China) and those four countries. It also accelerated the digitalisation of client transaction channels in the region and continuously expanded the coverage and functionalities of its intelligent Global Transaction Banking (iGTB) Platform in order to provide its customers with comprehensive digital financial services. Adhering to a bottom-line mindset, BOCHK strengthened its pre-emptive risk management and risk indicator monitoring, and continuously enhanced its risk management capabilities in market risk, interest rate risk and liquidity risk.

BOCHK accelerated the integration of technology into its businesses with the aim of building a full-scale digital bank. It continuously pushed forward digital transformation to promote the integration of products and services. Adhering to the principle of collaborating for mutual growth, it drew on different customer segments and ecologies to construct innovative business models and optimise its integrated product and service solutions, with a view to facilitating the development of ecological, open and scenario-based banking services. BOCHK remained committed to empowering both its customers and employees through digitalisation. It reviewed end-to-end workflows in order to provide customers with omni-channel and seamless services that enhance their loyalty, while expanding the internal application of intelligent technology with the aim of shifting towards intelligent operations and thus improving operational efficiency and comprehensively enhancing both internal and external experience. At the same time, BOCHK strengthened its smart risk management mechanism, helping to achieve an appropriate balance between risk and business development. In addition, it refined its policies and systems, promoted agile project management and methodologies, nurtured digital-savvy talent and fostered an innovative culture, thus laying a solid foundation for its long-term development and deepening its brand image as a digital bank.

During the year, BOCHK was named "Strongest Bank in Hong Kong and Asia-Pacific 2022", "Best Wealth Management Bank in Hong Kong" and "Best Cash Management Bank in Hong Kong" by *The Asian Banker*; "Best Bank for CSR in Hong Kong" and "Best Chinese Bank for the Greater Bay Area" by *Asiamoney*; "Hong Kong Domestic Cash Management Bank of the Year", "Hong Kong Domestic Trade Finance Bank of the Year" and "Hong Kong Domestic ESG Liquidity Management Initiative of the Year" by *Asian Banking & Finance*, as well as receiving the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business.

(Please refer to the results report of BOCHK for a full review of BOCHK's business performance and related information.)

Comprehensive Operation

As the first major domestic commercial bank in China to develop comprehensive operations, the Bank engages in such fields as investment banking, asset management, insurance, direct investment, leasing, consumer finance and financial technology. Adhering to the principle of compliant operations, overall planning and coordination and tailored policies, constantly highlighting the main business and exiting areas that deviate from core responsibilities, the Bank promoted high-quality development of comprehensive operation companies with focus on three tasks of serving the real economy, preventing and controlling financial risks and furthering financial reforms.

In 2022, the Bank further optimised the synergistic mechanisms between the Bank and its comprehensive operation companies, promoted integrated synergy modes and set up comprehensive operation and synergy offices in 11 key areas covering the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Chengdu-Chongqing economic circle and other key national strategic regions. Leveraging its advantages in comprehensive operations, the Bank carried out key marketing activities focused on the "Eight Priority Areas for Enhancing Financial Services Capabilities". It continuously improved the Group-wide management and control mechanism of its comprehensive operations, reviewed special plans for comprehensive development, optimised the performance evaluation mechanism for its comprehensive operation companies, and enhanced its comprehensive risk management capabilities. Furthermore, the Bank refined its corporate governance structure, stepped up team-building efforts for directors and supervisors, and improved the quality and efficiency of its corporate governance.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at the end of 2022, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD77.976 billion, and net assets of HKD21.500 billion. In 2022, BOCI realised a loss for the year of HKD78 million.

Proactively integrating itself into the new "dual circulation" development pattern in which domestic and international circulations reinforce each other, BOCI upheld the Group's strategy of "Eight Priority Areas for Enhancing Financial Services Capabilities", assisting in nine successful primary listings on the Main Board of HKEX with a total amount raised of over HKD34.3 billion. It completed projects of rights issue placements for trust funds and private share placements, with a total amount of HKD1.251 billion. It participated in the issuance of a multi-tranche USD bond and the first green bond of USD1.0 billion of Airport Authority Hong Kong, as well as the issuance of several Chinese institutions' overseas sustainability-linked bonds, totalling USD5.5 billion in aggregate. It developed a new environmental, social and governance (ESG) rating advisory business, in a bid to help Chinese customers improve their image and recognition in international capital markets. BOCI expanded its equity investment and private equity fund management business, and completed IPOs or obtained listing approval for four portfolio projects. It improved its private banking service capabilities by expanding insurance brokerage and family trust services. It now manages 43 trusts with trust assets exceeding HKD3.0 billion.

BOCI continued to improve its asset management capabilities by developing and promoting ESG indices and products. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, ranked 5th and 2nd respectively in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. Sixteen of BOCI's eligible funds have been authorised to be offered under the "Cross-boundary Wealth Management Connect" services in Hong Kong. It proactively facilitated the internationalisation of the onshore commodity futures market and assisted with the low-carbon transformation of energy enterprises. In 2022, transaction volume of natural gas contracts was 16,350 lots, an increase of 83% compared with the prior year.

BOCI China

BOCI China engages in securities-related business in the Chinese mainland. As at the end of 2022, the registered capital of BOCI China was RMB2.778 billion.

BOCI China promoted business transformation through technological empowerment, focused on the wealth management needs of individual clients, constructed a customer-centric product system, refined its comprehensive service process for wealth management, and improved the service capability of its investment advisors. During the reporting period, it received the approval to begin conducting mutual fund advisory business.

Deepening its synergistic advantages of "investment banking + commercial banking", "investment banking + investment" and "domestic + overseas", and targeting key client group and key industries, BOCI China shifted its investment banking business focus towards transaction-driven comprehensive financial services. It drew up blueprints for technology finance, green finance and other strategic areas in the 14th Five-Year plan, completing the first deal for low carbon transition bonds and sustainable development green corporate bonds in the exchange-traded market. Its asset management business continued to transform towards active management services and further improved its customer service capabilities. In addition, the brand reputation of its research products was further enhanced.

BOCI China received numerous awards from media publications during the year, including "2022 Junding Award for Bond Underwriting Investment Banking in China", "2022 Junding Award for Main Board Financing Project in China" and "2022 Junding Award for Financial Advisory Project in China" for its investment banking business; and "2022 Junding Award for Fixed-income Asset Management Team in China" and "2022 Junding Award for ABS Asset Management Team in China" for its asset management business; and "2022 Junding Award for Top 20 Securities Business Outlets in China" for its retail brokerage business. Its research and sales business, meanwhile, ranked 4th in the Crystal Ball Awards selection and won 16 awards, with five of its research teams shortlisted.

(Please refer to the result report of BOCI China for a full review of BOCI China's business performance and related information.)

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2022, BOCIM's registered capital amounted to RMB100 million, its total assets stood at RMB6.000 billion and its net assets totalled RMB5.005 billion. In 2022, its profit for the year reached RMB694 million.

BOCIM steadily expanded its asset management business, maintained sound internal control and risk management, and constantly improved its brand and market reputation. By focusing on investment research and fund products design, and implementing the strategy of the "Eight Priority Areas for Enhancing Financial Services Capabilities", BOCIM accelerated the issuance of new funds by launching 15 funds during the year. In addition, BOCIM's pension fund-of-funds were included in its list of individual pension funds. Its cross-border fund management business covers QFII, QDII, mutual fund recognition, Cross-boundary Wealth Management Connect and other fields, has obtained a Capital Market Service License from the Monetary Authority of Singapore. As at the end of 2022, BOCIM's AUM reached RMB486.0 billion. Specifically, its public-offered funds reached RMB396.4 billion and its public-offered funds excluding money market funds reached RMB270.4 billion.

BOCIM won five prestigious honours across the industry's top three most authoritative awards programmes, including a "Golden Bull Award" from *China Securities Journal*, "Golden Fund Award" from *Shanghai Securities News* and "Star Funds Award" from *Securities Times*. Specifically, BOCIM's equity funds were recognised in all three of those awards programmes.

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, advisory and consulting, and other asset management-related business. As at the end of 2022, BOC Wealth Management's registered capital was RMB10.000 billion, its total assets amounted to RMB15.720 billion and its net assets totalled RMB14.935 billion. In 2022, BOC Wealth Management's profit for the year reached RMB1.854 billion.

BOC Wealth Management grounded its business in the new development stage, and thus steadily increased its total assets under management and significantly boosted its market share. As at the end of 2022, the total assets under management stood at RMB1.76 trillion. BOC Wealth Management proactively served national strategies, helped to stabilise the economy, continued to increase investment in key fields such as the convergence clusters of strategic emerging industries, advanced manufacturing, modern agriculture and digital economy, and constantly improved its asset allocation. It also tapped into wealth management products' inclusive features and launched wealth management products designed for the elderly, in order to serve the development of the third pillar of China's pension insurance system. It bolstered national "third distribution" efforts, issued charity themed products, and supported national vocational education and rural children's educational development. By leveraging on its unique advantages, BOC

Wealth Management became the first in the industry to launch foreign currency cash management products, and continued to lead its peers in terms of product scale in foreign currency and cross-border wealth management. It continually expanded its sales channels, realising product sales through 20 external institutions and 26 sales channels. The total scale of sales from third-party channels increased 123.84% compared with the prior year-end, reflecting a significant increase in client base. It also further consolidated its comprehensive risk management system, strengthened its infrastructure capacity, firmly adopted bottom line thinking, and accelerated digital transformation, thereby laying a stable foundation for future business development.

BOC Wealth Management was granted the "Trust-worthy · Banking Wealth Management Institution Award" by *The Economic Observer*; the "Golden Bull Award for Banking Wealth Management Company" and the "Golden Bull Award for Banking Wealth Management Products" by *China Securities Journal*; the "Golden Reputation Award" by PYSTANDARD; the "2022 Golden Shell Award for Outstanding Wealth Management Company" and the "Outstanding ESG Investment Wealth Management Company" by *21st Century Business Herald*; and the "Gamma Award for Excellent Banking Wealth Management Team" by *Securities Times*.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at the end of 2022, BOCG Insurance had an issued share capital of HKD3.749 billion, total assets of HKD10.920 billion, and net assets of HKD4.245 billion. In 2022, BOCG Insurance recorded gross written premiums of HKD2.809 billion and realised a profit for the year of HKD236 million.

BOCG Insurance adhered to high-quality development, and endeavoured to build a high-tech, market-leading regional property insurance company with commercial banking characteristics. In 2022, BOCG Insurance made full use of the Group's strength, deepened bank-insurance coordination and further optimised its business structure, achieving a market-leading growth rate in premiums. Embracing the ESG concept, BOCG Insurance adhered to sustainable development and supported green finance. It made all-round efforts to promote digital transformation and became a market leader within its niche in terms of digital customer services. It continued to innovate online products and services, with electronic services covering 70% of its insurance policies. BOCG Insurance developed a premium levy collection system, fine-tuned its vehicle insurance surcharge system, launched the *International Financial Reporting Standards 17 – Insurance Contracts* (IFRS17) project and achieved "digital compliance" in line with regulatory requirements. Furthermore, in response to the policies of Hong Kong SAR Government, BOCG Insurance actively fulfilled its social responsibilities by launching a series of anti-pandemic products and services, which greatly enhanced its strategic value.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at the end of 2022, BOC Life's issued share capital was HKD3.538 billion. Its total assets amounted to HKD196.051 billion and net assets amounted to HKD10.298 billion. Its profit for the year was HKD883 million. BOC Life maintained its leading position in the life insurance sector and remained the market leader in RMB insurance business in Hong Kong.

BOC Life undertook multiple measures to increase its mid to high-end customer base and expand the coverage of its digital channels. It continuously grew its tied agent workforce by improving measures to recruit and retain talents. Significant progress was made in its multi-channel development strategy, thus maintaining its leading position in bancassurance. It also stepped up its efforts to broaden its brokerage channel by forming partnerships with Chinese bank brokers and multinational insurance brokers that manage high-net-worth customers, enhancing collaborations with independent financial advisors, and promoting a number of value-added services. BOC Life strengthened its product transformation with a view to enhancing product competitiveness and made solid efforts to boost the sales of savings protection plans so as to increase the value of new business. It continued to expand its health scenario ecosystem, with over 60,000 users and 50 third-party partners now as part of its Live Young Rewards Programme. In addition, BOC Life remained committed to promoting sustainable development initiatives. It successfully seized the opportunities from customers' demand for green products by launching the BOC Life iGreen Savings Insurance Plan, Hong Kong's first-ever green insurance plan certified by an independent third-party.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2022, BOC Insurance reported registered capital of RMB4.535 billion, total assets of RMB14.390 billion and net assets of RMB5.063 billion. In 2022, it realised written premiums of RMB5.800 billion and a profit for the year of RMB302 million.

Centering on high-quality development and compliance in operations, BOC Insurance focused on its core responsibilities and main businesses, strengthened innovation as a driving force, and gave full play to the value of property insurance. It supported China's industrial upgrading, and facilitated financing and credit enhancement for small and medium-sized private enterprises. By promoting the first (set of) major technical equipment insurance, it helped to improve the overall industry-wide quality of major technical equipment. With the aim of serving the "dual circulation" of domestic and overseas markets, it promoted the integration of domestic and foreign trade through domestic trade credit insurance and tariff guarantee insurance, and engaged in 138 Belt and Road projects. Focusing on the country's regional development layout, it carried out resource allocation policies in a differentiated manner and supported the coordinated development of key regions. It proactively participated in the modernisation of social governance, and strengthened liability insurance and guarantee insurance services in such areas as pollution control, work safety, emergency management, construction projects and workplace healthcare. BOC Insurance strived to enhance its level of automation and intelligence, deepened the innovation of claim settlements, continued to upgrade smart operations and optimise customer experiences, and prudently responded to major natural disasters and emergencies. It also worked to improve its consumer protection mechanism, strengthened consumer protection publicity and education campaigns and promoted the services of disaster prevention and loss reduction services. It was recognised as an excellent organiser of the "3.15 Consumer Protection Education and Publicity Week" for the third consecutive year.

BOC Insurance maintained an "A-" rating and "stable" outlook from Standard & Poor's for the ninth consecutive year. It received the "Best Distinctive Award of Insurance Service for 'Belt and Road' Construction" from China Belt and Road Reinsurance Pool, and was recognised as the "2022 Excellent Property Insurance Enterprise" of Insurance "Golden Trust" Case Collection published by the *21st Century Business Herald*.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2022, BOC-Samsung Life's registered capital stood at RMB2.467 billion, total assets amounted to RMB67.010 billion and net assets amounted to RMB1.657 billion. In 2022, BOC-Samsung Life recorded gross written premiums and premium deposits of RMB21.258 billion and a profit for the year of RMB64 million.

BOC-Samsung Life maintained steady business growth, with its protection business and long-term savings achieving an increase of 70% year-on-year in first-year premiums, and the proportion of long-term regular policies within its overall portfolio expanding further. It proactively integrated itself into the Group's wealth management system and promoted premium trust services for private banking customers. BOC-Samsung Life increased the supply of various products such as critical illness insurance, medical insurance and endowment insurance to meet the customers' insurance needs for insurance services across the full life-cycle, and launched "BOC Xiangyu Critical Illness Insurance", "BOC Tianfu No.2 Pension Insurance" and other featured products. In line with the principle that finance should serve the real economy, BOC-Samsung Life's investment in technology finance and green finance amounted to RMB4.1 billion. Utilising technological empowerment to enable customer services and risk control, BOC-Samsung Life built an efficient multimedia intelligent service and support platform integrating online processing and intelligent auxiliary functions, and launched an intelligent risk control model and medical underwriting engine using big data technology.

In the Golden Censer Prize organised by *National Business Daily*, BOC-Samsung Life was named the "Excellent Life Insurance Company" for the fourth consecutive year. It won the "2022 Award for Outstanding Contributions to Rural Revitalisation" from *Yidian Zixun*; and was featured in the overall "China's Insurance Industry Ranking 2022", the "Annual Customer Service Ranking" and "Annual Scientific Innovation Ranking".

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management and special situation investment. As at the end of 2022, BOCG Investment recorded issued share capital of HKD34.052 billion, total assets of HKD141.028 billion and net assets of HKD75.069 billion. In 2022, it reported a profit for the year of HKD2.529 billion.

BOCG Investment actively served national strategies and participated in fostering a new development pattern featuring a strong domestic market and the positive interplay between the domestic circulation and international circulation. It continued to increase investment in key and core technology enterprises as guided by national policies, focused on investing in "specialised, refined, featured and innovative" small and medium-sized enterprises, and made positive progress in terms of investment in technology finance and green finance. It leveraged the role of Hong Kong-based Chinese enterprises, expanded investment opportunities in Hong Kong and served the development of Hong Kong's real economy.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at the end of 2022, the registered capital of BOC Asset Investment was RMB14.500 billion, with total assets and net assets standing at RMB85.498 billion and RMB20.132 billion respectively. In 2022, it realised a profit for the year of RMB2.240 billion.

Focusing primarily on serving the country's deepening supply-side structural reform, BOC Asset Investment conducted debt-for-equity swap business with the aim of improving enterprises' business operations and helping them to reduce leverage ratios and enhance market value. It continuously increased its investment in green and technology industries in support of real economy development with influential projects implemented in the clean energy, new energy vehicles, and new generation information technology industries. BOC Asset Investment also made significant contributions to the Group by coordinating the disposal of its non-performing assets in the "two high and one surplus" industries. As at the end of 2022, the Bank's cumulative market-oriented debt-for-equity swap business reached RMB212.843 billion, representing an increase of RMB20.445 billion during the year.

Leasing Business

BOC Aviation

BOC Aviation is engaged in the aircraft leasing business. It is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at the end of 2022, BOC Aviation recorded issued share capital of USD1.158 billion, total assets of USD22.071 billion and net assets of

USD5.202 billion. In 2022, it recorded a profit for the year of USD20.06 million, as a strong second half performance offset the first half write down to zero of the value of aircraft formerly leased to airlines in Russia. Profit for the year was USD527 million, when adjusted to exclude the Russian impact.

Committed to pursuing sustainable growth, BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry. Actively supporting the Belt and Road Initiative, it had leased 61% of its aircraft to airlines in related countries and regions. Continuing to closely track customer demand, the Company took delivery of 34 new aircraft, including five aircraft that airline customers purchased at delivery, as it expanded its owned fleet. These aircraft were mostly delivered on long-term leases. During 2022, BOC Aviation signed 78 leases for aircraft on lease to a total of 84 customers in 39 countries and regions. The Company consistently sought to optimise its asset structure and improve its sustainable development. It sold 17 owned aircraft during 2022, leaving it with an average owned fleet age of 4.4 years (weighted by net book value) as at 31 December 2022, one of the youngest aircraft portfolios in the aircraft leasing industry.

(Please refer to the results report of BOC Aviation for a full review of BOC Aviation's business performance and related information.)

BOCL

The Bank is engaged in financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL. As at the end of 2022, BOCL recorded registered capital of RMB10.800 billion, total assets of RMB48.093 billion and net assets of RMB11.211 billion. It recorded a profit for the year of RMB508 million.

BOCL focused on national strategic regions and key industries, upheld the philosophy of specialised and differentiated operations with unique features, highlighted the featured characteristics of financial leasing, and refined and strengthened its leasing brand. As at the end of 2022, BOCL had conducted a total of RMB65.223 billion of financial leasing business, specifically, the proportion of green leasing within its total leasing business was 37.04%. The Company's leasing business included smart transportation, renewable energy, advanced manufacturing and water recycling, representing practical steps to improve the quality and efficiency of its services to the real economy.

Consumer Finance

BOC Consumer Finance

The Bank is engaged in consumer loan business in the Chinese mainland through BOC Consumer Finance. As at the end of 2022, BOC Consumer Finance's registered capital stood at RMB1.514 billion, total assets amounted to RMB64.102 billion and net assets were RMB8.527 billion. In 2022, it recorded a profit for the year of RMB656 million.

BOC Consumer Finance further promoted high-quality development, sped up online transformation adjusted product lines in response to the continuous increase in demand for subsistent consumption and online shopping of customers affected by the epidemic, in the spirit of finance serving the economy. As at the end of 2022, the loan balance amounted to RMB61.803 billion, an increase of 17.87% compared with the prior year-end. It achieved progress on online transformation, the balance of its online loans accounting for 52.24% of all loans, an increase of 17.18 percentage points compared with the prior year-end.

BOC Consumer Finance received multiple prestigious awards, including the "The Gamma Award for Best Bank of China – 2022 Outstanding Consumer Finance Company" from *Securities Times*, the "2022 Financial Excellence Award – Outstanding Consumer Financial Services" from *Shanghai United Media Group (SUMG) | Jiemian News*.

Financial Technology

BOC Financial Technology

The Bank is engaged in financial technology innovation, software development, platform operation and technical consulting services through BOC Financial Technology. As at the end of 2022, the registered capital of BOC Financial Technology was RMB600 million, with total assets and net assets standing at RMB1.134 billion and RMB687 million respectively.

BOC Financial Technology deeply integrated its work into the Group's comprehensive services system, participated in key projects such as the OASIS project, data governance, smart risk control, credit and anti-money laundering and took charge of the building of non-financial products for scenario-based ecosystem. Empowering the Group's comprehensive operations, BOC Financial Technology undertook the establishment of the Group's asset management technology platform and other products. To promote regional technological empowerment, it set up institutions in places including Shanghai, Suzhou, Chengdu, Wuhan and Hainan to enhance service capabilities. Adhering to innovation-driven development, it maintained a leading edge in emerging fields such as AI ethics research and privacy computing, participated deeply in Veritas, the world's first state-level AI ethics project, and issued the world's first ethics code for the application of AI in the financial industry. In order to expand its service outputs, BOC Financial Technology achieved the full coverage across all types of banking customers, as well as reaching non-banking customers in fields such as investment banking, financial leasing and factor markets and thus constantly enhancing the market influence of the Group's "finance + technology" brand.

BOC Financial Technology was listed on the International Data Corporation (IDC) "IDC China FinTech 50 List" for the second consecutive year, obtained ISO20000 international standard certification in 2022, and was selected as one of the first "Digital Transformation and AI Industry Talent Base" of the Ministry of Industry and Information Technology. Its privacy computing was awarded the "First Place of Secure Multi-Party Calculation Track" in the World Privacy-Preserving Computing Competition (WPPCC), and its innovation case of IFRS17 was awarded 2022 "Top 10 FinTech Innovation Award" organised by *The Chinese Banker*.

Service Channels

Focusing on customer experience, the Bank accelerated the transformation and upgrading of all service channels using digital transformation as the key driver, building online channels with stronger scenario integration capabilities and offline channels with greater value creation capacity. It cultivated an ecosystem in which online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Online Channels

The Bank worked unremittingly to reinforce the drivers of its digital transformation, and intensified efforts to expand its online channels and upgrade its mobile banking services, thus realising rapid growth in online business. In 2022, its e-channel transaction volume reached RMB339.62 trillion, an increase of 4.51% compared with the prior year. Among this, mobile banking transaction volume reached RMB46.73 trillion, an increase of 18.67% compared with the prior year; the number of non-financial mobile banking scenarios totalled 870, and the number of monthly active mobile banking customers stood at 76.20 million, making mobile banking the online channel with the most active customers.

Unit: million customers, except percentages

Items	**As at 31 December 2022**	As at 31 December 2021	Change (%)
Number of corporate online banking customers	**7.2301**	6.4812	11.55%
Number of personal online banking customers	**199.2816**	198.7857	0.25%
Number of mobile banking customers	**254.4137**	235.1805	8.18%

Unit: RMB million, except percentages

Items	**2022**	2021	Change (%)
Transaction amount of corporate online banking	**284,737,900**	277,090,186	2.76%
Transaction amount of personal e-banking	**53,060,704**	45,674,406	16.17%
Transaction amount of mobile banking	**46,728,018**	39,376,511	18.67%

For corporate banking customers, the Bank accelerated digital transformation, continuously improved the functions of its electronic channels and constructed a comprehensive Group-wide financial e-portal. Optimising the functions of the online channels and focusing on cross-border finance, inclusive finance, supply chain finance, the OASIS project, e-CNY and other key business areas, the Bank launched 29 brand new products for corporate online banking. Integrating comprehensive financial services such as cross-border remittance, self-service foreign exchange settlement, financing and wealth management, the Bank launched a cross-border finance section on its corporate mobile banking, achieving the goal of "one-stop services and integrated transactions". The Bank was the first among major banks to provide corporate banking services through its WeChat official account, and developed a new channel for integrated "marketing + financial services". In terms of open banking, the Bank launched the "BOC Corporate E-link" to provide financial services such as account management, payment and settlement, and fund supervision, with integrated external scenarios such as treasury business, education, and e-commerce, etc. A one-stop enterprise digital operation platform "BOC Corporate e-Manager" was established with six service modules including human resources, office work, payroll and tax, cost control, finance and invoicing. Through its one-stop "non-financial + financial" service capabilities, the Bank helped small and medium-sized enterprises to achieve digital transformation, reduce costs and increase efficiency.

For personal banking customers, the Bank optimised the functions of mobile banking, sped up the building of its scenario-based financial services ecosystem, and continuously improved customer experience. Focusing on target customer groups, including new citizens, pension participants, county finance, ethnic minorities, payroll service and travel service, the Bank launched special mobile banking service sections for new citizens and personal pensions and the "Railway e-Card", rolled out the "Beautiful Countryside" version of mobile banking as well as a Uyghur-language version, and created the "Payroll Steward" one-stop service. Focusing on wealth finance, it launched certificates of deposit (CDs) transfer and sales of savings bonds services, updated the webpage and purchase processes for key products such as deposits, funds, wealth management and insurance, optimised the presentation of asset portfolio reporting, and upgraded its asset portfolio analysis service. In terms of customer experience, the Bank optimised functions and processes such as account management, transfer, one-click card binding, security tool management and online customer services, so as to facilitate customers' use of mobile banking. Furthermore, it constantly enriched its service categories of third-party merchants in mobile banking by improving the information provided, and introduced an intelligent ecosystem for scenario operation.

The Bank further enhanced the digital risk control capacity of its online channels. In 2022, its "Cyber Defence" smart risk control and prevention system monitored 7.962 billion transactions through online channels, up by 3.54% year-on-year. It constantly carried out anti-phishing monitoring, with a total of 1,044 phishing websites and application download links monitored and shut down.

The Bank's corporate mobile banking won the "Characteristic Cross-border Finance Award for Corporate Mobile Banking" in the 2022 "China Digital Finance Gold Awards" of China Financial Certification Authority (CFCA), and its personal mobile banking was awarded the "People's Inventive Service Award" by people.com.cn, and won the "Digital Platform Innovation Award" of the 5th Digital Financial Innovation Competition and the "Golden Award for Smart and Digital Platform: Finance Plus Scenario Open Platform". It was also honoured as the "Best Personal Mobile Banking" and the "Best Digital Bank" at the 2022 China Digital Finance Golden List Awards.

Offline Channels

The Bank pushed forward the digital transformation of its outlets. Upholding the "Smart Winter Olympics" concept, it constructed payment scenarios for the Beijing 2022 Winter Olympics including the use of ATM, smart counters and other channels, launched innovative services such as e-CNY exchange and carried out business with foreign customers using passports as verification. The Bank spared no effort to improve people's wellbeing. It built the "outlet + government affairs" smart service ecosystem and promoted the "Yangtze River Delta Smart Government Affairs" service scenario via smart counters. It provided government affairs services in Shanghai, Jiangsu, Zhejiang and Anhui and realised cross-province investment in the Yangtze River Delta, enabling access to government affairs services in different places and in different regions, hence enhancing regional integration. The Bank delivered more than 900 government affairs services at smart counters in over half of its outlets, providing convenient access for the public. Furthermore, the Bank deepened its differentiated outlet management system. Based on local conditions, it constructed outlets featuring technology finance, green finance, inclusive finance and cross-border finance, etc., in order to develop the "Eight Priority Areas for Enhancing Financial Services Capabilities" and the "Four Scenario-based Financial Services Ecosystem". It also refined the products, services, business models and software/hardware resource allocation at featured outlets, so as to stimulate outlets' vitality, enhance service capabilities and deepen the transformation and development of outlets.

As at the end of 2022, the Bank's commercial banking institutions in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) totalled 10,323. The number of other institutions in the Chinese mainland totalled 585, and the number of institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 531.

Information Technology Development

The Bank proactively integrated into the development of digital economy, and deeply promoted the Group's comprehensive digital transformation strategy. In 2022, the number of employees in the IT line of the Bank stood at 13,318, accounting for 4.35% of the total, of which 9,376 were employees of domestic commercial banks, accounting for 3.51% of the total. The Bank invested RMB21.541 billion (calculated under regulations in the Chinese mainland) in information technology during the year, accounting for 3.49% of its operating income.

The Bank deepened reform and improved the top-level design of digital transformation. It carried out the reform of technological management system. It set up a leading group for financial digital transformation and optimised the structure of Financial Digitalisation Committee, further strengthening the overall supervision and promotion of digital transformation by the Management. It worked to enhance efficiency, and raised technological capacity steadily in 2022. The organisational structure of its IT system was set based on business lines, and business and technology were deeply integrated, so as to realise a rapid response to the market changes and business needs in the whole process. The Head Office and its branches worked together to build an integrated R&D system of characteristic application to improve R&D skills and technological services. The Bank deepened the mechanism of "securing the leading position in industry rankings", and improved a collaborative innovation mode between the Head Office and branches.

The Bank reinforced infrastructure to further consolidate the foundation of digital transformation. The OASIS project was pushed forward in iterations. Its business middle office system started to work its way, and digital process, data and mechanisms were constantly refined to support customer marketing, product innovation, management and operation, etc. The Bank moved faster in Group-wide coverage and promotion of the "Three Horizontals, Two Verticals" data governance framework, sorted out 2.8 million data items, and formed 220 thousand data dictionary items, thus constantly releasing its data asset value. The operation of multiple channels boosted resource sharing and utilisation, and new technologies were applied to improve process, intensive business and smart services.

The Bank strived for innovation to deliver more FinTech achievements. It continued to upgrade new technology platforms. The "Hong Hu" distributed technology platform provided distributed architecture R&D, operation and maintenance support for 126 applications/modules, the "Han Hai" platform created mobile development systems to support 51 applications in the Bank, and big data platform "Xing Han" supported 36 applications/modules. The enterprise-level Robotic Process Automation ("RPA") platform and Optical Character Recognition ("OCR") platform were promoted at an accelerated pace, and AI and block chain platforms were upgraded. Special research boosted the incubation of innovation results, and application scenarios for new technological business were expanded. In 2022, the Bank had six of its technological achievements won PBOC Financial Technology Development Awards. Among them, the "Three Horizontals, Two Verticals and One Line" enterprise-level data platform development projects won the first prize. During the year, more than 5,000 new patent applications were submitted, and 611 of them were approved. The Bank took the lead among peers in the accumulated application of block chain and 5G patents. It also made forward-looking layout, and became one of the first to publicise patents related to metaverse.

The Bank gave priority to security to ensure the stable operation of financial businesses. It set up the Group-wide cyber security centre and cyber attack and defense laboratory, so as to further enhance the Group's capability of network security operation. It provided technological support for financial services during important events such as the Olympic and Paralympic Winter Games, China International Import Expo and China International Consumer Products Expo. It responded actively to the impact of the pandemic and offered technical support to ensure business continuity. "BOC IM" platform had 219 thousand daily online users on average, and it added customer operation function to optimise employees' use experience. With the efforts in promoting teleworking, the Bank was able to maintain stable business development and provide quality financial services.

The Bank enhanced quality and efficiency to make digital financial services more convenient. By launching Mobile Banking Version 8.0, it upgraded special services for private banking, scenarios and new citizens, and launched the version of beautiful countryside, thus highlighting the value of sharing data, wealth and ecosystem. The monthly active users of mobile banking increased constantly. The Bank upgraded the corporate online banking and the corporate customers conducting transactions online via mobile banking continued to take a larger share of the total. The Bank rolled out "BOC Corporate E-manager" and "BOC Corporate Cloud Direct Connection" to empower the digital transformation of small and medium-sized enterprises, serving the long tail customer group. The digital platforms of technology finance and green finance were able to identify and find customers in a smart way. In terms of inclusive finance, the Bank offered comprehensive digital solutions to develop the highly efficient "I·SMART – Digital Inclusive Financial Services+" with a human touch. In terms of cross-border finance, the Bank built the "BOC Cross-border E-commerce Connect", a cross-border e-commerce settlement product system, to help stabilise foreign trade. With regard to consumer finance, the Bank connected each link in the process of digital operation of mortgage loan, "start-up loan", government-sponsored student loan and other businesses. "Easy Loan", a supply chain finance product, broke through the bottleneck of red tape and lengthy process for upstream micro-, small- and medium-sized enterprises to get loans. It consolidated digital closed-loop marketing capability and optimised "Zhihuida 2.0" for whole-process marketing management. "Fuzai Cloud Travel" had accumulated more than 10 million customers.

The Bank advanced the building of scenario-based financial services ecosystem in the principle of opening-up and integration. Focusing on cross-border facilitation, education, sports, silver economy and other scenarios related to people's livelihood, the Bank reached over 230 million users in total. Moreover, it promoted the "BOC Cross-border Services" APP, with accumulative registered users exceeding six million. It built a scenario-based middle office, developed six basic capabilities including users, data, content, marketing, customer services and risk control to support agile development and intensive operation of scenarios. It issued the white paper of scenario-based financial services version 2.0, "digital CIIE" programme, "smart Hainan" development results, e-CNY ecosystem family and other digital solutions, so as to contribute BOC's wisdom to the people and deliver BOC's solutions.

The Bank invigorated to make progress in building a digital talent pool. The Bank made great efforts to build 10 teams including the team of digital management, industry planning and architecture design personnel, the team of digital marketing, product, operation, risk control and trading personnel and the team of data analysis and IT personnel. Under the Bank's list-based management, the first batch of candidates had more than 5,500 people. Through centralised training and tackling challenges in projects and practical training, the Bank cultivated interdisciplinary personnel for IT business, and held digital finance classes and other activities to enhance the digital competency of all employees.

Development of Enterprise-level Architectures

The Bank took the OASIS project as a leverage and important practice to start a new chapter of its comprehensive digital transformation strategy, and to realise the reshaping of enterprise-level capability, group-wide collaboration and sharing, and all-round digital empowerment. In 2022, breakthroughs and progress were made in the development of the OASIS project.

Gradually building enterprise-level top-level architectures. Adhering to enterprise-level modeling concepts and measures, and emphasising on strategic priorities, the Bank carried out overall business planning and constantly promoted the rebuilding of basic capabilities. At present, it has completed the overall planning in all sectors, forming three top-level architecture design schemes, namely "strategic capability map", enterprise-level business architecture and enterprise-level IT architecture.

Constantly consolidating technological support. With the development of the OASIS project, the Bank reshaped a mega-scale financial distributed architecture system. Three self-developed basic technological middle offices, namely "Hong Hu", "Han Hai" and "Xing Han" were continuously strengthened and expanded, gradually playing the role of empowering business, agile payment and robust support as strong underpinnings. In doing so, transaction consistency, business stability and service security were constantly enhanced, supporting the Group's business scenarios such as mobile business, big data and artificial intelligence to flourish.

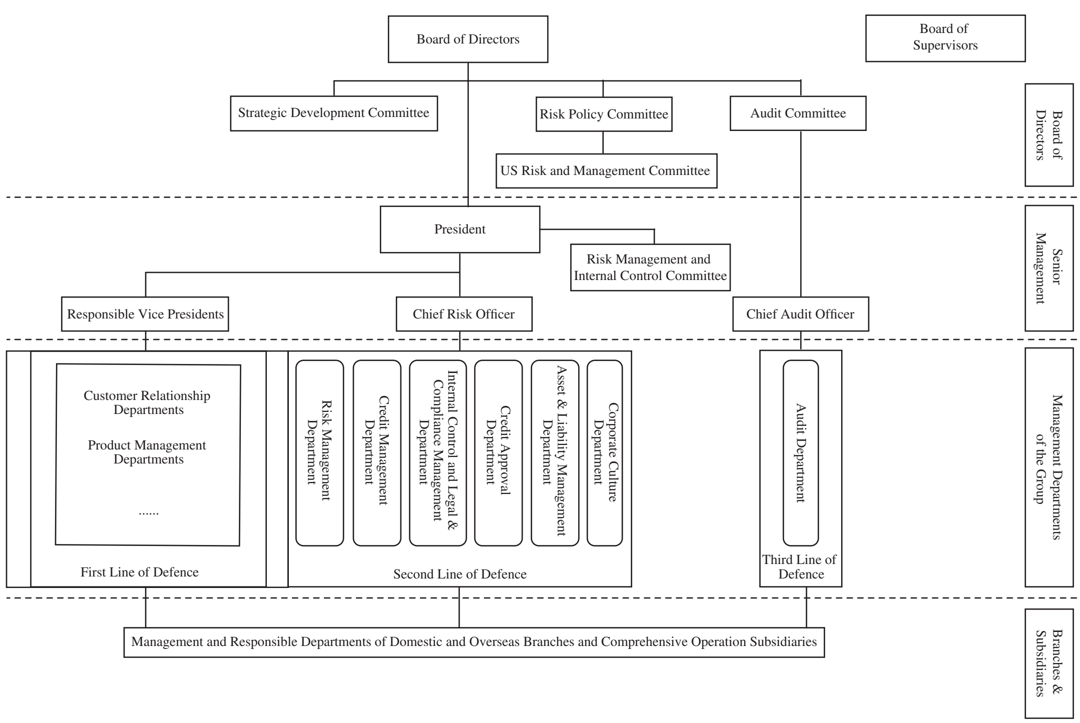
Deeply promoting pilot sectors. Relaying on the new enterprise-level technological structures and platforms, the Bank delivered development results in several business sectors, constantly unleashing vitality for development in an era of digital economy. In May 2022, the first batch of pilot projects focused on customer information, institutions, employees and other fields, ensuring that the "building, management, storage and use" of information followed one centre, one set of labels, one point of view, one main line and one set of norms. Data elements were widely shared and connected, deeply empowering precision marketing, product customisation, intelligent risk control and scientific decision-making. In the second half of 2022, the Bank rebuilt enterprise-level architectures in payment and settlement, corporate settlement card and other sectors, and established a group of middle offices including products, operation and data, thus constantly enhanced enterprise-level capabilities including product management and assembly, unified contract management and intensive operation services.

In the future, the Bank will keep following the strategy of "overall planning, top-level construction, breaking through key points, and step-by-step coverage", and remain steadfast in the road of transformation-led development with emphasis on consolidating foundation, strengthening middle offices and empowering businesses.

RISK MANAGEMENT

The Bank continuously improved its risk management system in line with the Group's strategies. In the face of severe and complicated external situations, it continued to strengthen its comprehensive risk management system and refine its risk management structure, optimise mechanism, redress process, expand tools and tamp foundations, thus ensuring the sustainable and robust operation of the Group. It thoroughly followed regulatory requirements, enhanced rectification accountability and responded positively to prepare the implementation of Basel III, so as to ensure compliance in operations. It formed a closed-loop risk management system, continuously investigated major potential risks and defended the bottom line that no systemic risk should occur. The Bank actively improved the risk management system for its comprehensive operation companies and continuously raised the effectiveness of consolidated management and control at the Group level. Furthermore, the Bank orderly launched risk data governance and accelerated the digital transformation of risk management. It achieved fast progress in the development of intelligent risk control system, and enhanced its capabilities in identifying, warning, discovering and disposing of risks at an earlier stage.

The risk management framework of the Bank is set forth below:



Credit Risk Management

Closely following up with macroeconomic and financial conditions, the Bank continuously optimise its credit structure, improved its credit risk management policies, strengthened credit asset quality management and took a more proactive and forward-looking stance on risk management.

The Bank continuously optimised its credit structure. Aiming to advance strategic implementation and balance risk, capital and return, it pushed forward the establishment of an industrial policy system, formulated industry guidelines for credit granting, and improved the management scheme for its industry asset portfolios. In line with the 14th Five-Year Plan of the country and that of the Bank, as well as requirements for the development of the "Eight Priority Areas for Enhancing Financial Services Capabilities", the Bank highlighted the four segments of scientific and technological innovation, domestic demand expansion, regional coordination and infrastructure construction. It also focused on the key areas of strategic emerging industries, new infrastructure, advanced manufacturing, digital economy, people's livelihood consumption, modern services, rural revitalisation, new urbanisation, traditional infrastructure and traditional manufacturing.

The Bank strengthened its unified credit granting management and enhanced credit risk management. It continuously improved its long-acting credit management mechanism, took the lead in tackling persistent problems in management, strengthened the control of customer concentration, and improved its monitoring, warning and asset quality control systems. Persisting on the principle of "early risk detection, identification, warning and mitigation", the Bank was able to proactively identify risks, make forward prejudgement and accurate warnings. The Bank enhanced the supervision of risk analysis and asset quality control supervision in key focus fields, and strengthened the window guidance, inspection and post-assessment of its business lines. In addition, it constantly identified, measured and monitored large exposures in line with related large exposure management requirements.

In terms of corporate banking, the Bank further strengthened risk identification, control and mitigation in key fields, strictly controlled the aggregate amount and orientation of loans through limit management and strengthened the credit management of energy-intensive industries with high emissions. By establishing a rolling risk screening mechanism in key credit areas, the Bank conducted dynamic assessment of risks in such areas so as to prospect the impact on asset quality, put in place forward-looking measures and strengthen active management. It worked to ensure steady development of the real estate market, meet the reasonable financing needs of the real estate sector, promote the smooth transition of the industry towards the new development model, and prevent and mitigate financial risks in the real estate sector. In terms of personal banking, the Bank acted in accordance with regulatory requirements and business development needs arising from the new situations, and facilitated the steady development of personal credit business.

The Bank stepped up efforts in the mitigation of NPAs, consolidated asset quality, and prevented and resolved financial risks. It continued to adopt the refined management of NPA projects, conduct classified strategies, make breakthrough in key points and continuously improve the quality and efficiency of NPA disposal. The Bank expanded disposal channels, pressed ahead with single corporate transfers and batch individual transfers, and carried out the securitisation of non-performing bank card assets.

The Bank scientifically measured and managed the quality of its credit assets based on the *Guidelines for Loan Credit Risk Classification*, which requires Chinese commercial banks to classify loans into the following five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified as substandard, doubtful and loss are recognised as NPLs. In order to further refine its credit asset risk management, the Bank used a 13-tier risk classification criteria scheme for corporate loans to companies in the Chinese mainland, covering on-balance sheet and off-balance sheet credit assets. In addition, the Bank strengthened risk classification management of key industries, regions and material risk events, and dynamically adjusted classification results. It strengthened the management of loan terms, managed overdue loans by the name list system and made timely adjustments to risk classification results, so as to truly reflect asset quality.

As at the end of 2022, the Group's NPLs[8] totalled RMB231.677 billion, an increase of RMB22.885 billion compared with the prior year-end. The NPL ratio was 1.32%, a decrease of 0.01 percentage points compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB437.241 billion, an increase of RMB46.700 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 188.73%, an increase of 1.68 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB202.404 billion, an increase of RMB9.374 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.40%, a decrease of 0.09 percentage points compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB235.654 billion, an increase of RMB24.841 billion compared with the prior year-end, and accounted for 1.35% of total loans and advances, remaining basically stable compared with the prior year-end.

[8] Total loans and advances to customers in the "Risk Management — Credit risk management" section are exclusive of accrued interest.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2022 Amount	% of total	As at 31 December 2021 Amount	% of total
Group				
Pass	**17,040,018**	**97.33%**	15,255,389	97.32%
Special-mention	**235,654**	**1.35%**	210,813	1.35%
Substandard	**104,331**	**0.60%**	61,790	0.39%
Doubtful	**60,569**	**0.35%**	60,718	0.39%
Loss	**66,777**	**0.37%**	86,284	0.55%
Total	**17,507,349**	**100.00%**	15,674,994	100.00%
NPLs	**231,677**	**1.32%**	208,792	1.33%
Chinese mainland				
Pass	**14,112,677**	**97.32%**	12,586,668	97.17%
Special-mention	**185,702**	**1.28%**	173,561	1.34%
Substandard	**85,155**	**0.59%**	53,591	0.41%
Doubtful	**53,216**	**0.37%**	55,923	0.43%
Loss	**64,033**	**0.44%**	83,516	0.65%
Total	**14,500,783**	**100.00%**	12,953,259	100.00%
NPLs	**202,404**	**1.40%**	193,030	1.49%

Migration Ratio

Unit: %

Items	2022	2021	2020
Pass	**1.03**	0.81	0.95
Special-mention	**20.63**	27.85	30.90
Substandard	**31.80**	66.11	25.95
Doubtful	**10.43**	22.76	23.40

Note: Calculations are made in accordance with the *Circular of China Banking and Insurance Regulatory Commission on the Amendments to the Definitions of and Formulas for the Foundational Indicators for Off-site Supervision of the Banking Industry (Yin Bao Jian Fa [2022] No.2)*, and historical data adjusted as appropriate.

Distribution of Loans and NPLs by Industry

Unit: RMB million, except percentages

Items	As at 31 December 2022				As at 31 December 2021			
	Loans	% of total	NPLs	NPL ratio	Loans	% of total	NPLs	NPL ratio
Chinese mainland								
Corporate Loans								
Commerce and services	**1,974,498**	**11.28%**	**33,486**	**1.70%**	1,589,119	10.14%	30,111	1.89%
Manufacturing	**1,808,808**	**10.33%**	**34,275**	**1.89%**	1,549,639	9.89%	55,341	3.57%
Transportation, storage and postal services	**1,744,422**	**9.96%**	**10,959**	**0.63%**	1,578,645	10.07%	18,073	1.14%
Real estate	**773,828**	**4.42%**	**55,966**	**7.23%**	687,186	4.38%	34,694	5.05%
Production and supply of electricity, heating, gas and water	**738,758**	**4.22%**	**13,119**	**1.78%**	657,020	4.19%	13,173	2.00%
Financial services	**659,443**	**3.77%**	**20**	**0.00%**	500,380	3.19%	201	0.04%
Water conservancy, environment and public utility administration	**361,108**	**2.06%**	**1,947**	**0.54%**	295,183	1.88%	2,257	0.76%
Construction	**328,921**	**1.88%**	**2,838**	**0.86%**	266,775	1.70%	3,406	1.28%
Mining	**167,351**	**0.96%**	**4,802**	**2.87%**	161,473	1.03%	4,717	2.92%
Public utilities	**206,004**	**1.18%**	**3,539**	**1.72%**	159,284	1.02%	2,215	1.39%
Others	**55,443**	**0.31%**	**1,375**	**2.48%**	46,175	0.30%	608	1.32%
Total	**8,818,584**	**50.37%**	**162,326**	**1.84%**	7,490,879	47.79%	164,796	2.20%
Personal loans	**5,682,199**	**32.46%**	**40,078**	**0.71%**	5,462,380	34.85%	28,234	0.52%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**3,006,566**	**17.17%**	**29,273**	**0.97%**	2,721,735	17.36%	15,762	0.58%
Total of the Group	**17,507,349**	**100.00%**	**231,677**	**1.32%**	15,674,994	100.00%	208,792	1.33%

The Bank continued to optimise the credit structure and stepped up efforts to support the real economy. As at the end of 2022, loans for manufacturing industry totalled RMB1,808.808 billion, an increase of RMB259.169 billion or 16.72% compared with the prior year-end. Loans for the transportation, storage and postal services industries totalled RMB1,744.422 billion, an increase of RMB165.777 billion or 10.50% compared with the prior year-end. Loans for water conservancy, environment and public utility administration totalled RMB361.108 billion, an increase of RMB65.925 billion or 22.33% compared with the prior year-end.

In accordance with *International Financial Reporting Standards 9 — Financial Instruments* (IFRS9), the Bank assesses expected credit losses with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as Stage 1 and assets classified as Stage 2 and Stage 3 according to the expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at the end of 2022, the Group's Stage 1 loans totalled RMB16,988.540 billion, accounting for 97.06% of total loans; Stage 2 loans totalled RMB283.631 billion, accounting for 1.62% of total loans; and Stage 3 loans totalled RMB231.104 billion, accounting for 1.32% of total loans.

As at the end of 2022, the Group's credit-impaired loans totalled RMB231.677 billion, an increase of RMB22.885 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.32%, a decrease of 0.01 percentage points compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB202.404 billion, an increase of RMB9.374 billion compared with the prior year-end. The credit-impaired loans to total loans ratio of the Bank's institutions in the Chinese mainland was 1.40%, a decrease of 0.09 percentage points compared with the prior year-end. The Bank's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions reported credit-impaired loans of RMB29.273 billion and a credit-impaired loans to total loans ratio of 0.97%, an increase of RMB13.511 billion and 0.39 percentage points compared with the prior year-end respectively.

Movement of Credit-impaired Loans

Unit: RMB million

Items	2022	2021	2020
Group			
Balance at the beginning of the year	**208,792**	207,273	178,235
Increase during the year	**86,831**	86,583	100,392
Decrease during the year	**(63,946)**	(85,064)	(71,354)
Balance at the end of the year	**231,677**	208,792	207,273
Chinese mainland			
Balance at the beginning of the year	**193,030**	189,985	169,951
Increase during the year	**68,527**	77,098	86,209
Decrease during the year	**(59,153)**	(74,053)	(66,175)
Balance at the end of the year	**202,404**	193,030	189,985

Loans and Credit-impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
	Total loans	**Impaired loans**	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**14,311,600**	**195,658**	12,727,437	170,103	11,313,067	164,072
Foreign currency	**3,195,749**	**36,019**	2,947,557	38,689	2,870,318	43,201
Total	**17,507,349**	**231,677**	15,674,994	208,792	14,183,385	207,273
Chinese mainland						
RMB	**14,204,573**	**195,658**	12,623,061	170,102	11,245,545	161,651
Foreign currency	**296,210**	**6,746**	330,198	22,928	256,246	28,334
Total	**14,500,783**	**202,404**	12,953,259	193,030	11,501,791	189,985

The Bank makes timely and adequate allowances for loan impairment losses based on the expected credit loss (ECL) module in accordance with the principles of authenticity and forward-looking. Please refer to Notes II.4 and VI.2 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2022, the Group's impairment losses on loans and advances stood at RMB92.793 billion, a decrease of RMB5.505 billion compared with the prior year. The credit cost was 0.56%, down 0.10 percentage points compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB84.856 billion, a decrease of RMB10.452 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.62%, down 0.16 percentage points compared with the prior year.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration.

Unit: %

Indicators	Regulatory Standard	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Loan concentration ratio of the largest single borrower	≤10	**2.2**	2.3	2.8
Loan concentration ratio of the ten largest borrowers	≤50	**12.7**	12.8	13.9

Notes:

1. Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net capital.

2. Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net capital.

Please refer to Notes V.17 and VI.2 to the Consolidated Financial Statements for detailed information regarding loan classification, stage determination, credit-impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2022.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	No	63,740	0.36%
Customer B	Financial services	No	46,287	0.26%
Customer C	Commerce and services	No	46,025	0.26%
Customer D	Transportation, storage and postal services	No	38,579	0.22%
Customer E	Manufacturing	No	38,204	0.22%
Customer F	Transportation, storage and postal services	No	31,140	0.18%
Customer G	Financial services	No	28,202	0.16%
Customer H	Financial services	No	28,061	0.16%
Customer I	Transportation, storage and postal services	No	27,171	0.16%
Customer J	Financial services	No	26,460	0.15%

Market Risk Management

In response to changes in the market environment, the Bank continued to refine its market risk management system in order to control its market risk steadily.

Following regulatory requirements actively, the Bank strengthened IT empowerment, pushed forward scheduled programmes subject to new regulations on market risk, and advanced the digital transformation of risk management on the basis of compliance in operations. Faced with a complex and severe external situation, the Bank continued to update and formulate relevant rules, check leak filling and ensured the efficient operation of market risk management mechanisms and processes, and continuously consolidated its foundations, enhance capacities for market risk management. It carried out risk judgement and early warning, intensified efforts in emergency drills, and improved its emergency response management mechanism. It also strengthened closed-loop market risk management, continuously optimised its market risk management system, and comprehensively improved the effectiveness of market risk management. Please refer to Note VI.3 to the Consolidated Financial Statements for detailed information regarding market risk.

The Bank continued to strengthen risk control of its securities investment activities, bolstered the early warning of domestic bond market default risks, reinforced the tracking of the Chinese offshore USD bond market, enhanced its post-investment monitoring and early-warning capabilities, and continuously consolidated the asset quality of its bond investment business. In addition, it further strengthened the Group-wide coordinated management of asset management business risks.

In terms of exchange rate risk management, the Bank sought to achieve currency matching between fund source and application. It controlled its foreign exchange exposure through currency conversion and hedging, thus maintaining its exchange rate risk at a reasonable level.

Management of Interest Rate Risk in the Banking Book

Based on the principles of "matching, comprehensiveness and prudence", the Bank strengthened the management of interest rate risk in the banking book (IRRBB). Through effective management, the Bank's IRRBB management strategy is to control risks within an acceptable level by comprehensively considering factors such as the Bank's risk appetite and risk profile, as well as macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholder value.

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps. Based on changes in the market situation, it made timely adjustments to the structure of its assets and liabilities, optimised its internal and external pricing strategy or implemented risk hedging. Assuming that the yield curves of all currencies were to shift up or down by 25 basis points in parallel, the Group's sensitivity analysis of net interest income on all currencies is as follows[9]:

Unit: RMB million

	As at 31 December 2022				As at 31 December 2021			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 bps	**(3,294)**	**(561)**	**557**	**28**	(3,846)	(816)	160	151
Down 25 bps	**3,294**	**561**	**(557)**	**(28)**	3,846	816	(160)	(151)

The Bank attached great importance to the reform of interest rate benchmarks, proactively participated in the establishment of the international benchmark interest rate market by leveraging its advantages in globalised operations, and pioneered in the invention and promotion of alternative benchmark rate products. It also orderly pressed ahead with the transition of remaining LIBOR contracts as scheduled by strengthening customer communication, with the overall transition risk kept under effective control.

[9] This analysis includes interest-sensitive off-balance sheet positions.

Liquidity Risk Management

Liquidity risk refers to the risk that the commercial banks cannot timely obtain sufficient funds at reasonable costs to pay due debts, fulfil other payment obligations and meet other funding needs for normal operations.

Liquidity Risk Management System

The liquidity risk management system of the Bank includes the following basic elements: effective governance structure for liquidity risk management; sound liquidity risk management strategies, policies and procedures; effective identification, measurement, monitoring and control of liquidity risks; complete management information system.

Governance Structure of Liquidity Risk Management

The Board of Directors of the Bank shall bear the ultimate responsibilities for liquidity risk management, examine and approve liquidity risk preference and liquidity risk management strategies. The Senior Management shall perform the implementation of the liquidity risk tolerance level, liquidity risk management strategies approved by the Board of Directors and carry out liquidity risk management. The Board of Supervisors shall supervise and evaluate the performance of the Board of Directors and Senior Management in the liquidity risk management. The Risk Management Department and the Asset and Liability Management Department of the Head Office shall jointly perform the duties of liquidity risk management. Other functional departments of the Head Office and each branch shall cooperate and fulfill their obligations. Each subsidiary shall undertake the duty of their own liquidity management.

Liquidity Risk Management Strategy and Policy

The Bank endeavoured to develop a sound liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and Group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

Adhering to the principal of appropriate balance of safety, liquidity and profitability, and following regulatory requirements, the Bank improved its liquidity risk management in a forward-looking and scientific manner. It enhanced liquidity risk management at the institution and Group level, including that of branches, subsidiaries and business lines. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined liquidity risk limits, further upgraded the early warning system for liquidity risk, and strengthened the management of high-quality liquid assets in order to strike an appropriate balance between risk and return.

Liquidity Risk Management Method

The Bank considered liquidity risk management to be a significant component of asset-liability management, and determined the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Bank established its liquidity portfolio to mitigate liquidity risk, and to minimise gaps in the amount and duration between the funding sources and the use of fund. The Bank refined its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Bank prioritised the development of customer deposits; dynamically adjusted the structure of funding sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and bond issuance; and improved the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and due from banks and other financial institutions, balances with central banks, placements with and loans to banks and other financial institutions, loans and advances to customers, etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

Liquidity Risk Management Indicators

As at the end of 2022, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

Ratio		**Regulatory standard**	**As at 31 December 2022**	As at 31 December 2021	As at 31 December 2020
Liquidity ratio	RMB	≥25	**49.0**	49.6	54.5
	Foreign currency	≥25	**72.6**	69.9	58.6

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2022, liquidity gap was as follows (please refer to Note VI.4 to the Consolidated Financial Statements):

Unit：RMB million

Items	As at 31 December 2022	As at 31 December 2021
Overdue/undated	**2,219,478**	2,111,462
On demand	**(9,503,084)**	(9,586,299)
Up to 1 month	**(657,912)**	(364,383)
1-3 months (inclusive)	**(708,907)**	(685,992)
3-12 months (inclusive)	**(628,373)**	(300,183)
1-5 years (inclusive)	**3,427,394**	3,330,756
Over 5 years	**8,418,975**	7,845,192
Total	**2,567,571**	2,350,553

Note: Liquidity gap = assets that mature in a certain period – liabilities that mature in the same period.

Please refer to Supplementary Information II.1 to the Consolidated Financial Statements for the liquidity coverage ratio and net stable funding ratio.

Main Factors Affecting Liquidity Risk

Liquidity risk may arise from the following events or factors: materially adverse changes in market liquidity, withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, debtor's default, mismatch between assets and liabilities, difficulties in assets realisation, weakened financing ability, operating losses, and risks associated with the Bank's affiliates.

Liquidity Risk Stress Test

The Bank continually improved its liquidity stress-testing scheme. In addition to performing stress tests on a quarterly basis, stress tests are also carried out in response to changes in the macro environment. The test results indicated that the Bank had adequate payment ability to cope with distressed scenarios.

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, continued to enhance its reputational risk management system and mechanism and strengthened the consolidated management of reputational risk, so as to enhance its overall reputational risk management capabilities. It attached great importance to the investigation and pre-warning of potential reputational risk factors, strengthened public opinion monitoring, continued to conduct reputational risk identification, assessment and reporting, and dealt appropriately with reputational events, thus effectively protecting its brand reputation. In addition, the Bank continued to roll out reputational risk management training so as to enhance employees' awareness and foster a culture of reputational risk management.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision while emphasising risk warning and prevention, thus improving the Group's level of operational compliance.

The Bank continued to adopt the "Three Lines of Defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulating and implementing policies, conducting business examination, reporting control deficiencies and organising rectifications.

The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessment of risk management and internal control, as well as for identifying, measuring, monitoring and controlling risks. They actively organised Bank-wide usage of the Group's operational risk monitoring and analysis platform, and are responsible for handling employee violations and management accountability. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of its business processes and systems.

The third line of defence rests in the audit department of the Bank. The audit department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. Adhering to the risk-oriented principle and focusing on the implementation of national policies, regulatory requirements and the Group's strategies, the audit department concentrated its efforts on the main responsibilities of audit supervision, closely monitored material potential risks and weak links, and carried out audit inspections as scheduled. It carried out audits in a more forward-looking and proactive manner, established and promoted the coordination and connection mechanism with other supervisory bodies, and improved the capabilities of the first and second lines of defence to prevent problems from the source. The audit department attached equal importance to problem discovery and rectification supervision. It further improved its rectification supervision mechanism for audit findings, arranged and clarified the rectification process for problems identified, continuously supervised rectification implementation and promoted the application of audit results and the improvement of rectification quality and efficiency. It also stepped up overall audit planning, pushed forward the optimisation of the audit management system, continued to enhance audit team building, and promoted the construction of research-based audit and digital transformation, thus further reinforcing the effectiveness of audit supervision and continuing to serve the Group's high-quality development.

The Bank further improved its mechanism for internal control over case prevention, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved internal control rules, processes and systems, and carried out a special campaign regarding case prevention in high-risk areas, thereby continuously improving its internal control and case prevention management. The Bank also focused on internal control inspection and the rectification of findings, established a notification mechanism for warning and education activities on a regular basis, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank continued to implement the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, and implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by reasonable delegation of work, well-defined responsibilities and clear reporting lines.

The Bank established and implemented a systematic financial accounting policy framework in accordance with relevant accounting laws and regulations. Its accounting basis was solidified and the level of standardisation and refinement of its financial accounting management was further improved. The Bank endeavoured to establish a long-term accounting management mechanism, continuously deepened the implementation of sound accounting standards across the domestic and overseas branches and strengthened the quality management of its accounting information.

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2022, the Bank succeeded in preventing 118 external cases involving RMB34.90 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., carried out the identification, assessment and monitoring of operational risks and further standardised its operational risk reporting mechanism, thus continuously improving its risk management measures. The Bank enhanced its IT system support capabilities by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism, enhanced its business continuity policies, and performed business impact analysis. The Bank also refined contingency plans, carried out business continuity drills, proactively addressed the COVID-19 pandemic and improved the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the Group's sound operation and sustainable development. It improved its anti-money laundering (AML) and sanctions compliance management mechanism, strengthened refined management, optimised institutional money laundering risk assessment and reinforced transaction monitoring and reporting. It enhanced its system and model building and improved system functionality. The Bank continuously reinforced its robust long-term management framework for overseas institutions' compliance and consolidated its compliance management foundations, thus enhancing the compliance management capabilities of its overseas institutions. It improved its AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

The Bank continuously enhanced the management of its connected transactions and internal transactions. It actively promoted the implementation of new regulatory rules on connected transactions and improved its connected transactions management mechanism. It improved the management of connected parties and consolidated the foundation of its connected transaction management. It strengthened the monitoring of connected transactions and internal transactions to strictly control their risks. In addition, it was also committed to improving its compliance management systems and therefore enhanced IT applications in compliance management.

Country Risk Management

The Bank incorporates country risk into its comprehensive risk management system in strict accordance with regulatory requirements. It manages and controls country risk through a series of management tools, including country risk rating, country risk limit, statistics and monitoring of country risk exposures, and provisioning of allowances.

Facing an extremely complicated international political and economic situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements based on business development needs. It re-examined country risk rating and limit, strengthened country risk monitoring, improved country risk analysis and reporting, and enhanced its country risk management system. The Bank actively pushed forward the provisioning of country risk allowances and enhanced its ability to offset country risk. Country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the overall country risk was controlled at a reasonable level.

CAPITAL MANAGEMENT

The Bank's capital management objectives are to ensure reasonable capital adequacy, support the implementation of the Group's strategies, resist various risks including credit risk, market risk and operational risk, ensure the compliance of the Group and related institutions with capital regulatory requirements, promote the Group's transformation towards capital-light business development and improve its capital use efficiency and value creation capabilities.

The Bank implemented its 14th Five-Year Capital Management Plan and focused on the "One Mainstay, Two Engines" strategy and the "Eight Priority Areas for Enhancing Financial Services Capabilities", to improve its capital management. It regularly carried out and continuously optimised its internal capital adequacy assessment process, improved the risk assessment methods and optimised its capital management governance structure. It enhanced the economic capital budget and assessment mechanism, strengthened the application of value creation indicators in resource allocation, and heightened the Group's awareness of capital saving and value creation in order to enhance its capability for endogenous capital accumulation. The Bank expanded the application of advanced approaches of capital measurement, optimised its on- and off-balance sheet asset structure, strived to reduce capital consumption, actively developed capital-light businesses, and reasonably controlled the risk weight of assets. The Bank replenished capital through external financing channels in a prudent manner in order to consolidate its capital base, strengthened researching and planning with regard to total loss-absorbing capacity, and prepared for those policies' implementation.

In 2022, the Bank successfully issued RMB50.0 billion of undated capital bonds and RMB90.0 billion of tier 2 capital bonds, further enhancing its capital strength. It reinforced the management of existing capital instruments and redeemed RMB60.0 billion of domestic tier 2 capital bonds, effectively reducing the cost of capital. The Bank continually reinforced internal management, with RWA growing at a slower pace than that of total assets. As at the end of 2022, the Group's capital adequacy ratio reached 17.52%, an increase of 0.99 percentage points compared with the prior year-end, remaining at a robust and reasonable level in compliance with the objectives of the Group's 14th Five-Year Plan. The Bank shall, as per the principle of attaching equal importance to endogenous accumulation and external replenishment, increase the cohesion of strategic planning, capital replenishment and performance assessment, continue to enhance risk resistance capability, and better support the development of the real economy.

Capital Adequacy Ratios

As at the end of 2022, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

Items	The Group		The Bank	
	As at 31 December 2022	As at 31December 2021	**As at 31 December 2022**	As at 31December 2021
Net common equity tier 1 capital	**1,991,342**	1,843,886	**1,667,405**	1,563,789
Net tier 1 capital	**2,372,990**	2,173,731	**2,036,912**	1,883,294
Net capital	**2,946,471**	2,698,839	**2,590,185**	2,391,365
Total risk-weighted assets	**16,818,275**	16,323,713	**14,659,455**	14,142,899
Common equity tier 1 capital adequacy ratio	**11.84%**	11.30%	**11.37%**	11.06%
Tier 1 capital adequacy ratio	**14.11%**	13.32%	**13.89%**	13.32%
Capital adequacy ratio	**17.52%**	16.53%	**17.67%**	16.91%

Please refer to Note VI.6 to the Consolidated Financial Statements and the *BOC Capital Adequacy Ratio Report of 2022* for detailed information.

Leverage Ratio

As at the end of 2022, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	As at 31 December 2022	As at 31 December 2021
Net tier 1 capital	**2,372,990**	2,173,731
Adjusted on- and off-balance sheet exposures	**31,001,982**	28,425,377
Leverage ratio	**7.65%**	7.65%

Please refer to Supplementary Information II.5 to the Consolidated Financial Statements for detailed information.

ORGANISATIONAL MANAGEMENT, HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

Organisational Management

In 2022, the Bank continued to improve its governance system and capabilities and pushed forward the enhancement of its organisational structure and institutional reform. Aiming at technology innovation and scenario-based financial services ecosystem development, the Bank implemented the reform of its IT management system, strengthened the overall management of its IT system and integration of its scenario-building, and optimised the mechanism and process of its IT management. It innovated a synergy mechanism for advancing in-depth integration of technology, business and ecosystem. Aiming at usage of data analysis, the Bank set up the Digitalised Asset Operation Centre to optimise the structure system of data asset management departments and dug deeper into data value. It continued to transfer the business model and advance the data management and application ability simultaneously. The Bank adhered to enhancing comprehensive financial service ability, refined the layout of investment banking and asset management business and further specialised investment banking business as well as enhanced asset management business.

As at the end of 2022, the Bank had a total of 11,439 institutions worldwide, including 10,908 institutions in the Chinese mainland and 531 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) is composed of 10,323 institutions, including 38 tier-1 and direct branches, 371 tier-2 branches and 9,913 outlets.

The geographic distribution of the organisations and employees of the Bank is set forth below:

Unit: RMB million/unit/person, except percentages

	Assets		Organisations		Employees	
Items	**Total assets**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Northern China	8,595,309	27.94%	2,116	18.50%	63,049	20.59%
Northeastern China	958,377	3.12%	897	7.84%	23,273	7.60%
Eastern China	6,921,580	22.50%	3,471	30.34%	91,854	30.00%
Central and Southern China	4,735,123	15.39%	2,728	23.85%	66,165	21.62%
Western China	2,231,994	7.26%	1,696	14.83%	37,452	12.23%
Hong Kong (China), Macao (China) and Taiwan (China)	4,969,602	16.16%	406	3.55%	18,439	6.02%
Other countries and regions	2,347,203	7.63%	125	1.09%	5,950	1.94%
Elimination	(1,845,331)					
Total	28,913,857	100.00%	11,439	100.00%	306,182	100.00%

Note: The proportion of geographic assets was based on data before intra-group elimination.

Human Resources Development and Management

The Bank solidly implemented its strategy of developing a high-quality workforce for the new era and put into practice the *14th Five-Year Plan for Talent Development of Bank of China*. It conducted key talent programmes related to the "One Mainstay, Two Engines" strategy, the "Eight Priority Areas for Enhancing Financial Services Capabilities" and comprehensive risk management, endeavouring to build the digitalised new force. It conducted variety of forms of post practice, project exercise, professional training and post rotation, in a bid to improve its quality and efficiency of talent cultivation. The Bank strengthened the building of "two teams" for the expatriate employees and local employees of overseas institutions, and continued to deliver a programme for the cultivation of minority-language personnel. It implemented the national employment-first strategy, launched global campus recruitment in 2023, and continued to expand its recruitment scale by providing over 12,000 jobs, with the aim of promoting stable employment for college graduates.

As at the end of 2022, the Bank had 306,182 employees. There were 281,793 employees in the Chinese mainland, of which 267,379 worked in the Bank's commercial banking business in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets). The Bank had 24,389 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. As at the end of 2022, the Bank bore costs for a total of 4,731 retirees.

Composition of Staff by Gender, Age Group and Education Level

Items	The Group	Commercial banking business in the Chinese mainland	Overseas institutions and comprehensive operation companies
Composition of Staff by Gender			
Female	57.16%	57.58%	54.29%
Male	42.84%	42.42%	45.71%
Composition of Staff by Age Group			
Up to 30	22.23%	21.33%	28.41%
Between 31 and 40	36.60%	36.16%	39.62%
Between 41 and 50	22.03%	22.56%	18.38%
51 and above	19.14%	19.95%	13.59%
Composition of Staff by Education Level			
Master's degree and above	10.29%	8.28%	24.15%
Bachelor's degree	70.05%	72.45%	53.46%
Associate degree	15.84%	16.17%	13.64%
Other	3.82%	3.10%	8.75%

Composition of Staff by Job Function (Commercial banking business in the Chinese mainland)

Items	Commercial banking business in the Chinese mainland	Items	Commercial banking business in the Chinese mainland
Corporate banking	16.85%	Operation services and financial management	7.33%
Personal banking	18.63%	Risk and internal control management	9.06%
Financial markets	0.36%	Information technology	3.51%
Cross-marketing and teller	34.71%	Other	9.55%

Remuneration

The Bank continuously improved its incentive and constraint mechanism, established an assessment mechanism combining "annual assessment + long/short-cycle assessment" and "performance assessment + value assessment", strengthened its assessment of employees' contributions to serving the real economy, developing inclusive finance and supporting private enterprises, and guided the establishment of an appropriate perspective on performance.

The Bank's remuneration policy is in line with corporate governance requirements, business development strategies, market positioning and talent competition strategies. The Board of Directors of the Bank has set up the Personnel and Remuneration Committee to assist it in reviewing the Bank's human resources and remuneration strategies. An independent director serves as Chairman of the Committee. Please refer to the section "Corporate Governance — Special Committees of the Board of Directors" for details of the work progress of the Personnel and Remuneration Committee. Based on the human resources and remuneration strategies determined by the Board of Directors, the senior management of the Bank is responsible for formulating rules and regulations for remuneration management.

The Bank's remuneration distribution policy follows the principle of "remuneration by post, payment by performance". Employee remuneration consists of basic salary, performance-based remuneration and benefits. Basic salary is determined by the value of the position and the ability of employees to perform their duties. Performance-based remuneration depends on performance evaluation results of the Group, the institution or department of the employee, and the employee, and is linked to performance, risk, internal control, ability and other factors. Deferred payment is required for more than 40% of the performance-based remuneration of personnel who are responsible for the Group's major risk management and control functions, with a deferred payment period of not less than three years. The Bank has formulated and implemented a recourse and recovery mechanism for performance-based remuneration of senior management members and personnel in key posts. If risk losses falling within such employees' remit and responsibility are clearly exposed during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, and are managed in accordance with local regulatory policies. The Bank's remuneration policy applies to all employees who have established a labour contract relationship with the Bank, with no exceptions beyond the remuneration policy.

The Bank has formulated an allocation mechanism for total remuneration. The distribution of total remuneration resources to branches is linked to their completion of comprehensive contribution goals, taking full consideration of risk factors so as to focus on risk-adjusted value creation and enhance long-term performance. The Bank continued to improve its internal remuneration distribution structure and allocated more remuneration resources to primary-level institutions and employees in order to effectively boost the driving force that fuels the sustainable development of the Bank.

Staff Education and Training

Fully implementing the requirements of latest national policies, the Bank formulated its overall plan and key tasks for staff education and training based on the Group's development strategies, and continuously empowered employees, the Group, customers and society. Efforts were made to build a project system based on the two pillars of accelerated leadership reform and core professional competency, and to provide layered and classified training programmes for business managers and professionals. The Bank carried out programmes under the brands of "BOC Lecture Hall", "Staff Learning Day", "Global Teachers' Day" and "Young Employee Development Community", and so on. It also strengthened its "Five Batches" foundation programmes by excellent teaching materials, courses and cases and built a new ecosystem of organised learning. As a result, it was selected among the "Top 100 Advanced Institutions in China's Corporate Education in 2022". The Bank cooperated with Shanghai Jiao Tong University to establish the SJTU-BOC Institute of Technology and Finance, held the first SJTU-BOC Technology and Finance Summit, and jointly promoted the training of technology and finance personnel. It deeply implemented the decisions and plans for accelerating the cultivation of multi-tier digital personnel and was selected as one of the first batch of talent centres for the digital transformation and artificial intelligence industry in China. It actively assumed its social responsibilities and assisted with the rural revitalisation. In 2022, the Bank carried out 31,000 person-times of targeted support and financing training, ranking top among peers. It also conducted staff training on professional ethics, anti-corruption, integrity and self-discipline and consumer protection, etc., covering 2.08 million person-times, providing a strong compliance guarantee for the Bank to conduct various business activities. ESG training was delivered throughout the Bank in line with the "Eight Priority Areas for Enhancing Financial Services Capabilities", helping employees at all levels to apply ESG concepts in their day to day work. Furthermore, the Bank pushed forward the development of its online learning platform to enhance its capabilities for delivering and managing online training projects. On an accumulative basis, the Bank's "BOC Learning" online training platform offered more than 42,000 courses, with over 9,500 online training sessions delivered and the average daily number of online trainees surpassing 43,000. Employees at all levels of the Bank participated in various kinds of training and learning through online and offline channels, spending an average of 48.2 hours on education and training during the year.

KEY ISSUES OF CONCERN TO CAPITAL MARKETS

Serving High-quality Development of the Real Economy

In serving the high-quality development of the real economy, the Bank followed its people-centric principle, constantly improved integrated services, continuously strengthened its customer base and increased its financing project reserve. Due to these efforts, the Bank realised stable progress in both total credit growth and credit structure optimisation, and continued to meet macro-prudential management requirements. In 2022, faced with slowing macroeconomic growth and relatively low effective financing demand, the Bank firmly implemented policy packages and supportive measures aimed at stabilising economic growth. With a focus on key areas of the national economy such as strategic emerging industries, green finance and inclusive finance, the Bank gave full play to its role as a large state-owned bank and counter-cyclic stabilising agent, which effectively supported the implementation of policies and measures for stabilising growth.

In 2022, the Bank took a combination of measures to continue to increase its project reserve and credit supply, thus fulfilling its role and responsibilities as a stabilising agent. As at the end of 2022, the Bank's domestic RMB loans increased by over RMB1.58 trillion or over 12% from the beginning of the year.

Inclusive loans, green loans and loans to strategic emerging industries maintained high growth and continued to outpace overall loan growth. As at the end of 2022, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[10] reached a record high of RMB1,228.3 billion, an increase of 39.34% compared with the prior year-end, the Bank's domestic green credit balance[11] reached RMB1,987.2 billion, a year-on-year increase of 41.08%, and loans to strategic emerging industries increased by RMB600.5 billion or over 115% from the beginning of the year.

The Bank will earnestly implement the guiding principles of the 20th CPC National Congress and Central Economic Working Conference, and take relevant and timely measures to improve social and economic expectations and boost confidence in the development of the real economy. With a focus on the "Eight Priority Areas", namely, technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance, the Bank will constantly enrich the connotation of serving the real economy in the new era, and continue to support the high-quality development of both its own business and the real economy.

[10] Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Notice of the General Office of China Banking and Insurance Regulatory Commission on Further Strengthening the Financial Support for the Development of Micro and Small-sized Enterprises in 2022* (Yin Bao Jian Ban Fa [2022] No.37).

[11] Calculation is based on the CBIRC statistic standard.

Improving Inclusiveness of Wealth Management Business

The Bank is always guided by its mission and has firmly implemented its founding aspirations. In 2022, adhering to its original goal of leveraging its financial resources to serve the high quality development and improve the people's well-being, the Bank steadily developed its wealth management business and accelerated related brand building.

Focusing on people's sense of gain and happiness, the Bank made its wealth management business more inclusive. The Bank continued to develop its "Group-wide + market-wide" wealth management platform, increased supply of inclusive finance products, expanded its pool of well selected products, and introduced innovative products such as the NCD index fund. As at the end of 2022, the Bank had partnered with 10 wealth management companies, once again leading the comparable peers. It also ranked first in the number of personal pension funds and insurance agent products provision. The Bank improved its capabilities in service convenience. Through digital channels such as mobile banking and WeChat banking, as well as through strategic scenarios, etc., it expanded the customer base and optimised the customer mix of its wealth management business. As at the end of 2022, the Bank recorded the fastest personal customer growth among its comparable peers. It also saw a rise in the proportion of investment and wealth management customers within total effective customers, and ranked top among the comparable peers in terms of growth in financial assets of personal customers under management.

Bolstered by its globalised and integrated operations, the Bank consolidated its speciality in wealth management. Adhering to the development pattern of "One Mainstay, Two Engines" and the strategy of "private banking driven by the Group's strength", the Bank launched the innovative "Entrepreneur Office" service, achieved results in the development of its Asia Pacific private banking platform, and contributed to the success of a number of employee stock incentive plans for overseas listed companies. As at the end of 2022, the Group's private banking customers reached 159.6 thousand, the family trust customer doubled from the end of the previous year, and the AUM of the Group's private banking customers stood at RMB2.42 trillion. The performance of the Bank's major strategy agent products surpassed comparable indexes in the market, achieving a win-win result for the Bank and customers. The Bank continuously promoted the Cross-border Wealth Management Connect scheme. By the end of 2022, the Bank held an over 60% market share of the service-subscribers, maintaining a leading position in the comparable peers.

With an orientation towards providing whole-process and long-term accompany for customers, the Bank sharpened its professional capabilities in wealth management. The Bank improved its differentiated service team platform, which comprises wealth managers, private bankers and investment consultants, and strengthened digital tool empowerment and investment portfolio management. With a view to offering high-quality customer companionship and properly managing customer expectations, it launched professional services covering the whole process of "pre-sale – in-sale – after-sale" through product analysis and investor education activities. As at the end of 2022, its mobile banking "Wealth Account" has brought in 31 external institutions and posted over 10 thousand news articles throughout the year. The Bank improved its asset allocation capabilities, closely tracked market trends and customer needs, and with broad asset allocation and segmented market selection, helped customers diversify investment risks and increase returns.

Looking into 2023, popular demand for wealth management services is expected to increase as China's economy and capital markets gradually recover. The Bank will continue to implement the national "common prosperity" strategy, focus on customer experience, deepen the driving role of innovation, and sharpen its speciality. At the same time, it will continue to promote the high-quality development of its wealth management business and make contributions to improving residents' property income and serving the nation's economic and social development.

Serving China's High-standard Opening Up

In 2022, the Bank remained committed to its task in the new development stage – serving China's new pattern of development and high-standard opening up, and made steady progress in its globalization drive, tapping into new business opportunities and further enhancing its global service capability.

The Bank's global service network was expanded and optimized. As at the end of 2022, the Bank operated in 62 countries and regions outside the Chinese mainland, including 42 BRI partner countries. Within the year, a new wholly-owned subsidiary was opened in Macao, and new progress was made in regionalised management and integrated operations. Bank of China (Europe) S.A. was put into operation, representing a milestone in its efforts of building overseas regional headquarters. The Bank also optimized its strategical categorization of overseas operations, revising and adapting market-by-market plans as necessary to reflect the latest trends and developments.

The Bank's capabilities to deliver global financial services were also improved. Focusing on cross-border economic, trade and investment activities for high-quality "Bringing In" and "Going Global", the Bank expanded its green finance, cross-border finance, wealth management and supply-chain finance businesses in overseas markets, by taking advantage of the Regional Comprehensive Economic Partnership (RCEP), China's two-way opening up of the financial market and the improvement of the financial market infrastructures. Following through the "One Mainstay, Two Engines" strategy, the Bank also strengthened collaboration between domestic and overseas branches and between its banking and non-banking arms, thus to better support clients in their global endeavours. Additionally, to navigate through the challenging times, steps were taken to coordinate development and security that helped ensure continuity of its global businesses.

And in 2023, the global economic situation is facing even more complexity and uncertainty, with major economies under increased risk of recession and emerging markets exposed to heightened volatility in currency, capital flow, and financial markets. Facing greater challenges in the external environment, the Bank will stick to the principle of pursuing progress while ensuring stability, to create a favourable and sustainable future. It must seize the strategic opportunities and reinforce its strength in globalization, increasing the operating efficiency of overseas operations.

The Bank will continue to support the high-standard opening up, and serve national economic and diplomatic interests. It will better align itself with national strategies, and provide proactive and comprehensive services to support bilateral trade and diplomatic efforts with other countries. Meanwhile, the Bank will also explore new opportunities in supporting high-quality projects under the Belt and Road initiative, as well as in the internationalization of RMB, the development of free trade zones, free trade port, and the New International Land-Sea Trade Corridor, etc.

The Bank will put an equal emphasis on development and security, and build a stronger foundation for high-quality growth. With a holistic approach to security in place and constantly reinforced, and full awareness of the importance of financial risk control to the safety of national wealth, it will keep pursuing the risk-based approach, step up efforts to anticipate, prepare for, and properly respond to shocks in international market, and improve its capability to forestall and defuse major potential risks, so that the Bank will be able to hold the bottom line of preventing systemic risks. In addition, the Bank will continue to strengthen overseas safety management to ensure the safety of overseas staff and organizations. Furthermore, the Bank will enhance implementation of institutional arrangements and move ahead with regional integration, to further promote internal growth drivers and deliver greater performance through reform.

OUTLOOK

In 2023, the operating environment for the banking sector continues to offer strategic opportunities intertwined with risks and challenges. From an international perspective, global economic growth drivers are losing momentum, inflation in developed economies remains at high levels, the interest rate hike cycle is yet to peak, and downward pressures on the global economy continue to grow. From a domestic perspective, China's economy has strong resilience, great potential and robust vitality, with the fundamental drivers that sustain its long-term growth trend remaining solid. China's economic performance is expected to improve as the burgeoning effects of various economic policies boost confidence in the nation's economic development.

Amid a complex external environment, the Bank will comprehensively implement the decisions and plans of the Central Economic Work Conference, make solid efforts to drive the implementation of the 14th Five-Year Plan, and support the high-quality development of both the economy and society. United as one, all employees of the Bank will forge ahead with courage and determination to expedite the building of a first-class global banking group.

First, the Bank will actively carry out national strategies, and improve the quality and efficiency of its services for the real economy. The Bank will serve the high-quality development of the country with a heightened focus on implementing the "Eight Priority Areas for Enhancing Financial Services Capabilities". It will support the building of a modernised industrial system and ramp up credit support for key sectors, key areas and weak links in the economy, such as equipment upgrading, strategic emerging industries, large wind power and PV bases, and micro and small-sized enterprises, so as to help stabilise economic growth. It will closely follow the strategy of expanding domestic demand, and promote consumption growth and upgrade. In 2023, the Bank expects its RMB loans in the Chinese mainland to grow by approximately 10%.

Second, the Bank will seize strategic opportunities and sharpen its advantages in globalised and integrated operations. The bank will further optimise its institutional layout, and leverage opportunities arising from RMB internationalisation and other businesses, so as to maintain its leading position in globalised operations. It will press ahead with regionalised management and intensive development, and enhance its capabilities in delivering integrated services worldwide. In addition, the Bank will refine the specialisation of its comprehensive operation companies, and carry out equity integration, projects and business synergy in a scientific and orderly manner, in a bid to improve the market competitiveness of its comprehensive operation companies and their contribution to the Group.

Third, the Bank will deepen technological innovation and continuously increase operating and service efficiency. The Bank will advance the OASIS project in order to take its digital transformation into a new stage. It will deepen the integration of business and technology, speed up the application of technologies such as cloud computing, big data, AI and IoT so as to achieve higher output efficiency. It will make great efforts to integrate into new forms of business, continue to enrich application scenarios and create new points of growth. The Bank will improve online financial services, facilitate two-way empowerment between the development of e-CNY business and the building of a scenario-based financial services ecosystem, drive smart operations and outlet transformation, and further enhance the quality and efficiency of its services.

Fourth, the Bank will bolster comprehensive risk management to ensure safety in development. The Bank will further deepen comprehensive risk management reform, make risk management more forward-looking, sensitive and effective, and enhance protection against extreme risk events. It will intensify risk prevention in key areas, and effectively guard against and mitigate major economic and financial risks. It will take concrete steps towards anti-money laundering compliance and advance the building of a long-acting compliance mechanism across the Bank to ensure operational safety. In addition, the Bank will beef up efforts to improve its cyber security capabilities so as to ensure cyber and data safety. It will further optimise mechanisms for consumer protection and consumer complaints, and respond to public concerns in a timely manner.

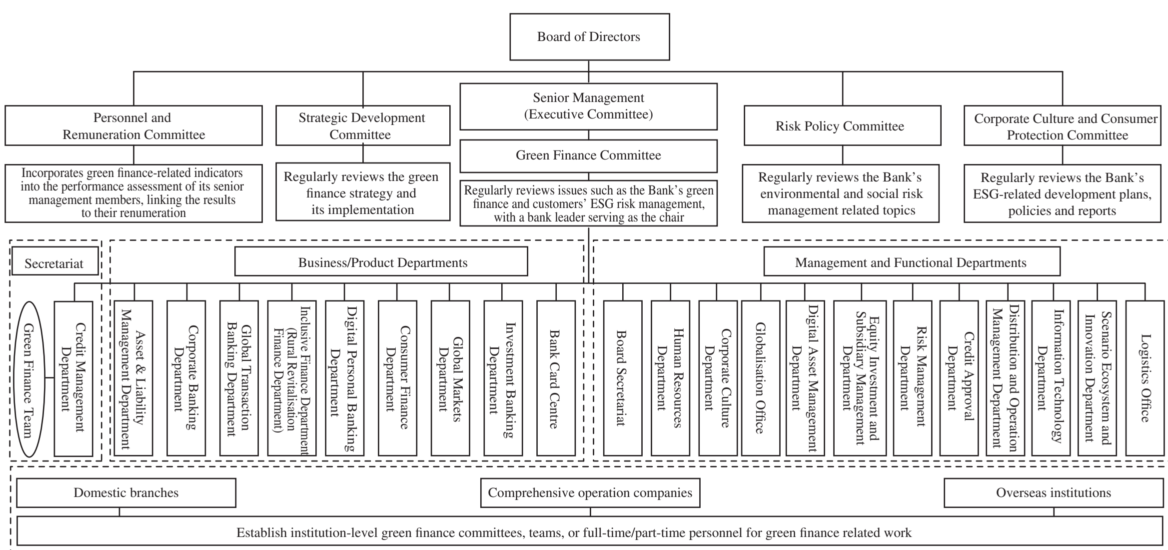
Environmental and Social Responsibilities

ENVIRONMENT RESPONSIBILITIES

Governance

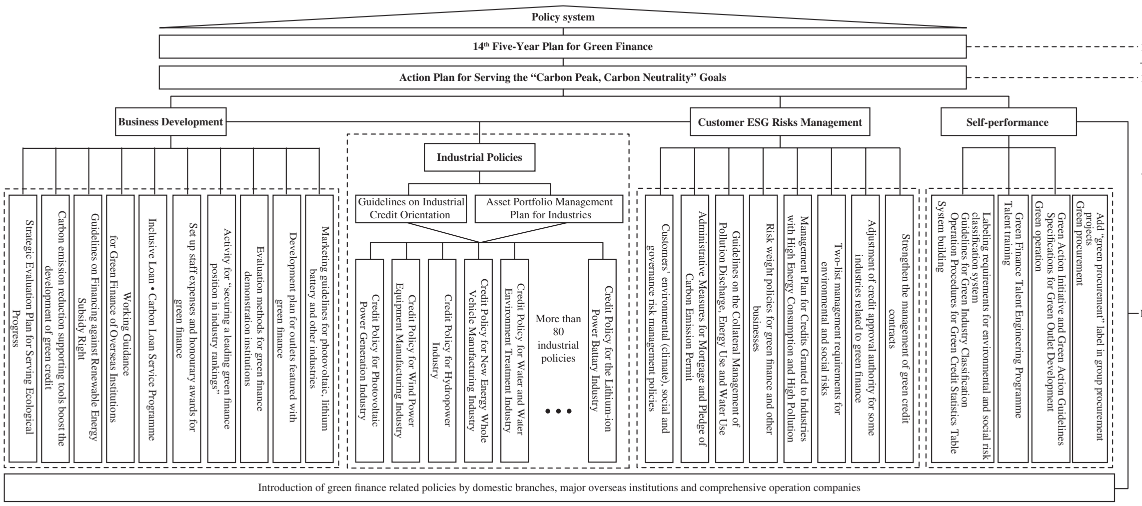
As to the accelerated integration into global green governance, the Bank supported events such as the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), joined more than 10 green initiatives or organisations including the United Nations Principles for Responsible Banking (PRB) and the Task Force on Climate-related Financial Disclosures (TCFD), and got thoroughly involved in the formulation of a series of standards at home and abroad, thus providing our input for the global response to climate change.

The Bank adhered to a three-tier governance structure consisting of the Board of Directors, the senior management and a professional team, while continuously improving its governance capabilities. In 2022, the Steering Group for Green Finance and Industrial Planning and Development led by the Chairman of the Board of Directors organised two meetings to study and communicate the important speeches and guiding principles of General Secretary Xi Jinping on achieving the goal of "peak carbon emissions and carbon neutrality", and to consider the Group's *2022 Work Plan for Green Finance*. It also developed 45 measures in seven areas, including business development, environmental and social risks, and carbon footprint management. The Board of Directors strengthened guidance on green finance, heard a report on the development of green finance in 2021, and considered and approved the *Corporate Social Responsibility Report of Bank of China Limited for 2021 (Environmental, Social and Governance)*. The Green Finance Committee under the Executive Committee held two meetings to hear reports on the Group's green finance business development, management of customers' ESG risks, green operations and system development. The professional team carried out the green finance work of the Group and actively promoted the practical development of green finance.



Policy System

With the aim of contributing to the national goal of "peak carbon emissions and carbon neutrality", the Bank took the 14th Five-Year Plan of Bank of China for Green Finance as strategic guidance for continuously improving its "1+1+N" green finance policy system. In 2022, the Bank issued more than 20 policies as part of a policy support package covering 13 areas such as performance assessment and incentive reinforcement, economic capital optimisation, the differentiation of related authorities, and personnel costs allocation, thus comprehensively supporting the development of green finance. It also formulated and revised around ten credit policies for green-related industries such as hydrogen energy, wind power generation, pumpedstorage hydropower and forestry, providing detailed guidance in terms of customer and project criteria, related risk identification and prevention, and credit management strategies. It also introduced the *Guidelines on the Collateral Management of Pollution Discharge, Energy Use and Water Use* to promote the notion that environmental resources have value.



Note: Please refer to *Corporate Social Responsibility Report of Bank of China Limited for 2022 (Environmental, Social and Governance)* for specific industry policies and supporting policies.

Customer Environmental (Climate), Social and Governance Risk Management

The Bank strengthened the standardisation and management of customers' ESG risks in terms of identification, measurement, assessment, monitoring and reporting and control and mitigation. It included a qualitative statement on environmental and social risk management in the Group's risk appetite statement, and regularly reported the results of environmental and social risk monitoring to the Board of Directors. The *Management Policy of Bank of China Limited for Environmental (Climate), Social, and Governance Risks Associated with Customers* was formulated and adopted by the Green Finance Committee chaired by the Chief Risk Officer, to establish a customer ESG risk governance structure appropriate to the Bank's operational scale and business profile, and to distribute management responsibilities and duties among three lines of defence. The Bank incorporated 13 aspects into the ESG risk assessment of customers and their projects, including environmental (climate), social and governance risk assessment and management systems, labour and working conditions, pollution prevention and control, biodiversity conservation and management of sustainable natural resources, related risk management along supply chains, and carbon footprint management, etc.

The Bank adopted key business strategies, differentiated authority and processes, list-based management, and other means to control and mitigate customer environmental (climate), social and governance risks. It vigorously supported green industries and enterprises that are environmentally friendly, carry out their social responsibilities and have sound corporate governance; actively facilitated the construction of a nationwide clean and low-carbon energy system, and supported key industries and fields to save energy, reduce pollution, cut carbon emissions, increase the adoption of green operations, and take precautions against disasters;

offered support for enterprises that carry out eco-friendly operational activities, protect employees and their health, protect biodiversity, and create jobs for people with disabilities, as well as enterprises that safeguard the legitimate rights and interests of shareholders and have in place sound financial management and risk management mechanisms; and helped green and inclusive enterprises to balance the relationship between economic, environmental and social benefits. In this way, the Bank actively guided both its customers and their upstream and downstream industrial chains to regulate activities related to environmental (climate), social, and governance management.

The Bank continued to optimise the structure of assets allocated to brown industries[12], promoted production capacity replacement, green transformation and technological upgrading, and concentrated resources in the key areas of advanced capacity, energy-efficient manufacturing, technology upgrading and transformation, safe, green, intelligent and efficient operations, and energy supply assurance, etc. It introduced a "veto system" for credit and investment support to corporate customers and projects that violate national provisions and regulatory requirements, fail to meet environmental standards, have major environmental and climate risk exposures, cause damage to critical habitats, destroy important biodiversity areas and national nature reserves, illegally log, fish and poach wildlife, cause deforestation through the excessive expansion of oil palm plantations, or illegally occupy and destroy forest lands. The Bank urged existing corporate customers involved in such situations to make rectifications and take effective measures to mitigate risks, and to exit projects that cannot be rectified as soon as possible. It also strictly fulfilled its commitment to no longer provide financing for new coal mining and coal power projects outside of China from the fourth quarter of 2021 onwards, except for projects already contracted.

The Bank continued to strengthen the whole process management of environmental (climate), social and governance risks associated with customers, from risk identification and classification, due diligence, business approval, contract management, fund disbursement, post-lending management and post-investment management. It included binding requirements for environmental and social risk management in more than 80 industry credit policies, covering such industries as agriculture, forestry, animal husbandry and fishery, mining and metallurgy, oil, gas and chemical, construction and real estate, transportation and logistics.

The customer relations departments of the Bank reviewed and classified the environmental (climate), social, and governance risks of customers as "Category A, B or C", and conducted due diligence. The business approval departments of the Bank focused on reviewing customers with medium or high risks, and asked the customer relations departments to re-assess or adjust the classification results if they disagreed with the latter regarding the degree of environmental (climate), social and governance risks associated with customers; assessed the impacts of the environmental (climate), social, and governance risks associated with their projects on credit risk and took related risk mitigation measures; and strictly restricted credit granting to or investment in customers with serious violations and major risks related to environmental (climate), social and governance matters.

12 Refers to the eight major emission control industries and coal industries that have been and are to be included in the national carbon market as brown industries, specifically: coal, thermal power generation, iron and steel, petrochemicals, chemicals, non-ferrous metals, cement, paper making and civil aviation.

With reference to the definitions and classifications of climate risks set out by TCFD and NGFS, the Bank identified and analysed the transmission pathways and impact of climate risks on its other major risks, such as credit risk, market risk, liquidity risk, operational risk, reputational risk, country risk and IT risk, both from the perspective of physical risk and transitional risk.

In 2022, the Bank expanded the scope of its climate risk sensitivity stress-testing to eight carbon-intensive industries (up from three in 2021), including power, steel, building materials, petrochemicals, chemicals, paper making, civil aviation and non-ferrous metal smelting, to assess its ability to cope with related transition risks under the goal of "peak carbon emissions and carbon neutrality". With reference to NGFS climate risk scenarios, the Bank quantitatively assessed the impact of transition risks on customers. The test results showed that customers in the eight carbon-intensive industries experienced varying degrees of decline in their loan repayment capability under stressed scenarios, resulting in corresponding downgrades in their credit ratings, but that the risks were generally controllable. As the Bank has been optimising its exposure to carbon-intensive industries in recent years, the related loan balance accounts for a relatively low proportion of total loans, and the transition risk of carbon-intensive industries under the stressed scenarios was controllable overall.

The Bank's overseas branches actively carried out climate risk stress tests[13] and analysed the impact of physical risks caused by extreme weather events (floods, typhoons, sea level rise, etc.) on key industries, with the results showing that relevant risks were controllable overall.

The Bank regularly conducted internal control compliance inspections as well as verifications of green credit data. It also strengthened communication with stakeholders and established adequate, timely and effective communication mechanisms with government departments, environmental organisations, communities and the general public, media and investors, etc.

Indicators and Objectives

In 2022, the Bank registered a rapid development in green credit, maintained its market leadership in green bonds, and continued to make innovations in its integrated green finance products and services. Details are as follows:

[13] The main focus was on institutions in countries/regions that are highly exposed to climate risk, such as the Singapore Branch and BOCHK, etc.

14th Five-Year Plan Period

Objectives		Completion Progress
Providing financial support of no less than **RMB 1 trillion** for green industries	✔	Exceeded the phased goal, with a green credit balance of RMB1,987.2 billion in 2022 (CBIRC standards), **an increase of RMB578.6 billion** year-on-year and of RMB1,090.4 billion since the end of the 13th Five-Year Plan Period
The balance of green credits of the Bank's domestic operations to **increase on a yearly basis**	✔	Year-on-year growth of **41.08%** (CBIRC standards)
Annual average growth rate of personal green loans by domestic operations: **No less than 30%, striving for 60%**	✔	Year-on-year growth of over **60%**
Asset quality maintained at a solid level	✔	Non-performing ratio of green credits was below 0.5% (CBIRC standards), lower than the Group's overall NPL ratio

The environmental performance of the Bank's green credit business in 2022	
Carbon dioxide emission reduction attributed to green loans (10,000 tons)	**20,409.98**
Sulfur dioxide emission reduction attributed to green loans (10,000 tons)	**3,908.72**
Water conservation attributed to green loans (10,000 tons)	**20,968.72**
Standard coal conservation attributed to green loans (10,000 tons)	**8,920.20**
Chemical oxygen demand reduction attributed to green loans (10,000 tons)	**62.83**
Ammonia nitrogen emission reduction attributed to green loans (10,000 tons)	**19.59**
Nitrogen oxide emission reduction attributed to green loans (10,000 tons)	**4,325.96**

Issuance

No.1

- The Bank made new breakthroughs by issuing the world's first green bond based on the *Common Ground Taxonomy (updated version)* as well as the first USD-denominated biodiversity-themed green bond by a global financial institution.
- The Bank issued a total of RMB87.7 billion equivalent of green bonds domestically and overseas in 2022, ranking first among Chinese green bond issuers.

Undertaking

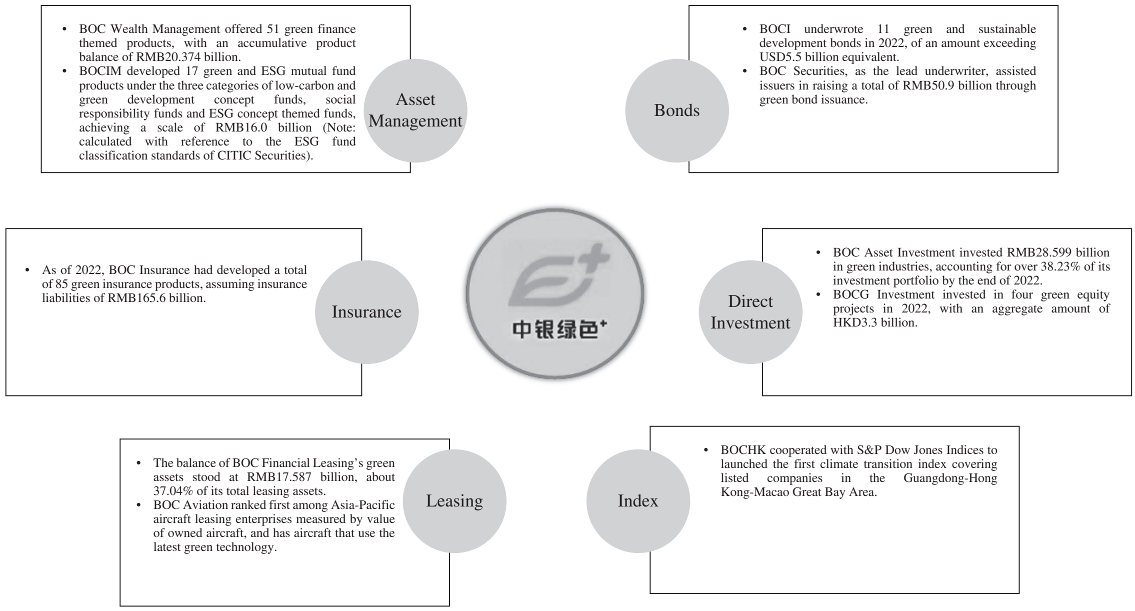
No.1

- The amount of domestic and overseas green bonds underwritten reached RMB259.529 billion and USD28.985 billion respectively.
- Placed first among Chinese institutions in Bloomberg's global offshore green bond rankings.

Investment

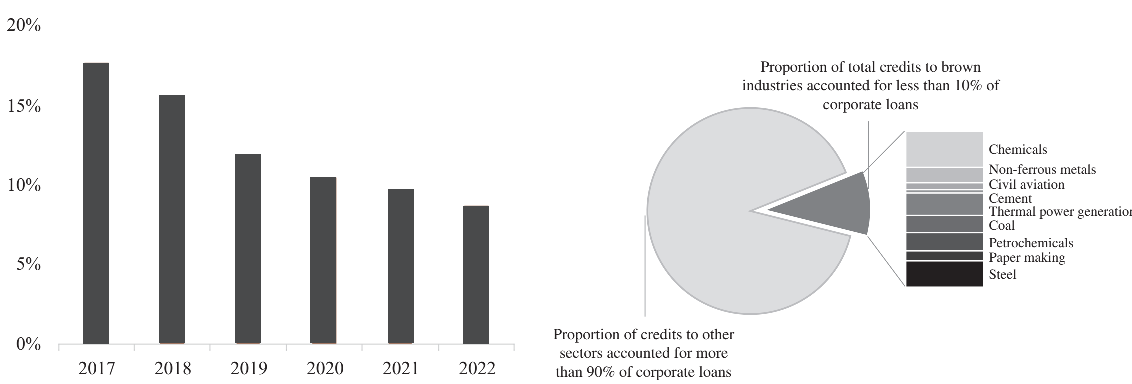
No.1

- Ranked first in NAFMII's list of investors with green bonds in 2022.



The Bank actively supported the green and low-carbon transformation of brown industries. It researched and explored a carbon accounting methodology suitable for its asset portfolio and launched the pilot calculation of carbon footprint management for the asset portfolios of carbon-intensive industries. While ensuring the energy and supply chain security of the industrial chain, the Bank made gradual and orderly reductions to the carbon intensity of its asset portfolios in response to the national goal of "peak carbon emissions and carbon neutrality", with the aim of ultimately achieving carbon neutrality in its asset portfolios. In 2022, the proportion of brown industries in the corporate credit balance of the Bank's domestic operations continued to decline, standing at below 10%. As of the end of 2022, the proportion of brown industries in the corporate credit balance of the Bank's domestic operations was as below:

Yearly decline in proportion of brown industries within corporate loan balance



Green Operations

The Bank upheld the concept of green operations. It strengthened the management of energy conservation and consumption reduction, reduced the use of resources such as water, electricity, paper and fuel in its business activities, and improved energy efficiency. Building on its operational emissions calculation work in 2021, the Bank continued to promote group-wide operational emissions calculation in 2022, adding items such as water and paper usage, waste, and green buildings to the calculation. The results of the calculation showed a group-wide reduction of 4.86% in total energy consumption and 15.58% in direct greenhouse gas emissions from 2019 to 2022. In 2022, the Bank consumed 13.5356 million m^3 of water and 12.1 thousand tons of paper in work, and discharged 45.7 thousand tons of waste. Comprehensive operation companies such as BOC Wealth Management and BOC Aviation continued to practise green operations, having achieved carbon-neutral operations[14] in 2021. BOC Shenzhen Branch developed a *Carbon Neutral Plan and Three-Year Action Plan of Bank of China Shenzhen Branch*. BOCI released its *Low-carbon Action Plan* and formulated corresponding emission reduction measures. A number of institutions, including the Head Office, BOCHK, London Branch and Shanghai Branch, fully implemented energy-saving renovations to their office premises.

The Bank introduced a "green procurement" labelling system for centralised procurement projects. With reference to national standards, industry standards and government procurement requirements on checklists for environmental protection and energy-saving products, environmental standards products, green product systems among others, the Bank mandated reasonable consideration of energy conservation, water saving, environmental protection, recycling, low-carbon, renewable, organic and other factors in procurement, and actively promoted the building of environmentally friendly and resource-efficient office environments. It formulated the *Specifications for Green Outlet Construction of Bank of China* to standardise the green construction requirements of its branches in terms of layout and site selection, indoor environment, decoration and construction, resource utilisation and other dimensions. Furthermore, the Bank released the *Green Action Initiative and Green Action Guidelines* to actively implement the concept of green development and contribute to achieving the goal of "peak carbon emissions and carbon neutrality". It also provided carbon-neutral financial services to the Beijing 2022 Olympic and Paralympic Winter Games serving as the sole official banking partner.

The environmental performance of the Bank's green operations is as follows:

	2022	**2021**	**2020**
Energy consumption (MWh)	**2,688,308**	2,754,463	2,717,945
GHG emissions (tons of CO_2 equivalent)	**1,537,546**	1,534,060	1,512,554
Scope 1	**74,899**	79,309	77,214
Scope 2	**1,462,647**	1,454,751	1,435,340
Emissions per employee (tons of CO_2 equivalent per capita)	**5.02**	4.99	4.89
Water consumption (tons)	**13,535,554**	13,618,321	13,207,165
Paper consumption (tons)	**12,115**	12,211	12,152
Waste discharge (tons)	**45,715**	45,770	43,536

14 In 2021, BOC Wealth Management achieved carbon neutrality in its operations, with a relevant third-party institution issuing an independent assurance report. BOC Aviation achieved 100% carbon neutrality in terms of direct carbon emissions (including those generated by employees travelling by plane) in 2021.

SOCIAL RESPONSIBILITIES

Promoting global integration

The Bank delivered active services for the high-level opening-up of the country, constantly consolidated its advantages of globalised operation, and boosted the smooth flow of capital and trade between China and the world. In 2022, in the face of the complex and rigorous environment for foreign trade development, the Bank gave full play to its role as the main channel of foreign economic and trade services, strengthened financial supply to stabilise foreign trade and helped foreign trade enterprises maintain stability and improve quality, with the annual international settlement volume of domestic institutions reaching USD3.4 trillion, securing year-on-year increase for several years in a row. To accelerate the online, intelligent and digital development of cross-border finance, the Bank launched the "BOC Cross-border Remittance Express" to provide contracted customers with automatic crediting service in seconds for cross-border SWIFT inward remittance, with the total amount direct credited nearly 100 billion of US dollars. Leveraging the "Inclusive Loan·BOC E-cooperation" matchmaking platform, the Bank provided online and offline trade and investment matchmaking services for small and medium-sized enterprises. As at the end of 2022, 101 matchmaking events had been successfully held through the "BOC E-cooperation" matchmaking platform, providing integrated "financing + intelligent" services to more than 50,000 enterprises in 126 countries and regions. The Bank continued to provide high-quality services for major national exhibitions such as the China International Import Expo and the China International Fair for Trade in Services.

As at the end of 2022, the Bank had established overseas institutions in 62 countries and regions, including 42 countries and regions along the Belt and Road. It followed up with over 900 corporate credit projects in countries along the Belt and Road accumulatively, and granted a variety of credit facilities surpassing USD269.0 billion to countries along the route accumulatively. At the same time, the Bank advanced RMB internationalization as scheduled, served as the main channel for cross-border RMB circulation, and provided diversified products and services such as RMB settlement, investment, financing and transaction for domestic and foreign customers. The Group recorded cross-border RMB settlement of RMB31.14 trillion for the year, up 26.1% year on year.

Expanding inclusive finance

The Bank fully implemented the decision and plans of the CPC Central Committee and the State Council, stayed committed to the general principle of making advances while maintaining stability, and continuously expanded the coverage of inclusive financial services, so as to serve the high-quality economic and social development. In 2022, the Bank formulated the *Thirty Measures for the Long-acting Mechanism of Serving Micro and Small Enterprises to Dare to Lend, Willing to Lend, Able to Lend and Good at Lending* and improved the quality and efficiency of services for micro and small enterprises on all fronts by establishing sound fault-tolerant arrangements and risk-mitigation mechanisms, securing funds and building channels, and innovating products and services with technological empowerment. Relying on the BOC inclusive finance brand of "Inclusive Loan", the Bank accelerated the digital transformation of inclusive finance, persisted to the guidance of technology, and realised comprehensive upgrading of online products and services. It scaled up online "contactless" services and continued to enrich the online product system of inclusive finance. It strengthened its support to "specialised, refined, featured and innovative" enterprises as well as micro, small and medium-sized enterprises working on technological innovation, continuously optimised financial services, and proactively innovated financing modes. Focusing on the development stages of the whole life cycle of "specialised, refined, featured and innovative" enterprises, the Bank provided financial products that suit their needs and offered credit support in a differentiated manner. Through an integrated service system, the Bank was able to meet the diversified financial needs of enterprises. It also released ten measures to support new urban residents with inclusive financial services. Upholding the principle of benefiting the people and focusing on corporate customers who assist new urban residents in job security and stability as well as personal customers who are new urban residents engaging in entrepreneurship and business operation, the Bank integrated the resources of the Group in personal banking products, credit services, wealth management services and insurance services to fully support the financial needs of new urban residents in the fields of business start-up, job security, housing, consumption, education, pension, insurance, etc.

As at the end of 2022, the Bank had 10,312 domestic outlets. The balance of the Bank's inclusive loans for micro and small enterprises under the target of "two no-less-than and two control" amounted to RMB1,228.3 billion, an increase of 39.34% for the year. The number of loan customers was 747.9 thousand, an increase of 20.87% for the year.

Improving people's wellbeing

The Bank gave strong support to the work of "ensuring the timely delivery of presold homes, people's livelihood and stability", signed strategic cooperation agreements with more than ten real estate enterprises, and increased financing support for the real estate industry. It formulated special measures to help build a housing system featuring multiple suppliers and various channels of support that encourages both housing rental and purchase, and to increase the credit supply for government-subsidised rental housing to promote the stable and healthy development of the real estate market. The Bank actively explored financial innovation practices in the field of pension business, enriched private financial products for elderly care, met the reasonable financing needs of elderly care service institutions, and provided quality and all-around services to the elderly by leveraging on the silver scenario building. The Bank published the *Action Plan of Bank of China to Support Sports Development* to support the government's endeavor to establish a public service platform for sports and carry out nationwide fitness events, as part of its efforts to help build China into a leading country in sports and enable more people to enjoy a healthy life. The Bank continued to advance the granting of national student loans. Moreover, it pushed forward the in-depth integration of smart government affairs and smart finance, and put online one-stop government services for 4,612 smart counters in 2,178 outlets in the Yangtze River Delta, covering key areas related to people's livelihood such as human resources and social security, medical insurance, household administration and provident fund, providing local residents with one-stop services of "government + finance". The Bank also launched mobile banking version 8.0, expanded its cooperation partnership circle, and enriched the non-finance scenario ecosystem, building a better life service platform closely related to people's lives.

As at the end of 2022, the balance of the Bank's loans granted to the education sector was RMB62.237 billion. The balance of loans granted to the healthcare sector posted RMB61.64 billion. The total number of electronic social security cards issued by the Bank amounted to 18.3636 million. A total of RMB25.746 billion of national student loans was granted to subsidise more than 1.8 million students from economically disadvantaged families to complete their studies.

Boosting rural revitalisation

To intensify its support for rural revitalisation endeavours, the Bank formulated the *Highlights of Bank of China's Financial Support for Rural Revitalisation in 2022*, and strengthened the rural financial service system featuring "unity in diversity" with commercial banking as the pillar, village finance as a supplement, and consumer finance and public welfare finance as unique features. It also formulated the *Work Plan of Bank of China for Supporting Key Counties under Paired Assistance for National Rural Revitalization*, and improved the effectiveness of financial services in 160 key counties designated to receive assistance. It also accelerated the innovation of products and services benefiting the rural people, launched various service programmes such as "agricultural, cultural and tourism loans", "seed industry loans", "agricultural machinery loans", etc., and increased the financing support for key areas. The Bank promoted the development of special outlets for rural revitalisation, and signed strategic cooperation agreements with the Ministry of Agriculture and Rural Affairs and the National Rural Revitalisation Administration to jointly innovate the financial service model for agriculture, rural areas and rural residents. As at the end of 2022, the balance of the Bank's agriculture-related loans stood at RMB2,074.8 billion, up 19.55%. The balance of inclusive agriculture-related loans registered RMB260.3 billion, up 37.91%. A total of 556 special outlets for rural revitalisation were established. BOC Fullerton Community Bank has set up 134 village banks nationwide in line with its development philosophy of "focusing on county area development, supporting farmers and small enterprises", becoming the largest domestic village bank group in terms of the number of institutions.

The Bank provided paired assistance to the four counties of Xunyi, Chunhua, Yongshou and Changwu in Xianyang City, Shaanxi Province (the "four counties in Xianyang"), continuously consolidated its achievements of poverty alleviation and rural revitalisation and advanced rural revitalisation across the board. It formulated a work plan, gave full play to the advantages of the financial sector, actively supported revitalisation through industry development, talent cultivation, cultural development, ecological progress and organised activities in designated areas under the paired assistance projects, and promoted the key work of rural development, rural construction and rural governance. In 2022, the Bank invested more than RMB79.00 million of anti-poverty grant funding to the four counties in Xianyang, provided RMB700 million of credit fund, and introduced RMB210 million investment. It also organised training courses for more than 30 thousand local primary-level officials, rural revitalisation leaders and professional and technical personnel from the four counties in Xianyang, and purchased or sold RMB187 million worth of agricultural products of poverty-stricken areas across the country, directly benefiting nearly 500 thousand people.

Ensuring the rights and interests of customers

Practising its "customer-centric" operation and management concept, the Bank fully integrated consumer protection into its corporate culture, listened carefully to the voice of customers, constantly improved customer experience, and strengthened personal information protection. It revised the *Customer Information Protection Management Policy of Bank of China Limited*, standardised marketing campaigns, and promoted healthy business development by protecting consumer rights and interests. The Bank conscientiously assumed the main responsibility of financial knowledge publicity and financial consumer education, carried out major publicity and education campaigns themed on "3.15 Rights•Responsibilities•Risks, Financial Consumer Rights Day", the "Promoting Financial Knowledge, Protecting Personal Wealth", the "Financial Knowledge Popularisation" and the "Month of Financial Knowledge Popularisation" as well as regular consumer publicity and education activities, in a way to promote consumers' correct knowledge of financial products and services and enhance national financial literacy.

In 2022, personal customer satisfaction was 90.9%, an increase of 0.6 percentage point over the previous year. The number of customer complaints was 182 thousand. The complaint handling completion rate stood at 100%. In addition, the total amount of suspicious transactions intercepted by the Bank's "Cyber Defence" system during the year posted RMB22.33 billion. The Bank conducted nearly 56,000 external special education campaigns for consumer protection, reaching 737 million consumers.

For more information on the Bank's efforts to ensure the rights and interests of customers, please refer to the section "Report of the Board of Directors – Consumer Rights Protection".

Contributing to public welfare

The Bank continuously explored the mode of "Finance + Public Welfare + Internet" to drive all walks of life to actively participate in public welfare and charity by relying on the Bank of China Philanthropy[15] platform and BOC Charity Foundation. In 2022, 117 social organisations were registered on the Bank of China Philanthropy platform, and 221 charitable fundraising activities were launched, raising a total of RMB44.789 million from 682.6 thousand donations. With a focus on rural revitalisation, technology and education, assistance to the weak and the needy, disaster relief, cultural exchange, green and low carbon and so on, the Bank continuously enriched its public welfare practises to further gather the warm hearts of the Bank's staff and customers. At the same time, it actively promoted voluntary and public welfare services for the elderly, and optimised the building of the "Bank of China Philanthropy" platform, advocated the mutual pension concept and model of "saving time of assisting the elderly to exchange for pension services", in order to make voluntary services for the elderly more accessible and contribute to the cause of respecting and loving the elderly.

Intensifying Efforts in Anti-Corruption and Building a Clean Bank

The Bank was committed to preventing integrity risk, resolutely punished corruption, established a sound monitoring and restraint mechanism for key areas such as credit management, non-performing loan disposal and centralised procurement, and kept a tough anti-corruption stance. It deepened the building of a long-effect anti-corruption mechanism, adhered to the principle of "not daring to corrupt, not being able to corrupt and not wanting to corrupt", promoted Bank-wide special prevention and control, stepped up the investigation and punishment of violations of laws and disciplines, improved the mechanism of power restriction, and kept strengthening the atmosphere of strict governance. Carrying forward its excellent clean culture of "loftiness, clean and determination", the Bank formulated implementation measures, extensively carried out the cultivation of an integrity culture, continuously conducted warning education, held special warning education conferences, and compiled and published typical pro and con cases, thus consolidating the ideological foundation of the whole staff to resist corruption and prevent degeneration.

Attaching great importance to the integrity building and anti-corruption supervision of its overseas institutions, the Bank improved the leading mechanism for integrity risk prevention and control and corruption governance in its overseas institutions. The overseas institutions strengthened their anti-corruption efforts and risk prevention and control in light of the actual situation in local countries and regions. It enhanced education and supervision, and continuously promoted a strong atmosphere of integrity and compliance in its overseas institutions. Moreover, it improved the supervision system for the integrity of its overseas institutions, enriched supervision strength, formulated guidelines on performance of supervision duties, stepped up efforts of supervision and punishment, and promoted the implementation of the requirements of building a clean bank.

15 The "Bank of China Philanthropy", established by BOC, is an online fundraising information platform for charitable organisations selected by the Ministry of Civil Affairs of the PRC.

Advancing responsible procurement

The Bank actively practised a responsible procurement philosophy. With the Group Purchasing Centre taking the lead in green and sustainable procurement, the Bank continued to strengthen the reform of procurement mechanisms and systems and improve the procurement management rules. In 2022, the Bank revised its policies including the *Management Measures on Questioning and Complaints of Suppliers* and the *Management Measures for Procurement of Overseas Institutions*, optimised the procurement procedures, and strengthened procurement compliance management and integrity risk prevention and control. Suppliers who have misconduct such as having integrity problems with the Bank's employees were included in the "negative list", and the punishment for the misconduct of suppliers was also strengthened. In terms of procurement practises, the Bank took more consideration of the commitment of suppliers to environmental protection and social responsibility in aspects including supplier access, procurement and evaluation and supplier management. It was clearly stated in the bid invitation documents of all projects that "suppliers shall not have any illegal conducts that cause environmental and social risks, such as environmental pollution and illegal employment". The Bank also added the "green procurement" labeling into centralised procurement projects, and examined the supplier's performance in employment, healthy and safe working environment and labor protection measures, such as environment-friendly equipment and measures, labor contracts and social insurance payments. At the same time, the Bank endeavored to protect the right to equal participation of small and medium-sized suppliers, and aside from individual projects with special needs, it provided no additional requirements for the registered capital and size of enterprises in the process of developing the qualification requirements of qualified suppliers.

For details on the Bank's environmental, social and governance performance, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2022 (Environmental, Social and Governance)*.

Changes in Shares and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Shares

Unit: Share

	As at 1 January 2022		Increase/decrease during the reporting period					As at 31 December 2022	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III. Total Ordinary Shares	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**

Notes:

1. As at 31 December 2022, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2. As at 31 December 2022, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

The number of ordinary shareholders as at 31 December 2022 was 654,204, including 482,368 A-Share Holders and 171,836 H-Share Holders.

The number of ordinary shareholders as at the end of the last month before the disclosure of this report was 647,277, including 475,995 A-Share Holders and 171,282 H-Share Holders.

The top ten ordinary shareholders as at 31 December 2022 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged, labelled or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	–	188,461,533,607	64.02%	–	None	State	A
2	HKSCC Nominees Limited	(90,031,802)	81,759,056,883	27.77%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	–	7,941,164,885	2.70%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	–	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	HKSCC Limited	343,579,354	1,410,941,329	0.48%	–	None	Foreign legal person	A
6	China Life Insurance Company Limited – traditional – general insurance product – 005L – CT001SH	237,786,191	573,179,441	0.19%	–	None	Other	A
7	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
8	China Pacific Life Insurance Co., Ltd. – China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	(49,238,605)	333,000,000	0.11%	–	None	Other	A
9	Everbright Securities Company Limited	85,257,682	107,589,200	0.04%	–	None	State-owned legal person	A
10	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	(2,382,412)	104,269,993	0.04%	–	None	Other	A

Notes:

1. The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.

2. The number of shares held by HKSCC Nominees Limited is the aggregate number of the Bank's H Shares it held as the nominee for all the institutional and individual investors that maintained accounts with it as at 31 December 2022.

3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.

4. The number of shares held by HKSCC Limited is the aggregate number of the Bank's A Shares it held as a nominee holder who holds securities on behalf of others, including the number of SSE-listed securities acquired by Hong Kong SAR and overseas investors through Shanghai-Hong Kong Stock Connect.

5. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 31 December 2022, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued ordinary shares
Central Huijin Investment Ltd.	Beneficial owner	188,461,533,607	A	89.42%	–	64.02%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,271,558,107	A	90.28%	–	64.63%
BlackRock, Inc.	Interest of controlled corporations	5,806,361,533	H	–	6.94%	1.97%
		15,656,000 (S)	H	–	0.02%	0.01%
Citigroup Inc.	Interest of controlled corporations	643,596,941	H	–	0.76%	0.22%
		316,227,606 (S)	H	–	0.37%	0.11%
	Approved lending agent	3,735,036,590 (P)	H	–	4.46%	1.27%
	Total	4,378,633,531	H	–	5.23%	1.49%
		316,227,606 (S)	H	–	0.37%	0.11%
		3,735,036,590 (P)	H	–	4.46%	1.27%

Notes:

1. BlackRock, Inc. held a long position of 5,806,361,533 H Shares and a short position of 15,656,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the long position of 5,806,361,533 H Shares, 12,141,000 H Shares were held through derivatives. In the short position of 15,656,000 H Shares, 8,421,000 H Shares were held through derivatives.

2. Citigroup Inc. held a long position of 4,378,633,531 H Shares and a short position of 316,227,606 H Shares of the Bank through Citibank, N.A. and other corporations controlled by it. In the long position of 4,378,633,531 H Shares, 3,735,036,590 H Shares were held in the lending pool, and 440,429,162 H shares were held through derivatives. In the short position of 316,227,606 H Shares, 307,161,606 H Shares were held through derivatives.

3. "S" denotes short position, "P" denotes lending pool.

4. Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2022, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd.

Central Huijin Investment Ltd. ("Huijin") is a state-owned investment company established on 16 December 2003 under the Company Law, with Mr. PENG Chun as its legal representative. Wholly owned by China Investment Corporation ("CIC"), Huijin makes equity investments in major state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises its rights and fulfils its obligations as an investor to major state-owned financial institutions on behalf of the State, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the major state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2022, the basic information of companies directly held by Huijin is as follows:

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

Notes:

1. ★ denotes A-Share listed company and ☆ denotes H-Share listed company.

2. Besides the above companies controlled or held by Huijin, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd., established in November 2015 and registered in Beijing with registered capital of RMB5 billion, engages in asset management business.

For further details regarding China Investment Corporation, please refer to the information on its website (www.china-inv.cn). Please refer to the *Announcement on Matters Related to the Incorporation of China Investment Corporation* published on 9 October 2007 by the Bank for relevant information regarding China Investment Corporation.

As at 31 December 2022, no other legal-person shareholder held 10% or more voting shares of the Bank (excluding HKSCC Nominees Limited).

Incumbent Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. CHEN Jianbo and Mr. HUANG Binghua were recommended by Huijin, shareholder of the Bank.

Preference Shares

Issuance and Listing of Preference Shares in the Past Three Years

With the approval of the CBIRC (Yinbaojianfu [2019] No. 630) and the CSRC (Zhengjianxuke [2020] No. 254), the Bank made a non-public issuance of USD2.820 billion Offshore Preference Shares (Second Tranche) on 4 March 2020 in the offshore market. The Offshore Preference Shares (Second Tranche) have been listed on the Hong Kong Stock Exchange since 5 March 2020.

For the terms of issuance of the Offshore Preference Shares, please refer to the Bank's announcements published on the websites of the SSE, the HKEX and the Bank.

Number of Preference Shareholders and Shareholdings

The number of preference shareholders as at 31 December 2022 was 72, including 71 domestic preference shareholders and 1 offshore preference shareholder.

The number of preference shareholders as at the end of the last month before the disclosure of this report was 75, including 74 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 31 December 2022 are set forth below:

Unit: Share

No.	Name of preference shareholder	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	–	200,000,000	16.70%	None	Other	Domestic Preference Shares
2	The Bank of New York Mellon Corporation	–	197,865,300	16.52%	Unknown	Foreign legal person	Offshore Preference Shares
3	Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No.1 Collective Capital Trust Plan	16,605,000	136,065,000	11.36%	None	Other	Domestic Preference Shares
4	CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	(21,000,000)	112,000,000	9.35%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited – traditional – general insurance product – 005L – CT001SH	–	70,000,000	5.84%	None	Other	Domestic Preference Shares
6	Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No.1 Collective Capital Trust Plan	–	54,540,000	4.55%	None	Other	Domestic Preference Shares
7	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	–	54,400,000	4.54%	None	Other	Domestic Preference Shares
8	Postal Savings Bank of China Co., Ltd.	–	40,000,000	3.34%	None	State-owned legal person	Domestic Preference Shares
9	Shanghai Tobacco Group Co., Ltd.	–	30,000,000	2.50%	None	State-owned legal person	Domestic Preference Shares
9	Ping An Life Insurance Company of China – universal – individual universal insurance	–	30,000,000	2.50%	None	Other	Domestic Preference Shares

Notes:

1. The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintained accounts with Euroclear and Clearstream as at 31 December 2022, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

2. As at 31 December 2022, "China Life Insurance Company Limited – traditional – general insurance product – 005L – CT001SH" was one of both the Bank's top ten ordinary shareholders and top ten preference shareholders.

3. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, or among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

Profit Distribution of Preference Shares

For the profit distribution policy and profit distribution arrangement of the preference shares during the reporting period, please refer to the section "Report of the Board of Directors".

Exercising Redemption Rights of Preference Shares

During the reporting period, there was no redemption of the preference shares of the Bank.

Other Information regarding the Preference Shares

During the reporting period, there was no conversion into ordinary shares or voting rights recovery in respect of the preference shares of the Bank.

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Preference shares issued are non-derivative instruments that will be settled in the entity's own equity instruments, but include no contractual obligation for the entity to deliver a variable number of its own equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs arising from preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of the Domestic Preference Shares and Offshore Preference Shares have been fully used to replenish the Bank's additional tier 1 capital and increase its capital adequacy ratio.

Issuance of Other Securities

Please refer to Note V. 31 to the Consolidated Financial Statements for details of bonds issued by the Bank.

No shares of the Bank have been specifically issued to its employees.

Directors, Supervisors and Senior Management Members

Basic Information

Incumbent Directors, Supervisors and Senior Management Members

Incumbent Directors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Director**
LIU Jin	1967	Male	Vice Chairman and President	From June 2021 to the date of the Annual General Meeting in 2024
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From February 2019 to the date of the Annual General Meeting in 2024
XIAO Lihong	1965	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2023
WANG Xiaoya	1964	Female	Non-executive Director	From August 2017 to the date of the Annual General Meeting in 2023
ZHANG Jiangang	1973	Male	Non-executive Director	From July 2019 to June 2025
CHEN Jianbo	1963	Male	Non-executive Director	From June 2020 to the date of the Annual General Meeting in 2023
HUANG Binghua	1966	Male	Non-executive Director	From March 2022 to March 2025
JIANG Guohua	1971	Male	Independent Director	From December 2018 to the date of the Annual General Meeting in 2024
Martin Cheung Kong LIAO	1957	Male	Independent Director	From September 2019 to June 2025
CHUI Sai Peng Jose	1960	Male	Independent Director	From September 2020 to June 2025
Jean-Louis EKRA	1951	Male	Independent Director	From May 2022 to May 2025
E Weinan	1963	Male	Independent Director	From July 2022 to July 2025
Giovanni TRIA	1948	Male	Independent Director	From July 2022 to July 2025

Incumbent Supervisors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Supervisor**
ZHANG Keqiu	1964	Female	Chairwoman of the Board of Supervisors	From January 2021 to the date of the Annual General Meeting in 2024
WEI Hanguang	1971	Female	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
ZHOU Hehua	1975	Male	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
JIA Xiangsen	1955	Male	External Supervisor	From May 2019 to the date of the Annual General Meeting in 2025
HUI Ping	1960	Male	External Supervisor	From February 2022 to the date of the Annual General Meeting in 2025
CHU Yiyun	1964	Male	External Supervisor	From June 2022 to the date of the Annual General Meeting in 2025

Incumbent Senior Management Members				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Senior Management Member**
LIU Jin	1967	Male	Vice Chairman and President	From April 2021
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From March 2018
ZHANG Yi	1971	Male	Executive Vice President	From March 2023
ZHANG Xiaodong	1972	Male	Executive Vice President	From March 2023
LIU Jiandong	1969	Male	Chief Risk Officer	From February 2019
ZHAO Rong	1971	Female	Chief Business and Management Officer	From December 2022
ZHUO Chengwen	1970	Male	Chief Audit Officer	From May 2021
MENG Qian	1965	Female	Chief Information Officer	From May 2022

Note: During the reporting period, no incumbent director, supervisor or senior management member held any share of the Bank.

Former Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position held before leaving the post	Term of office
LIU Liange	1961	Male	Chairman	From October 2018 to March 2023
WANG Wei	1963	Male	Executive Director and Executive Vice President	From June 2020 to March 2023
ZHAO Jie	1962	Male	Non-executive Director	From August 2017 to March 2022
WANG Changyun	1964	Male	Independent Director	From August 2016 to June 2022
Angela CHAO	1973	Female	Independent Director	From January 2017 to June 2022
CHEN Chunhua	1964	Female	Independent Director	From July 2020 to August 2022
LENG Jie	1963	Male	Employee Supervisor	From December 2018 to January 2023
ZHENG Zhiguang	1953	Male	External Supervisor	From May 2019 to June 2022
CHEN Huaiyu	1970	Male	Executive Vice President	From April 2021 to February 2023
WANG Zhiheng	1973	Male	Executive Vice President	From August 2021 to January 2023
MEI Feiqi	1962	Male	Secretary to the Board of Directors and Company Secretary	Company Secretary from March 2018 to August 2022 Secretary to the Board of Directors from April 2018 to August 2022

Notes:

1. No former director, supervisor or senior management member held any share of the Bank during their terms of office.

2. Please refer to the above table for the term of office of Mr. LIU Liange as former Director of the Bank. His term of office as former President of the Bank started from August 2018 to June 2019.

3. Please refer to the above table for the term of office of Mr. WANG Wei as former Director of the Bank. His term of office as former Executive Vice President of the Bank started from December 2019.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2022

Name	Position	Remuneration before tax from the Bank in 2022 (Unit: RMB ten thousand)				Remunerated by shareholding companies or other connected parties
		Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	
Incumbent Directors, Supervisors and Senior Management Members						
LIU Jin	Vice Chairman and President	65.63	21.08	–	86.71	No
LIN Jingzhen	Executive Director and Executive Vice President	59.07	20.40	–	79.47	No
XIAO Lihong	Non-executive Director	–	–	–	–	Yes
WANG Xiaoya	Non-executive Director	–	–	–	–	Yes
ZHANG Jiangang	Non-executive Director	–	–	–	–	Yes
CHEN Jianbo	Non-executive Director	–	–	–	–	Yes
HUANG Binghua	Non-executive Director	–	–	–	–	Yes
JIANG Guohua	Independent Director	60.00	–	–	60.00	Yes
Martin Cheung Kong LIAO	Independent Director	45.00	–	–	45.00	Yes
CHUI Sai Peng Jose	Independent Director	49.29	–	–	49.29	Yes
Jean-Louis EKRA	Independent Director	25.00	–	–	25.00	Yes
E Weinan	Independent Director	15.24	–	–	15.24	Yes
Giovanni TRIA	Independent Director	17.42	–	–	17.42	Yes
ZHANG Keqiu	Chairwoman of the Board of Supervisors	65.63	21.08	–	86.71	No
WEI Hanguang	Employee Supervisor	5.00	–	–	5.00	No
ZHOU Hehua	Employee Supervisor	5.00	–	–	5.00	No
JIA Xiangsen	External Supervisor	26.00	–	–	26.00	No
HUI Ping	External Supervisor	22.26	–	–	22.26	No
CHU Yiyun	External Supervisor	12.70	–	–	12.70	No
ZHANG Yi	Executive Vice President	–	–	–	–	–
ZHANG Xiaodong	Executive Vice President	–	–	–	–	–
LIU Jiandong	Chief Risk Officer	101.94	22.85	2.00	126.79	No
ZHAO Rong	Chief Business and Management Officer	–	–	–	–	No
ZHUO Chengwen	Chief Audit Officer	101.94	22.85	2.00	126.79	No
MENG Qian	Chief Information Officer	59.47	13.87	1.20	74.54	No

Name	Position	Remuneration before tax from the Bank in 2022 (Unit: RMB ten thousand)				Remunerated by shareholding companies or other connected parties
		Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	
Former Directors, Supervisors and Senior Management Members						
LIU Liange	Chairman	65.63	21.08	–	86.71	No
WANG Wei	Executive Director and Executive Vice President	59.07	20.40	–	79.47	No
ZHAO Jie	Non-executive Director	–	–	–	–	Yes
WANG Changyun	Independent Director	30.00	–	–	30.00	Yes
Angela CHAO	Independent Director	22.50	–	–	22.50	Yes
CHEN Chunhua	Independent Director	32.93	–	–	32.93	Yes
LENG Jie	Employee Supervisor	5.00	–	–	5.00	No
ZHENG Zhiguang	External Supervisor	12.89	–	–	12.89	No
CHEN Huaiyu	Executive Vice President	59.07	20.40	–	79.47	No
WANG Zhiheng	Executive Vice President	59.07	20.40	–	79.47	No
MEI Feiqi	Secretary to the Board of Directors and Company Secretary	48.54	10.78	2.79	62.11	No

Notes:

1. In accordance with the government regulations, since 1 January 2015, the Bank remunerates Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and Executive Vice Presidents pursuant to the rules on remuneration reform for central enterprises.

2. The 2022 final remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, executive directors and other senior management members is to be determined and will be disclosed in an additional announcement by the Bank.

3. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, and employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income. Independent directors receive directors' remunerations and allowances. Other directors are not remunerated by the Bank. Chairman of the Board of Directors, executive directors and senior management members do not receive any remuneration from the Bank's subsidiaries.

4. The remuneration for independent directors is determined based on the resolutions of the 2007 Annual General Meeting and the 2019 Second Extraordinary General Meeting. The remuneration for external supervisors is determined based on the resolutions of the 2009 Annual General Meeting.

5. In 2022, Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. CHEN Jianbo, Mr. HUANG Binghua and Mr. ZHAO Jie were not remunerated by the Bank.

6. Some independent directors of the Bank served as independent non-executive directors of other legal entities or organisations, which caused such legal entities or organisations to be defined as connected parties of the Bank. Save as disclosed above, none of the directors, supervisors or senior management members of the Bank was remunerated by the connected parties of the Bank during the reporting period.

7. The above persons' remuneration is calculated on the basis of their actual time working as directors, supervisors or senior management members of the Bank in 2022. Employee supervisors' remuneration above is paid for their service as supervisors of the Bank during the reporting period.

8. For the starting time of the term of office of the above-mentioned directors, supervisors and senior management members, please refer to the section "Basic Information".

9. The Bank incurred RMB13.5447 million in remuneration to its directors, supervisors and senior management members' services in 2022.

Positions Held in Shareholding Companies by Directors, Supervisors and Senior Management Members

Save as disclosed above, in 2022, none of the Bank's directors, supervisors or senior management members held any position in the shareholding companies of the Bank.

Biographies of Directors, Supervisors and Senior Management Members

Directors

LIU Jin
Vice Chairman and President

Vice Chairman of the Board of Directors of the Bank since June 2021 and President of the Bank since April 2021. Mr. LIU joined the Bank in 2021. Prior to that, Mr. LIU served as Executive Director of China Everbright Group Ltd. from December 2019 to March 2021, President of China Everbright Bank from January 2020 to March 2021, and Executive Director of China Everbright Bank from March 2020 to March 2021. From September 2018 to November 2019, he worked at China Development Bank as its Executive Vice President. Mr. LIU had worked in Industrial and Commercial Bank of China (ICBC) for many years, serving as Deputy General Manager of its Shandong Branch, Vice Chairman, Executive Director, General Manager of ICBC (Europe) and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of its Head Office, and General Manager of its Jiangsu Branch. Mr. LIU began to serve as Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited as of August 2021. He graduated from Shandong University in 1993 with a Master of Arts degree. He holds the title of Senior Economist.

LIN Jingzhen
Executive Director and Executive Vice President

Executive Director of the Bank since February 2019 and Executive Vice President of the Bank since March 2018. Mr. LIN joined the Bank in 1987. He served as Deputy Chief Executive of BOC Hong Kong (Holdings) Limited from May 2015 to January 2018, as General Manager of the Corporate Banking Department of the Bank from March 2014 to May 2015, and as General Manager (Corporate Banking) of the Corporate Banking Unit of the Bank from October 2010 to March 2014. Prior to this, he successively served as Deputy General Manager of Corporate Banking Department and Corporate Banking Unit of the Bank. Mr. LIN served as Chairman of BOC International Holdings Limited from April 2018 to December 2020 and Chairman of BOC International (China) Co., Ltd. from May 2018 to April 2022. He has been serving as Non-executive Director of BOC Hong Kong (Holdings) Limited since August 2018. He graduated from Xiamen University in 1987, and obtained a Master of Business Administration Degree from Xiamen University in 2000.

XIAO Lihong
Non-executive Director

Non-executive Director of the Bank since August 2017. Ms. XIAO has been serving as Non-executive Director of China Everbright Group Ltd. since March 2023. She was Non-executive Director of China Galaxy Asset Management Co., Ltd. from December 2020 to September 2021, Non-executive Director of China Galaxy Financial Holdings Company Limited from October 2018 to September 2021 and Non-executive Director of China Galaxy Securities Company Limited from February 2019 to June 2021. She served as Inspector of the Current Account Management Department of the SAFE from April 2014 to August 2017. She was Deputy Director-General of the Current Account Management Department of the SAFE from September 2004 to April 2014, and concurrently as Vice General Manager and Party Committee Member of the Beijing Branch of China Construction Bank from July 2011 to July 2012. She served successively as Deputy Chief of the Current Account Division and the Nontrade Foreign Exchange Management Division of the Supervision and Inspection Department, and Chief of the Business Supervision Division of the Current Account Management Department of the SAFE from October 1996 to September 2004. She graduated from the China Central University of Finance and Economics in August 1988 with a Bachelor's Degree, and from the Central University of Finance and Economics and Peking University in September 2003 and July 2012, respectively, both with a Master's Degree.

WANG Xiaoya
Non-executive Director

Non-executive Director of the Bank since August 2017. Ms. WANG has been serving as Non-executive Director of China Reinsurance (Group) Corporation since August 2019. She served as Non-executive Director of Industrial and Commercial Bank of China Limited from January 2012 to June 2017. From May 2007 to December 2011, she was Deputy Director-General of the Research Bureau of the PBOC. She served as Deputy Chief and Chief of the Macroeconomic Analysis Division of the Research Bureau of the PBOC from July 1997 to May 2007, and concurrently as Deputy Mayor of Tongliao City in the Inner Mongolia Autonomous Region from October 2005 to February 2007. She taught at the Central China Normal University where she served as Assistant Lecturer and Lecturer from July 1985 to January 1995. Ms. WANG graduated from the Economics Faculty of Central China Normal University and the Graduate School of Chinese Academy of Social Sciences in January 1990 and June 1997 with a Master's Degree and a Doctor's Degree, respectively. She received a professional title of research fellow in 2005. Ms. WANG was a member of the Post-Doctoral Academic Committee and a Post-Doctoral Co-mentor at the Institute of Finance of PBOC. Currently, she is a member of the Academic Committee of the China Institute for Rural Studies of Tsinghua University, Invited Researcher of the National Institute of Financial Research of Tsinghua University and Doctoral Supervisor of Southwestern University of Finance and Economics.

ZHANG Jiangang
Non-executive Director

Non-executive Director of the Bank since July 2019. Mr. ZHANG served as member of the Party Committee, Secretary of Party Discipline Committee, Deputy Secretary-General, and Chairman of the Financial Evaluation Committee of the China Appraisal Society from May 2016 to July 2019. From August 2014 to May 2016, Mr. ZHANG served as Deputy Secretary-General of the China Appraisal Society. From September 2000 to August 2014, he worked in the Department of Personnel and Education of the Ministry of Finance, successively serving as the Principal Staff Member, Deputy Director and Director. From November 1998 to September 2000, Mr. ZHANG served as a cadre of the editorial office of the *State Assets Management* of the Ministry of Finance. From July 1995 to November 1998, he served as a cadre of the former State-owned Assets Administration Bureau. Mr. ZHANG graduated from the China Youth University of Political Studies in July 1995 with a Bachelor's Degree in Law, and obtained a Master's Degree in Management from the Graduate School of the Chinese Academy of Fiscal Sciences of the Ministry of Finance in December 2002. He holds the title of Senior Economist.

CHEN Jianbo
Non-executive Director

Non-executive Director of the Bank since June 2020. Mr. CHEN served as Non-executive Director of Agricultural Bank of China Limited from January 2015 to June 2020. He previously served as Assistant Research Fellow and Deputy Division Chief, Institute of Development of the Rural Policy Research Office of the Secretariat of the CPC Central Committee and the Rural Development Research Center of the State Council; Division Chief and Research Fellow of the Development Research Center of the State Council; and Director-General of the General Office of the Central Leading Group for Financial and Economic Affairs and the Office of Central Rural Work Leading Group. He once led and participated in research and technical assistance projects sponsored by the World Bank, Asian Development Bank, European Union, United Nations Development Programme, United Nations Industrial Development Organization and other international institutions. He also hosted a number of research projects in cooperation with institutions in the U.S. and Japan, etc. He had multiple appointments as a consulting expert by the World Bank, Asian Development Bank and other institutions. Besides, he was a Visiting Scholar at Brandeis University, and a Visiting Research Fellow at Institute of Developing Economies in Japan and Asian Development Bank Institute. He received a PhD in Management from Renmin University of China in May 2005.

HUANG Binghua
Non-executive Director

Non-executive Director of the Bank since March 2022. Mr. HUANG served as Deputy Director of the Department of Asset Management of the Ministry of Finance from August 2018 to March 2022. From September 2015 to August 2018, he served successively as Party Committee Member, Vice Party Secretary, and Deputy Director of the Budget Assessment and Review Center of the Ministry of Finance. From August 2014 to September 2015, he served as Chief of the Comprehensive Division of Department of Asset Management of the Ministry of Finance. From July 2000 to August 2014, he worked at the Department of Enterprises of the Ministry of Finance and successively held the positions of Principal Staff Member, Deputy Chief, Chief of the Third Division of Enterprises, Chief of the State-owned Capital Budget Management Division, Chief of the Enterprise Operation Division, and Chief of the Comprehensive Division. From February 1996 to July 2000, he served at the Department of Property Rights Registration and Asset Statistics of the National State-owned Assets Management Bureau and the Department of Asset Assessment of the Ministry of Finance. Mr. HUANG graduated from the School of Government, Peking University majoring in Administrative Management and obtained a Bachelor’s Degree in Law.

JIANG Guohua
Independent Director

Independent Director of the Bank since December 2018. Mr. JIANG serves as Professor of Accounting at the Guanghua School of Management, Peking University. Currently he also serves as a member of China National MPAcc Education Steering Committee, Deputy Provost and Associate Dean of Graduate School of Peking University. Mr. JIANG has successively served as Assistant Professor, Associate Professor and Professor of the Accounting Department of Guanghua School of Management, Peking University since 2002, during which he successively served as Director of the Yenching Academy, Executive Associate Dean and Director of the Yenching Academy from 2013 to 2017. From 2007 to 2010, he was a senior investment consultant at Bosera Fund Management Company; from 2010 to 2016, he served as independent director of Datang International Power Generation Co. Ltd.; from 2011 to 2014, he was an academic advisor to the Global Valuation Institute of KPMG International; and from 2014 to 2015, he was a member of the Global Agenda Council of the World Economic Forum. Currently he also serves as independent director of ZRF Fund Management Company Ltd., China Merchants Life Insurance Company Ltd. and Kweichow Moutai Co., Ltd. Mr. JIANG was named National Leading Talent in Accounting by China Ministry of Finance (2012). He was an Elsevier Chinese Most Cited Researcher consecutively from 2014 to 2017. He was a member of the 17th Stock Issuance Review Committee of China Securities Regulatory Commission. Mr. JIANG graduated from Peking University in 1995 with a Bachelor's Degree in Economics, received his Master's Degree in Accounting from Hong Kong University of Science and Technology in 1997, and obtained his Doctor's Degree in Accounting from the University of California, Berkeley in 2002.

Martin Cheung Kong LIAO
Independent Director

Independent Director of the Bank since September 2019. Mr. LIAO was called to the Bar in England and Wales in 1984 and was called to the Bar in Hong Kong in 1985 and is a practicing barrister in Hong Kong, and is admitted an Advocate and Solicitor of Singapore since 1992. He has been serving as a Member of the Legislative Council of the Hong Kong Special Administrative Region since 2012. Mr. LIAO has also been serving as a Steward of the Hong Kong Jockey Club since April 2013, an Independent Non-executive Director of Hang Lung Group Limited since November 2014, Chairman of the Advisory Committee on Corruption of the Independent Commission against Corruption since January 2019, and standing committee member of the 14th National Committee of the Chinese People's Political Consultative Conference since March 2023. Mr. LIAO has been appointed as a Non-Official Member of the Executive Council of the Hong Kong Special Administrative Region since November 2016. He was appointed as Justice of the Peace in 2004, was awarded the Silver Bauhinia Star in 2014 and was awarded the Gold Bauhinia Star in 2019. He is elected as Deputy of the Hong Kong Special Administrative Region to the 11th, 12th and 13th National People's Congress of the People's Republic of China. Mr. LIAO previously served as Chairman of the Anti-Money Laundering and Counter Terrorist Financing Review Tribunal and Chairman of The Hong Kong Council for Accreditation of Academic and Vocational Qualifications. He graduated from University College London with a Bachelor of Economic Science (Hons) Degree in 1982 and a Master of Laws Degree in 1985.

CHUI Sai Peng Jose
Independent Director

Independent Director of the Bank since September 2020. Mr. CHUI is currently the President of CAA City Planning & Engineering Consultants Ltd. of Macao, and Da Chang (Zhuhai) Concrete Pile Co., Ltd., CEO of Parafuturo de Macau Investment and Development Ltd., and Chairman of Board of Directors of Macao Young Entrepreneur Incubation Centre. He is also the Deputy of the Macao SAR to the 14th National People's Congress, Deputy of Legislative Assembly of the Macao SAR, and member of the Economic Development Committee of the Macao SAR. In addition, he serves as a member of the National Committee of China Association for Science and Technology, Vice-President of Board of Directors of Macao Chamber of Commerce, Vice-President of General Assembly of the Macao Association of Building Contractors and Developers. Mr. CHUI served as the President of Hou Kong Junior Chamber in 1994 and President of Junior Chamber International Macao, China in 1999. He was the President of Committee for Building Appraisal of the Macao SAR from 2002 to 2015. He served as member and Vice-President of the Committee of Cultural Industries of the Macao SAR from 2010 to 2016. Currently he serves as Independent Director of Luso International Banking Ltd. Mr. CHUI is a registered Urban Planner and Civil Engineer of Macao. He is also a registered Civil Engineer and Structural Engineer (Senior Engineer Level) of California, USA. Mr. CHUI received his Bachelor's Degree in Civil Engineering from University of Washington in 1981, and received his Master's Degree in Civil Engineering from University of California, Berkeley in 1983. He graduated from Tsinghua University in 2002 with a Doctor's Degree in Urban Planning.

Jean-Louis EKRA
Independent Director

Independent Director of the Bank since May 2022. Mr. EKRA currently sits on the Board of several institutions including Africa Economic Research Consortium (AERC), the Fund for Export Development in Africa (FEDA). He is the founder of Ayipling Morrison Capital, a venture capital and financial advisory firm. He was until September 2015 President and Chairman of the Board of the African Export-Import Bank (Afreximbank or the Bank) in Cairo, Egypt. He assumed this role in January 2005 after holding successively the positions of Executive Vice-President and Senior Executive Vice-President of the Bank. Under his leadership, the Bank was assigned an investment grade credit rating by 3 major international rating agencies (Fitch, Moody's and S&P) and won many awards and Prizes for excellence given by various reputable organisations. Before joining Afreximbank in 1996, he held senior positions in different institutions including: Vice-President in charge of International Financial Institutions at Citibank NA Abidjan; Managing Director of Société Ivoirienne de la Poste et de l'Epargne (SIPE); Country Manager for the West African Economic & Monetary Union (UEMOA) and Partner at DKS Investment, a financial advisory firm in Jersey. He was for 4 years elected Honorary President of the Global Network of Exim Banks and Development Finance Institutions (G-NEXID). In 2011, Mr. EKRA was listed among the 100 most influential people of Africa by "New African". In 2013, he received the "Lifetime Achievement Award" from "African Bankers". In 2016, he was awarded the honour of Commandeur de l'Ordre National of Côte d'Ivoire. He holds a Master of Business Administration from Stern School of Business at New York University (NYU) and a Master of Economics from University of Abidjan, Côte d'Ivoire.

E Weinan
Independent Director

Independent Director of the Bank since July 2022. Mr. E is an Academician of Chinese Academy of Sciences, Professor of School of Mathematical Sciences at Peking University, director of Center for Machine Learning Research at Peking University, and joint director of the National Engineering Laboratory of Big Data Analysis and Applied Technology of Peking University. He is also Director of Beijing Institute of Big Data Research, and Dean of School of Data Science, University of Science and Technology of China. He once served as a faculty member of Institute for Advanced Study, Princeton University of the United States from 1991 to 1994, Associate Professor and Professor of Courant Institute of Mathematical Sciences, New York University from 1994 to 1999, Professor of School of Mathematical Sciences, Peking University, and Chair Professor of the Cheung Kong Scholars Program from 2000 to 2019, Professor of Department of Mathematics and PACM of Princeton University of the United States from 1999 to 2022. He has concurrently served as Chief Scientist of Beijing Zhijian Moqi Technology Co., Ltd. since 2016, and Director and Chief Scientific Advisor of Beijing Shenshi Technology Co., Ltd. since 2018. He obtained his bachelor's degree from University of Science and Technology of China in 1982, master's degree from Computing Center of Chinese Academy of Sciences in 1985, doctor's degree from University of California, Los Angeles in 1989, and postdoctoral degree from Courant Institute of Mathematical Sciences, New York University in 1991.

Giovanni TRIA
Independent Director

Independent Director of the Bank since July 2022. Mr. TRIA is an economist with more than 40 years of academic and professional experience in the fields of macroeconomics, price policies, economic development policies, business cycle and growth, public investment assessment and project evaluation, role of the institutions on the process of growth, economics of crime and economics of corruption, service sector and public sector economics. He received his degree in Law from University in Rome "La Sapienza" in 1971, then became associate professor and full professor of Political Economy at Faculty of Economics, the University of Rome Tor Vergata, where he served as Dean of the Faculty from 2016 to May 2018 until he was appointed Minister of Economic and Finance of Italy in the Conte I Cabinet and member of the IMF Board of Governors from June 2018 to September 2019. He was adviser of the Italian Ministry of Economic Development in the Draghi Cabinet from March 2021 to October 2022. Currently he is honorary professor at University of Rome Tor Vergata and since January 2022 he is President of the Foundation Enea Tech Biomedical. His past professional and academic positions include expert at the Department of Treasury and member of the "Evaluation Team of Public Investments" at the Ministry of Budget of Italy from 1987 to 1990, visiting scholar at the Department of Economics at Columbia University in 1986, consultant at the World Bank from 1998 to 2000, consultant at the Ministry of Foreign Affairs (Directorate General for Development Cooperation) from 1999 to 2002, Delegate for the Italian Government at the Governing Body of International Labour Organization from 2002 to 2006 and from 2009 to 2012, Vice Chair of Committee for Information, Computer and Communication Policy (ICCP) and Member of the Innovation Strategy Expert Advisory Group at OECD from 2009 to 2011. He served as Director of Center for Economic and International Studies at University of Rome Tor Vergata from 2000 to 2009 and as President of Italian National School of Administration from 2010 to 2016.

Supervisors

ZHANG Keqiu
Chairwoman of the Board of Supervisors

Chairwoman of the Board of Supervisors of the Bank since January 2021. Ms. ZHANG previously served in several positions at Agricultural Bank of China for many years. She served as Executive Director and Executive Vice President of Agricultural Bank of China from April 2019 to November 2020. She served as Executive Vice President of Agricultural Bank of China from July 2017. From June 2015 to April 2018, she served as Secretary to the Board of Directors of Agricultural Bank of China. Before that, she successively served as General Manager of the Asset and Liability Management Department, General Manager of the Financial Accounting Department and Chief Financial Officer of Agricultural Bank of China. She graduated from Nankai University in 1988 with a Master's Degree in Economics. In addition, she holds the title of Senior Accountant.

WEI Hanguang
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Ms. WEI currently serves as General Manager of the Human Resources Department of the Head Office of the Bank. Ms. WEI is also a director of BOC International Holdings Limited, Bank of China Group Investment Limited and BOC Aviation Limited. She joined the Bank in July 1994, and used to serve as Deputy General Manager of the Human Resources Department of the Head Office, Executive Deputy Director of Office of the Leading Group for Comprehensively Deepening Reform and Deputy General Manager of the Human Resources Department of the Head Office of the Bank, and General Manager of the Human Resources Department of the Head Office of the Bank. She graduated from Tsinghua University and obtained a Master's Degree in Business Administration.

ZHOU Hehua
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Mr. ZHOU currently serves as General Manager of the Credit Approval Department of the Head Office of the Bank. He joined the Bank in August 1997, and used to serve as Assistant to General Manager of Shanghai Branch, Deputy General Manager of Shanghai Branch, and Deputy General Manager of Fujian Branch and General Manager of Xiamen Branch of the Bank. He graduated from China Europe International Business School and obtained a Master's Degree in Business Administration.

JIA Xiangsen
External Supervisor

External Supervisor of the Bank since May 2019. Mr. JIA had successively worked in the PBOC and Agricultural Bank of China ("ABC"). From December 1983 to April 2008, Mr. JIA served as Deputy Director of the PBOC Fengtai District Office, and held such positions at ABC as Deputy Head of Beijing Fengtai Sub-branch, Deputy Division Chief at Beijing Branch, Head of Beijing Dongcheng Sub-branch, Deputy General Manager of Beijing Branch, General Manager of the Corporate Banking Department of the ABC Head Office, and General Manager of Guangdong Branch. From April 2008 to March 2010, Mr. JIA served as Principal of Audit Office of ABC. From March 2010 to March 2014, he was concurrently Chief Auditor and Principal of the Audit Office of ABC. Mr. JIA currently serves as Independent Director of China Life Pension Company Limited. Mr. JIA received his Master's Degree in Monetary Banking from the Chinese Academy of Social Sciences. He holds the title of Senior Economist.

HUI Ping
External Supervisor

External Supervisor of the Bank since February 2022. Mr. HUI had successively worked for the PBOC and the Industrial and Commercial Bank of China ("ICBC"). Mr. HUI joined and worked for Qingjian County sub-branch of PBOC Shaanxi Branch in December 1980, joined and worked for Qingjian sub-branch of ICBC Shaanxi Branch in August 1986. From May 1994 to December 2010, he held various positions at ICBC Shaanxi Branch, including, among others, secretary at deputy director level of the office, deputy director of the office and director of the office, the head of Shaanxi Xianyang Branch, deputy general manager of Shaanxi Branch, and general manager of Shaanxi Branch of ICBC. From December 2010 to June 2015, Mr. HUI served as general manager of the internal control and compliance department of the ICBC Head Office. From June 2015 to April 2019, Mr. HUI served as deputy secretary of party discipline committee, director of the discipline enforcement department of the ICBC Head Office. From April 2019 to July 2020, Mr. HUI served as deputy head of the discipline inspection and supervision group dispatched to ICBC by the CPC Central Commission for Disciplinary Inspection and the State Committee of Supervisory. From September 2015 to September 2020, Mr. HUI concurrently served as employee supervisor of ICBC. He graduated from Xiamen University with a Doctor's Degree in Finance. He holds the title of Senior Economist.

CHU Yiyun
External Supervisor

External Supervisor of the Bank since June 2022. Mr. CHU is currently a professor and doctoral supervisor in accounting of Shanghai University of Finance and Economics, the executive secretary-general of the Accounting Education Branch of the Accounting Society of China, and a director of the eighth session of the Council of the Accounting Society of China. Mr. CHU has been serving as the secretary, assistant professor, lecturer, associate professor, postgraduate supervisor, professor, and doctoral supervisor of the Accounting Faculty of Shanghai University of Finance and Economics since 1986. From 2003 to 2005, Mr. CHU served as an expert advisor on accounting standards of the Accounting Standards Committee of the Ministry of Finance. From 2006 to 2010, Mr. CHU served as a council member of the sixth session of the Council of the Finance and Cost Subsociety of the Accounting Society of China. From 2010 to 2016, Mr. CHU served as an independent director of Ping An Bank Co., Ltd. From 2016 to 2022, Mr. CHU served as an independent director of Bank of Jiaxing Co., Ltd. From 2017 to 2020, Mr. CHU served as an external supervisor of Ping An Bank Co., Ltd. He currently serves as an independent director of Ping An Insurance (Group) Company of China, Ltd., an independent director of Huan Xu Electronics Co., Ltd., and an independent director of Bank of Hebei Co., Ltd. Mr. CHU graduated from Shanghai University of Finance and Economics with a Doctor's Degree in Management (Accounting) in 1999.

Senior Management Members

LIU JIN
Vice Chairman and President

Please refer to the section "Directors"

LIN Jingzhen
Executive Director and Executive Vice President

Please refer to the section "Directors"

ZHANG Yi
Executive Vice President

Executive Vice President of the Bank since March 2023. Mr. ZHANG joined the Bank in 2023. Mr. ZHANG served as Executive Vice President of Agricultural Bank of China from November 2021 to March 2023, as Chief Financial Officer of China Construction Bank (CCB) from April 2021 to September 2021. Prior to that, Mr. ZHANG previously served as Deputy General Manager of the Asset and Liability Management Department of the Head Office of CCB, Deputy General Manager and General Manager of Jiangsu Branch of CCB, and General Manager of the Finance and Accounting Department of the Head Office of CCB. Mr. ZHANG graduated from Southwestern University of Finance and Economics in 1993, and obtained a Master's Degree in Business Administration from Renmin University of China in 2002. He holds the title of Senior Accountant.

ZHANG Xiaodong
Executive Vice President

Executive Vice President of the Bank since March 2023. Mr. ZHANG joined the Bank in 2022. Prior to that, Mr. ZHANG had worked in Industrial and Commercial Bank of China ("ICBC") for many years, and he served as General Manager of the Human Resources Department of its Head Office from April 2021 to December 2022. Mr. ZHANG served as General Manager of Executive Office of Head Office of ICBC from April 2020 to April 2021, and General Manager of Private Banking Department of Head Office of ICBC from March 2018 to April 2020. He successively served as Deputy General Manager of Investment Banking Department of Head Office of ICBC and Deputy General Manager of Shanghai Branch of ICBC. Mr. ZHANG graduated from Nankai University in 2000, and then obtained his doctoral degree in Management from Beijing Jiaotong University.

LIU Jiandong
Chief Risk Officer

Chief Risk Officer since February 2019. Mr. LIU joined the Bank in 1991. From March 2014 to February 2019, he served as General Manager of the Credit Management Department of the Bank. Mr. LIU served as General Manager (Investment Banking) of the Corporate Banking Unit of the Bank from February 2011 to March 2014. Mr. LIU previously served as Deputy General Manager of the Corporate Banking Department and Corporate Banking Unit of the Bank. He graduated from Renmin University of China in 1991, and obtained a Master's Degree in Economics from Renmin University of China in 2000.

ZHAO Rong
Chief Business and Management Officer

Chief Business and Management Officer of the Bank since December 2022. Ms. ZHAO joined the Bank in 1998. She has served as General Manager of Shanghai Branch of the Bank from November 2015 to October 2020, and Executive Vice President of Shanghai RMB Trading Unit from July 2014 to May 2021. Ms. ZHAO served as General Manager of the Executive Office and Spokesman of the Bank from October 2009 to March 2014. Prior to that, she served successively as Deputy General Manager of the Executive Office, Director of Personal Banking Department and Deputy General Manager (Wealth Management) of the Personal Banking Unit. Ms. ZHAO graduated from the Graduate School of the People's Bank of China in 1998. She obtained a Doctor's Degree in Economics.

ZHUO Chengwen
Chief Audit Officer

Chief Audit Officer of the Bank since May 2021. Mr. ZHUO joined the Bank in 1995. He served as Chief Risk Officer of BOC Hong Kong (Holdings) Limited from November 2019 to February 2021, Mr. ZHUO served as Chief Executive and Executive Director of Bank of China Group Insurance Company Limited from June 2016 to November 2019, and as General Manager of the Financial Management Department of the Bank from December 2014 to June 2016. Prior to that, Mr. ZHUO served as Deputy General Manager of New York Branch, Deputy General Manager of the Financial Management Department of the Bank, and Chief Financial Officer of BOC Hong Kong (Holdings) Limited. He concurrently served as General Manager of the Audit Department of the Bank since January 2022. Mr. ZHUO graduated from Peking University with a Master's Degree in Economics in 1995, and obtained a Master's Degree in Business Administration from the City University of New York in 2005. He has the qualification of Certified Public Accountant.

MENG Qian
Chief Information Officer

Chief Information Officer of the Bank since May 2022. Ms. MENG joined the Bank in 1987. She served as General Manager of Information Technology Department of the Bank from November 2019 to May 2022, and has concurrently served as General Manager of Enterprise Architecture Office since September 2020. From December 2014 to November 2019, Ms. MENG served as General Manager of the Software Center of the Bank. From March 2014 to December 2014, she served as General Manager of the Data Center of the Bank. She served as General Manager of the Information Center of the Bank from September 2009 to March 2014, and also concurrently served as General Manager of the Test Center of the Bank from July 2013 to March 2014. Ms. MENG previously served as Director (technology management) of the Information Center of the Bank, and Deputy General Manager (Person-in-Charge) of the Information Center of the Bank. She graduated from Beijing Computer Science College with a Bachelor's Degree in Engineering in 1987. She holds the title of Senior Engineer.

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. ZHAO Jie ceased to serve as Non-executive Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 15 March 2022 due to a change of job.

Mr. HUANG Binghua began to serve as Non-executive Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 31 March 2022. Mr. HUANG began to serve as Chair and member of the Corporate Culture and Consumer Protection Committee of the Board of Directors of the Bank as of 28 October 2022.

Mr. Jean-Louis EKRA began to serve as Independent Director of the Bank as of 24 May 2022 and as member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 June 2022. Mr. EKRA began to serve as Vice Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2022.

Mr. CHUI Sai Peng Jose began to serve as a member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 June 2022. Mr. CHUI ceased to serve as member of the Audit Committee of the Board of Directors of the Bank as of 27 October 2022 due to personal work arrangements.

Mr. WANG Changyun ceased to serve as Independent Director, Chair and member of the Risk Policy Committee, member of the Strategic Development Committee, member of the Audit Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 30 June 2022 due to expiration of the term of office.

Ms. Angela CHAO ceased to serve as Independent Director, member of the Audit Committee, member of the Risk Policy Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 30 June 2022 due to expiration of the term of office.

Ms. XIAO Lihong began to serve as Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 30 June 2022.

Mr. E Weinan began to serve as Independent Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 25 July 2022.

Mr. Giovanni TRIA began to serve as Independent Director, Vice Chair and member of the Corporate Culture and Consumer Protection Committee, member of the Strategic Development Committee, member of the Audit Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 25 July 2022.

Ms. CHEN Chunhua ceased to serve as Independent Director, Chair and member of the Corporate Culture and Consumer Protection Committee, member of the Strategic Development Committee, and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 29 August 2022, due to personal work arrangements.

Mr. LIU Liange ceased to serve as Chairman, Executive Director, Chair and member of the Strategic Development Committee and member of the Corporate Culture and Consumer Protection Committee of the Board of Directors of the Bank as of 18 March 2023, due to a change of job.

Mr. WANG Wei ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 21 March 2023, due to reason of age.

The Shareholders' Meeting of the Bank reviewed and approved the proposal regarding the election of Mr. ZHANG Yong as Non-executive Director of the Bank. Such appointment is subject to the approval by regulatory authorities.

Changes in the Bank's supervisors were as follows:

Mr. HUI Ping began to serve as External Supervisor of the Bank as of 17 February 2022 and began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors as of 7 March 2022.

Mr. ZHENG Zhiguang ceased to serve as External Supervisor, member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 30 June 2022, due to expiration of the term of office.

Mr. CHU Yiyun began to serve as External Supervisor of the Bank as of 30 June 2022 and began to serve as member of the Duty Performance and Due Diligence Supervision Committee and member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank as of 22 July 2022.

Mr. LENG Jie ceased to serve as Employee Supervisor and member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 31 January 2023 due to reason of age.

Changes in the Bank's senior management members were as follows:

Ms. MENG Qian began to serve as Chief Information Officer of the Bank as of 6 May 2022.

Mr. MEI Feiqi ceased to serve as Secretary to the Board of Directors and Company Secretary of the Bank as of 29 August 2022, due to reason of age.

Ms. ZHAO Rong began to serve as Chief Business and Management Officer of the Bank as of 26 December 2022.

Mr. WANG Zhiheng ceased to serve as Executive Vice President of the Bank as of 13 January 2023, due to a change of job.

Mr. CHEN Huaiyu ceased to serve as Executive Vice President of the Bank as of 3 February 2023, due to a change of job.

Mr. ZHANG Xiaodong began to serve as Executive Vice President of the Bank as of 2 March 2023.

Mr. WANG Wei ceased to serve as Executive Vice President of the Bank as of 21 March 2023, due to reason of age.

Mr. ZHANG Yi began to serve as Executive Vice President of the Bank as of 28 March 2023.

Corporate Governance

Overview of Corporate Governance

The Bank takes excellent corporate governance as an important objective. It consistently pursues best practice in corporate governance and integrates the Party's leadership with its corporate governance improvement efforts. Adhering to the rules and regulations governing capital markets and relevant industries, the Bank constantly strives to improve its corporate governance framework, which comprises the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. This framework operates smoothly owing to a clear division of duties. All special committees of the Board of Directors and the Board of Supervisors performed their duties and functioned effectively, thereby enhancing the Bank's corporate governance capabilities.

The Bank continuously works to improve its corporate governance structure, policies and procedures. It persistently followed up and implemented regulatory requirements regarding capital market, always choosing to adhere to the strictest available standards. It re-examined and self-inspected its corporate governance policies, and comprehensively and systematically reviewed the Articles of Association and rules of procedure of each special committee.

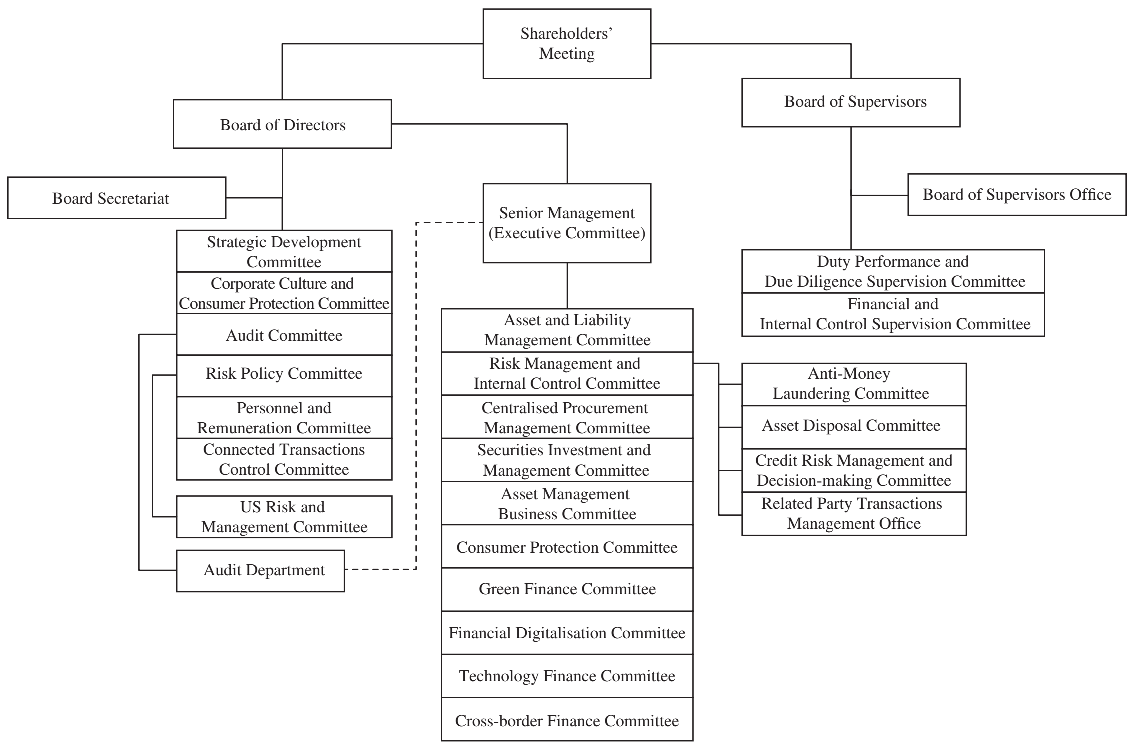
The Bank places great emphasis on improving its corporate governance operation mechanisms. It ensures that minority shareholders are properly informed and able to participate and make decisions. The shareholders' meeting is held on-site, and online voting for A-Share Holders is available to safeguard the rights and interests of the minority shareholders. The Bank focuses on constantly enhancing coordination with respect to the operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. It continues to support the Board of Directors to function more constructively and make scientific and efficient decisions. The Bank strives to heighten transparency and proactively performs its duties to all relevant stakeholders, including shareholders, customers, staff and society.

The Bank makes great efforts to promote Board diversity. It has formulated the *Bank of China Limited Board Diversity Policy*, which lays out the stance of the Bank on the diversity of the members of the Board of Directors and the approaches it adopts to realise such diversity on an ongoing basis. The Board of Directors has successfully realised diversity in all respects at this stage, including gender diversity. All appointments are made on merit, in the context of the skills and experience the Board of Directors as a whole requires, and taking into full consideration various objects and requirements for diversity, including but not limited to regulatory requirements, gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, etc. The Bank has always applied the aforementioned diversity policy and requirements to the director selection and engagement process.

Previously, according to the *Announcement on Carrying out Special Campaigns on Governance of Listed Companies* (CSRC Announcement [2020] No. 69) and the *Notice of Special Self-inspection on Governance of Listed Companies* (CSRC Beijing Office [2020] No. 628), the Bank carried out special self-inspection on corporate governance and has not found any problems that need to be rectified in accordance with the foregoing regulations.

In 2022, the Bank's corporate governance performance continued to be recognised by the capital markets and the public and won the "Special Contribution Award for Corporate Governance" at the 17th Gold Prize of Round Table of Chinese Boards of Listed Company organised by *Directors & Boards*.

Corporate Governance Framework



Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with laws, administrative regulations, and the requirements for the governance of listed companies of the CSRC.

During the reporting period, the Bank strictly observed the *Corporate Governance Code* (the "*Code*") as set out in Appendix 14 to the Hong Kong Listing Rules, complied with all the provisions of the *Code* and has substantially complied with most of the recommended best practices set out in the *Code*.

Amendments to the Articles of Association

During the reporting period, the Bank further improved its corporate governance mechanisms and revised its Articles of Association. The relevant proposal has been considered and approved by the Shareholders' Meeting. The amendments will come into force after being approved by relevant regulatory authorities.

Shareholders and Shareholders' Rights

The Bank highly values the protection of its shareholders' interests and has established and maintained an effective and multi-channel shareholder communication platform. This includes holding shareholders' meetings and maintaining an investor hotline to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank. The Bank is independent and completely autonomous in all of its business operations. It operates independently and separately from its controlling shareholder, Huijin, in respect of its business, personnel, asset, institutional and financial matters.

Shareholders' Right to Convene an Extraordinary Shareholders' Meeting and a Meeting of Shareholders of Different Categories

According to the Articles of Association, shareholders individually or in aggregate holding a total of 10% or more voting shares of the Bank have the right to make a written request to the Board of Directors to convene an extraordinary shareholders' meeting. Two or more shareholders holding a total of 10% or more voting shares of the Bank may sign one or more written requests of identical form and substance requesting the Board of Directors to convene a meeting of shareholders of different categories and stating the subject of the meeting. If the Board of Directors fails to issue a notice of such a meeting within 30 days after receipt of a written request for convening an extraordinary shareholders' meeting or a meeting of shareholders of different categories submitted by the proposing shareholders, the proposing shareholders may by themselves convene the meeting within four months after the Board of Directors receives the request. The procedures according to which they convene such a meeting shall, to the extent possible, be identical to the procedures according to which shareholders' meetings are convened by the Board of Directors. Where the proposing shareholders convene and hold a meeting because the Board of Directors fails to convene such a meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Bank and shall be deducted from the sums owed by the Bank to the negligent directors.

Shareholders' Right to Propose Resolutions at Shareholders' Meetings

According to the Articles of Association, any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose and submit in writing to the Board of Directors interim proposals 10 days prior to the convening of a shareholders' meeting. When the Board of Directors decides not to include such proposals on the meeting agenda, it shall explain and clarify the reasons at the shareholders' meeting. When the proposing shareholders dissent with the Board of Directors' decision to exclude such proposals, they may request to call for an extraordinary shareholders' meeting by themselves based on the procedures stipulated in the Articles of Association.

Shareholders' Right to Present Enquiries

According to the Articles of Association, any shareholder who holds severally or jointly with others 5% or more voting shares of the Bank shall have the right to present enquiries to the shareholders' meeting. The Board of Directors, the Board of Supervisors, or other relevant senior management members shall attend the shareholders' meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights pertaining to shareholders. If shareholders need to contact the Board of Directors regarding the aforementioned items or for other enquiries to the Board of Directors, please refer to the section "Reference for Shareholders – Investor Enquiry" for contact details.

Shareholders' Meeting

Functions and Powers of the Shareholders' Meeting

The shareholders' meeting is the body of authority of the Bank. The shareholders' meeting is responsible for making decisions on the important issues of the Bank, including considering and approving the Bank's profit distribution plan, annual financial budget and financial statements, changes in the Bank's registered capital, adopting resolutions on matters such as the issuance of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing directors, electing shareholders' representative supervisors and external supervisors and deciding the remunerations of directors and supervisors.

Convening of Shareholders' Meetings during the Reporting Period

On 17 February 2022, the Bank held its 2022 First Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved ten proposals, including the election of Mr. HUANG Binghua as Non-executive Director of the Bank, the election of Mr. E Weinan as Independent Non-executive Director of the Bank, the election of Mr. Jean-Louis EKRA as Independent Non-executive Director of the Bank, the election of Mr. Giovanni TRIA as Independent Non-executive Director of the Bank, the election of Mr. HUI Ping as External Supervisor of the Bank, the application for special external donation limit for targeted support, the 2020 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2020 remuneration distribution plan for Chairman of the Board of Supervisors, the capital management plan of the Bank for the 14th five-year plan period, and the amendments to the *Procedural Rules for Board of Supervisors of the Bank*. All the proposals were ordinary resolutions.

On 30 June 2022, the Bank held its 2021 Annual General Meeting on-site in Beijing. A-Share Holders could also cast votes online. This meeting considered and approved proposals including the 2021 work report of the Board of Directors, the 2021 work report of the Board of Supervisors, the 2021 annual financial report, the 2021 profit distribution plan, the 2022 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2022, the election of Mr. Martin Cheung Kong LIAO to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. CHUI Sai Peng Jose to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. CHU Yiyun as External Supervisor of the Bank, the additional donation to the Tan Kah Kee Science Award Foundation, the 2021 remuneration distribution plan for External Supervisors, the plan for the issuance of non-capital bonds, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, the revision of the Articles of Association and the election of Mr. ZHANG Jiangang to be re-appointed as Non-executive Director of Bank of China Limited, among others. The meeting also heard the report on the connected transactions for 2021, the duty report of Independent Directors for 2021, and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* for 2021. The proposals regarding the plan for the issuance of non-capital bonds, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments and the revision of the Articles of Association were special resolutions, while the rest of the proposals were ordinary resolutions.

On 19 December 2022, the Bank held its 2022 Second Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved six proposals, including the election of Mr. JIA Xiangsen to be re-appointed as External Supervisor of the Bank, the 2021 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2021 remuneration distribution plan for Chairperson of the Board of Supervisors, the application for special outbound donation limit for targeted support, the application for special outbound donation limit, and the election of Mr. ZHANG Yong as Non-executive Director of Bank of China Limited, among others. All the proposals were ordinary resolutions.

The aforementioned meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the Chinese mainland and Hong Kong SAR. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern.

The Bank issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting on 17 February 2022, 30 June 2022 and 19 December 2022 respectively, pursuant to regulatory requirements. Please refer to the websites of the SSE, the HKEX and the Bank.

Implementation of the Resolutions Passed at the Shareholders' Meeting by the Board of Directors

During the reporting period, the Board of Directors fully implemented the resolutions passed at the shareholders' meetings and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out proposals regarding the 2021 profit distribution plan, the 2022 annual budget for fixed assets investment, the non-capital bond issuance plan, the appointments of directors and the external auditor for 2022, and so on.

Board of Directors

Functions and Powers of the Board of Directors

The Board of Directors, which is responsible to the shareholders' meeting, is the Bank's decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank's Articles of Association: convening shareholders' meetings and implementing the resolutions of shareholders' meetings; deciding on the Bank's strategic policies, business plans and material investment plans (except for those material investment plans that are subject to shareholders' meeting approval as specified in the Articles of Association); formulating the annual financial budgets, final accounts and plans for profit distribution and loss recovery of the Bank; appointing or dismissing members of special committees and the Senior Management of the Bank; reviewing and deciding on the establishment of the Bank's basic administrative system, internal management framework and important sub-entities; developing and reviewing the corporate governance policies of the Bank; taking charge of performance evaluation and matters of material reward and punishment for senior management members, and hearing the reports of the Senior Management and examining their work, among others. The Board of Directors continuously reviews and updates the Articles of Association and the Bank's other corporate governance policies and systems in accordance with the applicable laws and regulations, relevant regulatory requirements and listing rules, and ensures compliance with such policies and systems.

The Bank has established relevant mechanisms to ensure that the Board of Directors has access to independent opinions and comments. According to the Articles of Association of the Bank, special committees of the Board of Directors may engage intermediaries to issue professional opinions in the course of performing their duties. Independent directors may also exercise their special functions and powers as specified in the Articles of Association and engage external auditors and consultants such as law firms and accounting firms to provide assistance at the expense of the Bank. Upon review, such mechanisms were effectively implemented during the year, and the professional opinions issued by relevant specialised institutions were fully utilised by the special committees of the Board of Directors and independent directors in the performance of their duties.

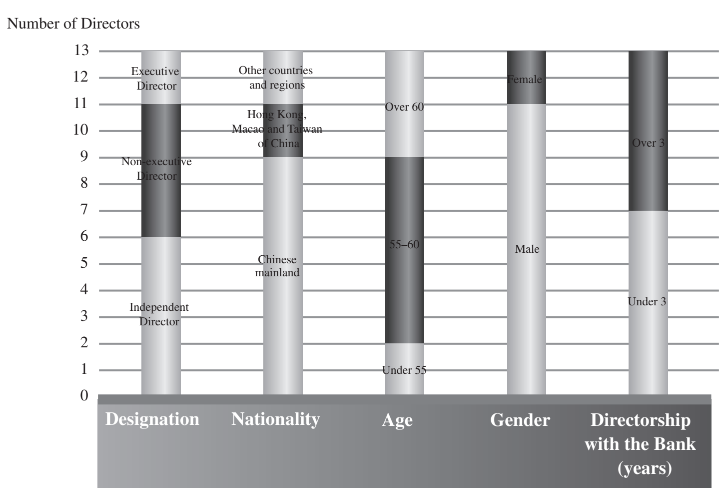
Composition of the Board of Directors

The Board of Directors has set up the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors.

The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises thirteen members. There are two executive directors, five non-executive directors and six independent directors. The proportion of independent directors reaches one-third of the total number of directors. The Bank's directors are elected at the shareholders' meeting, with a term of office of three years starting from the date when the Bank receives approval of the appointment from relevant regulatory authorities. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. During the reporting period, the positions of Chairman and President of the Bank are assumed by two persons.

For detailed background and an explanation of recent changes to the Board membership, please refer to the section "Directors, Supervisors and Senior Management Members".

Board Composition



Convening of Board Meetings

In 2022, the Bank convened five on-site meetings of the Board of Directors on 27 January, 29 March, 29 April, 30 August and 28 October respectively, at which it reviewed and approved 67 proposals. The proposals covered matters such as the Bank's regular reports, the nomination of candidates for directorships, the appointment of senior management members, the issuance of bonds and profit distribution, etc. It also heard 24 reports related to the Bank's anti-money laundering work, strategic plan implementation, country risk management, green finance development and other matters.

In 2022, the Bank convened three meetings of the Board of Directors via written resolution. At these meetings, the Board of Directors mainly reviewed and approved proposals regarding adjustments of chairs and members of special committees of the Board of Directors, among others.

Risk Management and Internal Control by the Board of Directors and its Special Committees

The Board of Directors of the Bank considers a sound risk management system and continuous improvement of the independence, expertise, foresight, and initiative of its risk management function to be the basic prerequisite of realising the Bank's strategic goals, ensuring the sound and sustainable development of its banking businesses and creating greater value for shareholders.

According to regulatory rules and internal management requirements, the Senior Management submits important risk management policies, rules and procedures to the Board of Directors and Risk Policy Committee for review and approval. The Risk Policy Committee regularly reviews the Group's overall risk status (covering major risk categories such as credit risk, market risk, operational risk, liquidity risk, legal and compliance risk and reputational risk) and upcoming work plan, and puts forward corresponding work requirements.

The Board of Directors and its Risk Policy Committee have acknowledged the comprehensive effectiveness of the existing risk management system of the Bank based on their close monitoring and quarterly evaluation of the system's effectiveness.

The Board of Directors attached great importance to the Group's far-reaching internal control system and continued to promote its development. It regularly heard and reviewed Senior Management reports concerning the implementation of the *Guidelines on Internal Control of Commercial Banks*, bank-wide operational management, risk management, fraud case management and internal control system development and assessment, thus earnestly assuming its responsibility to deliver and optimise a sound and effective internal control function.

The Audit Committee under the Board of Directors closely monitored the changing economic and financial environment at home and abroad, as well as the overall conditions of the Group's internal control function, including the establishment and operation of its internal control systems for both financial reporting and non-financial reporting. In addition, the committee heard and reviewed, on a regular and ad hoc basis, internal audit reports and assessment opinions on internal control, reports on the progress of internal control improvements and remediation suggested by external auditors, as well as the overall situation regarding the prevention, control and redress of fraud cases and risk events.

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. PricewaterhouseCoopers Zhong Tian LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued a standard unqualified opinion. The *2022 Internal Control Assessment Report of Bank of China Limited* and the *2022 Auditor's Report on Internal Control* issued by PricewaterhouseCoopers Zhong Tian LLP have been published on the websites of the SSE, the HKEX and the Bank.

Duty Performance of Directors

Directors' Attendance of Shareholders' Meetings, Meetings of the Board of Directors and Special Committees

During the reporting period, the attendance of each director at the shareholders' meetings, meetings of the Board of Directors and special committees is given below.

			Number of meetings attended in person/Number of meetings convened during term of office					
			Meetings of the Special Committees of the Board of Directors					
Directors	**Shareholders' Meetings**	**Meetings of the Board of Directors**	**Strategic Development Committee**	**Corporate Culture and Consumer Protection Committee**	**Audit Committee**	**Risk Policy Committee**	**Personnel and Remuneration Committee**	**Connected Transactions Control Committee**
Incumbent Directors								
LIU Jin	3/3	8/8	5/5	–	–	–	–	–
LIN Jingzhen	3/3	8/8	–	–	–	7/7	–	–
XIAO Lihong	3/3	8/8	5/5	–	–	7/7	–	–
WANG Xiaoya	3/3	8/8	5/5	4/4	–	–	5/5	–
ZHANG Jiangang	3/3	8/8	5/5	–	5/5	–	–	–
CHEN Jianbo	3/3	8/8	5/5	4/4	–	7/7	–	–
HUANG Binghua	2/2	6/6	–	0/0	3/3	5/5	3/3	–
JIANG Guohua	3/3	7/8	4/5	3/4	5/5	–	4/5	2/3
Martin Cheung Kong LIAO	3/3	7/8	4/5	–	5/5	–	5/5	3/3
CHUI Sai Peng Jose	3/3	8/8	–	4/4	3/4	3/4	4/5	3/3
Jean-Louis EKRA	1/2	5/5	2/2	2/2	–	4/4	–	–
E Weinan	1/1	4/4	2/2	2/2	–	–	2/2	–
Giovanni TRIA	1/1	4/4	2/2	2/2	2/2	–	–	2/2
Former Directors								
LIU Liange	3/3	8/8	4/5	4/4	–	–	–	–
WANG Wei	3/3	7/8	–	–	–	–	–	2/3
ZHAO Jie	1/1	1/1	–	–	1/1	1/1	–	–
WANG Changyun	2/2	4/4	3/3	–	3/3	3/3	3/3	–
Angela CHAO	2/2	3/4	–	–	0/3	0/3	–	0/1
CHEN Chunhua	2/2	4/4	3/3	2/2	–	–	3/3	–

Notes:

1. All of the Directors who were unable to attend the Meetings of the Board of Directors in person had appointed other Directors to attend and exercise their voting rights on their behalf.

2. In 2022, no director held any objection to the proposals considered during the meetings of the Board of Directors and its special committees.

Training and Expertise Enhancement of Directors

In 2022, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule C.1.4 of the *Code* as well as Chinese mainland regulatory requirements, actively participating in specialised training including sessions on green finance, discussions on future modes of the financial industry, and introduction to the latest developments in anti-money laundering legislation. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators, and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced banks.

Independence and Duty Performance of Independent Directors

There are currently six independent directors on the Board of Directors. This reaches one-third of the total number of directors and is thus in compliance with the quorum requirement specified in the Articles of Association and relevant regulatory requirements. For the professional backgrounds and other details of the independent directors, please refer to the section "Directors, Supervisors and Senior Management Members". Independent directors individually serve as Chairs of the Audit Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. As stipulated in the relevant domestic regulatory requirements and Rule 3.13 of the Hong Kong Listing Rules, the Bank has received the annual confirmation in writing from each independent director with regard to their independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2022, the Bank's independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Work Rules of Independent Directors of Bank of China Limited*. Please refer to the section "Directors' Attendance of the Shareholders' Meeting, Meetings of the Board of Directors and Special Committees" for the attendance of independent directors at meetings.

In 2022, independent directors put forward constructive recommendations on the Bank's capital management, risk control, 14th Five-Year Plan, corporate culture building, green finance and FinTech, among others. These recommendations were adopted and diligently implemented by the Bank.

Specific Explanation and Independent Opinions of Independent Directors on the Guarantee Business of the Bank

Pursuant to the relevant provisions and requirements of the CSRC and the SSE, and according to the principles of justice, fairness and objectivity, the Independent Directors of the Bank, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose, Mr. Jean-Louis EKRA, Mr. E Weinan and Mr. Giovanni TRIA have provided the following information regarding the Bank's guarantee business:

The guarantee business is one of the Bank's ordinary business activities approved by the PBOC and the CBIRC. The Bank has formulated specific management measures, operational processes and approval procedures in light of the risks of the guarantee business and carried out this business accordingly. The Bank's guarantee business principally comprises letters of guarantee. As at 31 December 2022, the outstanding amount of letters of guarantee issued by the Bank was RMB1,189.069 billion.

Responsibility Statement of Directors on Financial Reports

The following statement, which sets out the responsibilities of the directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor's statement of their responsibilities as set out in the Independent Auditor's Report contained in this annual report.

The directors acknowledge that they are responsible for preparing financial statements of the Bank that truly represent the operating results of the Bank for each financial year. To the best knowledge of the directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Bank.

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises ten members, including Vice Chairman and President Mr. LIU Jin, Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang and Mr. CHEN Jianbo, and Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Mr. Jean-Louis EKRA, Mr. E Weinan and Mr. Giovanni TRIA.

The committee is mainly responsible for reviewing the strategic development plans presented by the Senior Management, assessing the factors that may affect the strategies of the Bank and their implementation, and advising the Board with regard to strategy adjustments; reviewing the annual budget, strategic capital allocation, asset-liability management objectives, IT development and other special strategic development plans of the Bank, and advising the Board accordingly; ensuring strategic coordination among the overall development of various financial businesses and the development of the Bank's domestic and overseas institutions, and deciding on the setup, cancellation and increase or decrease of capital of the Bank's domestic and overseas institutions within its scope of authorisation; designing and formulating key investment and financing plans and merger and acquisition plans of the Bank; reviewing the substantial internal reorganisation and adjustment plans of the Bank, and advising the Board accordingly; reviewing the Bank's green credit strategy and making relevant suggestions to the Board; establishing the Bank's strategic development plan and basic management systems with regard to its inclusive finance business, reviewing the annual business plan and assessment measures of its inclusive finance business, and supervising the Bank's implementation of inclusive finance strategies, policies and regulations.

In 2022, the Strategic Development Committee held five on-site meetings on 27 January, 29 March, 29 April, 30 August and 28 October respectively. The committee mainly reviewed the proposals on *the Business Plan and Financial Budget for 2022, the Fixed Asset Investment Budget for 2022, the Profit Distribution Plan for 2021, the 2022 Operation Plan of the Inclusive Finance Department, the Issuance of Write-down Undated Capital Bonds, the Issuance of Qualified Write-down Tier 2 Capital Instruments, the Non-capital Bond Issuance Plan, the Dividend Distribution Plan of Preference Shares,* and *the Application for Special Outbound Donation Limit for Targeted Support*. It debriefed *Report on Development Plan Implementation for 2021, Report on Green Finance Development,* and *Report on Digital Transformation*.

Moreover, in response to changes in the international and domestic economic and financial situation, the Strategic Development Committee also stepped up its analysis of the prevailing opportunities and challenges, putting forward many important comments and recommendations regarding the Bank's efforts to implement its Development Plan, accelerating the pace of transformation, and improving the quality and efficiency of its service to the real economy, thus providing strong support to the scientific decision-making of the Board of Directors.

Corporate Culture and Consumer Protection Committee

The Corporate Culture and Consumer Protection Committee comprises eight members, including Non-executive Directors Ms. WANG Xiaoya, Mr. CHEN Jianbo and Mr. HUANG Binghua, and Independent Directors Mr. JIANG Guohua, Mr. CHUI Sai Peng Jose, Mr. Jean-Louis EKRA, Mr. E Weinan and Mr. Giovanni TRIA. Non-executive Director Mr. HUANG Binghua serves as Chair of the committee and Independent Director Mr. Giovanni TRIA serves as Vice Chair of the committee.

The committee is mainly responsible for reviewing the Bank's corporate culture development plans and policies, etc., supervising their implementation, and advising the Board of Directors accordingly; encouraging the Senior Management to examine and assess the implementation of the Bank's values, and pushing forward the refinement and elaboration, promotion and popularisation, education and training, as well as the implementation of the Bank's value concepts system; urging the management to build a corporate culture work evaluation system, and overseeing and assessing the development and implementation of the Bank's corporate culture; reviewing the employee code of conduct and encouraging the Senior Management to put in place a corresponding implementation mechanism; reviewing and advising the Board of Directors on the Bank's consumer protection strategies, policies and objectives, etc., and overseeing and evaluating the Bank's consumer protection work; reviewing and advising the Board of Directors on the Bank's environmental, social and governance (ESG) development plans, policies and reports; identifying, assessing and managing important ESG-related matters and building an appropriate and effective ESG risk management and internal control system; regularly hearing reports on the Bank's corporate culture building, ESG and consumer protection work; and other duties delegated by the Board of Directors.

In 2022, the Corporate Culture and Consumer Protection Committee held four on-site meetings on 29 March, 29 April, 30 August and 28 October respectively, at which it reviewed the *2021 Corporate Social Responsibility Report (Environmental, Social and Governance)*, and debriefed *the 2021 Work Report and 2022 Work Plan for Corporate Culture Building, the 2021 Work Report and 2022 Work Plan for Consumer Protection and Progress Report on the Special Operation for Credit Card Business Complaints Handling*, etc. In addition, it regularly listened to reports on complaint management and consumer protection supervision and evaluation, undertook overall planning and detailed deployment of the Bank's consumer protection work, and put forward many helpful and constructive opinions and suggestions.

Audit Committee

The Audit Committee comprises five members, including Non-executive Directors Mr. ZHANG Jiangang and Mr. HUANG Binghua, and Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO and Mr. Giovanni TRIA. Independent Director Mr. JIANG Guohua serves as Chair of the committee.

The committee is mainly responsible for reviewing financial reports and other significant accounting policies and regulations formulated by the Senior Management; reviewing the external auditors' audit opinion on financial reporting, annual audit plan and recommendations for management; approving the annual internal audit plan and budget; appraising the duty performance, work quality and effectiveness of the external auditors and internal audit and monitoring their independence; recommending the engagement, reappointment, replacement and audit fee of the external auditors; recommending the appointment and dismissal and appraising the performance of the Chief Audit Officer; overseeing the Bank's internal control function, reviewing material deficiencies in internal control design and execution by the Senior Management and investigating fraud cases; reviewing the employee reporting system and encouraging the Bank to conduct fair investigations and take appropriate measures regarding matters reported by employees.

In 2022, the Audit Committee held five on-site meetings on 26 January, 28 March, 28 April, 29 August and 27 October respectively. It mainly reviewed and approved the *Development Plan for Audit Work of Bank of China during the 14th Five-Year Plan Period* and the 2022 plan and financial budget for internal audit; reviewed the Bank's 2021 financial report, 2022 interim financial report and financial reports for the first and third quarters of 2022, the internal control work report for 2021 and the first half of 2022, the 2021 internal control assessment report, and the audit results on internal control and related management proposal. In addition, it heard a report on the Senior Management's response to PwC's management proposal for 2021, reports on internal audit in 2021 and the first half of 2022, the special report on IT application in audit, the 2021 report on overseas supervision information, the report on the progress of the internal control audit of PwC in 2021, updates on compliance with the principle of independence, the audit plan for 2022 of PwC, the report on asset quality in the first quarter of 2022, and the report on the prevention and control of external cases in 2021.

Moreover, in response to changes in domestic and overseas economic and financial trends, the Audit Committee paid close attention to developments in the Bank's progress towards improving business performance and cost control. The committee heard the Group risk report and the report on asset quality, among others, thus assisting the Board of Directors in performing its responsibilities and duties. It also put forward many important opinions and suggestions regarding the improvement of the corporate governance mechanism, the enhancement of internal audit independence, the advancement of IT application in audit, the upgrading of credit asset quality and the improvement of internal control measures.

According to the *Procedure Rules on the Preparation of the Annual Report of the Board Audit Committee of Bank of China Limited*, prior to the start of audit field work by the auditors, the Audit Committee confirmed with the auditors the details of the 2022 audit plan, including areas of focus for auditing the 2022 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control, compliance and fraud-related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference of judgement between the auditors and the Senior Management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee heard and reviewed reports from the Senior Management concerning the Bank's business performance and primary financial data. It also requested that the Senior Management submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its second meeting of 2023, the Audit Committee reviewed and approved the Bank's 2022 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the external auditor for 2022 made a summary report and submitted a report on their compliance with the principle of independence to the committee.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises six members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Ms. XIAO Lihong, Mr. CHEN Jianbo and Mr. HUANG Binghua, and Independent Directors Mr. CHUI Sai Peng Jose and Mr. Jean-Louis EKRA. Non-executive Director Ms. XIAO Lihong serves as Chair of the committee, and Independent Director Mr. Jean-Louis EKRA serves as Vice Chair of the committee.

The committee is mainly responsible for performing duties in relation to the Bank's comprehensive risk management; reviewing the Bank's risk management strategies, major risk management policies, and risk management procedures and regimes, and advising the Board accordingly; discussing risk management procedures and regimes with the Senior Management and making suggestions on how to improve them in order to ensure that the risk management policies, procedures and regimes are uniformly adhered to throughout the Bank; reviewing the Group's risk data aggregation and risk reporting framework and ensuring that there is adequate resource support in place; examining the material risk activities of the Bank and exercising veto power in a reasonable manner over any transaction that will or may lead to debts to the Bank and/or expose the Bank to market risk in excess of the single transaction risk limit or the accumulated transaction risk limit approved by the Risk Policy Committee or the Board of Directors; supervising the implementation of the Bank's risk management strategies, policies and procedures, and advising the Board accordingly; reviewing the Bank's risk management status and re-examining its risk management procedures and regimes; regularly evaluating and hearing reports on the implementation of risk management and internal control responsibilities by the Bank's Senior Management, functional departments and institutions, as well as risk data aggregation and risk reporting work, and proposing requirements for improvement; supervising the status of the Bank's compliance with laws and regulations; reviewing relevant basic management policies related to legal compliance and making suggestions which are submitted to the Board for review and approval; hearing and reviewing the report on the implementation status of the legal compliance policy of the Bank; assessing the important findings of risk management matters and the Senior Management's response to such findings (either voluntarily or as required by the Board of Directors); reviewing and approving the Bank's general policy on case prevention and control, and defining the management's functions, powers and authorities in relation to case prevention and control; setting out overall requirements on case prevention and control, and reviewing related working reports; checking and effectively supervising the Bank's case prevention and control work, assessing the effectiveness of case prevention and control, and promoting the building of its case prevention and control management system.

In 2022, the Risk Policy Committee held five on-site meetings on 25 January, 25 March, 27 April, 26 August and 26 October respectively, and two meetings via written resolution. The Committee mainly reviewed the Group's risk appetite statement, internal control policy, country risk management policy, market risk management policy, liquidity risk management policy, stress test management policy, trading book market risk limits, country risk rating and limits, capital adequacy ratio report, internal capital adequacy assessment report, anti-money laundering work report and stress test management report. The committee also regularly reviewed the Group's risk reports and other agendas.

In addition, the committee paid close attention to critical risk issues arising from changes in overseas and domestic economic and financial conditions, as well as the orientation of the government's macro policies and the overall overseas and domestic regulatory environment. The committee expressed important opinions and recommendations regarding improvements to the Bank's risk governance mechanism and the effective prevention and control of all kinds of risks.

The US Risk and Management Committee is established under the Risk Policy Committee. It oversees and manages all risks incurred by the Bank's institutions in the US, and performs the duties of the board of directors of the Bank's New York Branch and its special committees.

The US Risk and Management Committee currently comprises four members, all of whom are members of the Risk Policy Committee, including Non-executive Directors Ms. XIAO Lihong and Mr. HUANG Binghua, and Independent Directors Mr. CHUI Sai Peng Jose and Mr. Jean-Louis EKRA. Independent Director Mr. Jean-Louis EKRA serves as the Chair of the US Risk and Management Committee.

In 2022, the US Risk and Management Committee convened three on-site meetings on 16 June, 16 August and 17 November respectively, and four meetings via written resolution. It regularly reviewed reports regarding the risk management and operations of all of the Bank's institutions in the US, the latest US regulatory trends and dynamics, among others. In addition, the committee reviewed and approved the relevant framework documents and important policies of all of the Bank's institutions in the US, in line with regulatory requirements.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee comprises six members, including Non-executive Directors Ms. WANG Xiaoya and Mr. HUANG Binghua, and Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose and Mr. E Weinan. Independent Director Mr. CHUI Sai Peng Jose serves as Chair of the committee.

The committee is mainly responsible for assisting the Board of Directors in reviewing the Bank's human resources and remuneration strategies and overseeing their implementation; reviewing the structure, size and composition of the Board of Directors on an annual basis, and making suggestions to the Board accordingly; studying and reviewing the standards and procedures for selecting, nominating and appointing directors, members of the Board committees and Senior Management, and making relevant recommendations to the Board of Directors; identifying individuals suitably qualified to become directors and making recommendations to the Board of Directors on the selection of individuals nominated for directors; performing preliminary review of the candidates for Senior Management positions and the chairs of Board committees, selecting and nominating candidates for different Board committees, and reporting to the Board of Directors for approval; reviewing, promoting and monitoring the remuneration and incentive policies of the Bank; drafting the remuneration distribution plans of directors and senior management members, and making recommendations to the Board of Directors; and formulating the performance appraisal standards for senior management members of the Bank, and evaluating their performances.

In 2022, the Personnel and Remuneration Committee held four on-site meetings on 28 March, 28 April, 29 August and 27 October respectively, and one meeting via written resolution. The committee mainly reviewed the performance evaluation results and remuneration distribution plan for the Chairman, Executive Directors and senior management members for 2021, the 2022 implementation plan for performance evaluation of the Chairman, President and other senior management members, the appointment of Mr. HUANG Binghua as a member of various special committees of the Board of Directors, the appointment of Ms. MENG Qian as Chief Information Officer of the Bank, the nominations of Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose to be re-appointed as Independent Non-executive Directors of the Bank, adjustment of chairs and members of the special committees of the Board of Directors, and the adjustment of the chair and members of the Corporate Culture and Consumer Protection Committee of the Board of Directors, among others.

According to the Articles of Association of the Bank, any shareholder who holds by himself or jointly with others 3% or more of the total number of voting shares of the Bank may, by submitting a written proposal to the shareholders' meeting, recommend candidates for directorships, provided the number of candidates nominated shall be in accordance with the provisions of the Articles of Association (between 5 and 17) and not exceed the number to be elected. List of candidates for directors may be recommended by the Board of Directors within the number of candidates stipulated in the Articles of Association, with reference to the diversity policy of the Bank and according to the number to be elected. The Personnel and Remuneration Committee shall undertake a preliminary review of the qualifications and experience of candidates for directorships, and refer those qualified candidates to the Board of Directors for further examination. After the Board of Directors' approval via resolution, the candidates shall be referred to the shareholders' meeting through written proposals. When directorships need to be added or filled temporarily, the Board of Directors shall raise a proposal and make a recommendation to the shareholders' meeting to elect or replace. During the reporting period, the Bank appointed directors in strict compliance with the Articles of Association.

Connected Transactions Control Committee

The Connected Transactions Control Committee comprises four members, including Independent Directors Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose and Mr. Giovanni TRIA. Independent Director Mr. Martin Cheung Kong LIAO serves as Chair of the committee.

The committee is mainly responsible for administering the connected transactions of the Bank in accordance with relevant laws, regulations and supervisory rules, and formulating administrative regulations with regard to connected transactions; confirming the Bank's connected parties according to laws, regulations and normative documents, and reporting the relevant confirmations to the Board of Directors and the Board of Supervisors; defining the connected transactions of the Bank in accordance with laws, regulations and normative documents; examining the connected transactions of the Bank pursuant to relevant laws, regulations and normative documents, as well as the business principles of justice and fairness; and examining information disclosure matters related to the significant connected transactions of the Bank.

In 2022, the Connected Transactions Control Committee held three on-site meetings on 28 March, 29 August, and 27 October, at which it mainly reviewed and approved the report on the connected party list and other proposals. It also reviewed the report on connected transactions in 2021, proposal on management policy for connected transactions, report on the implementation of the CBIRC's new regulatory rules on connected transactions, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the implementation of new regulatory rules, the transmission of the Bank's policies and system development, and put forward constructive suggestions in the management of connected parties and the supervision of connected transactions.

Board of Supervisors

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the Bank's supervisory organ and is responsible to the shareholders' meeting. As stipulated in the *Company Law* and the Articles of Association of the Bank, the Board of Supervisors is responsible for overseeing the work of the Board of Directors so as to ensure the establishment of a prudent operational principle, value criterion and an appropriate development strategy. It supervises the duty performance and due diligence of the Board of Directors, the Senior Management and its members as well as the Bank's financial activities, risk management and internal control.

Composition of the Board of Supervisors

The Board of Supervisors currently comprises six members. There is one shareholder supervisor (the Chairwoman of the Board of Supervisors), two employee supervisors and three external supervisors. According to the Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. Shareholder supervisors and external supervisors are elected or replaced by the shareholders' meeting, while employee supervisors are elected or replaced by the Employee Delegates' Meeting.

The Board of Supervisors has set up the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee to assist it in performing duties under its authorisation.

Duty Performance of the Board of Supervisors

In 2022, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and reviewed relevant proposals through detailed discussion. The Board of Supervisors held four on-site meetings and five meetings via written resolution, and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held three on-site meetings and six meetings via written resolution, while the Finance and Internal Control Supervision Committee held four on-site meetings. For the performance of and supervisory opinions from the Board of Supervisors during the reporting period, please refer to the section "Report of the Board of Supervisors".

Senior Management

Functions and Powers of the Senior Management

The Senior Management is the executive organ of the Bank. It is headed by the President, with executive vice presidents and other senior management members assisting the President's work. The main functions and powers of the President include presiding over the Bank's daily administrative, business and financial management; organising the implementation of the business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management positions; and reviewing employees' remuneration, benefit, reward and punishment measures.

Duty Performance of the Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon it by the Articles of Association and the authorisations of the Board of Directors. Closely adhering to the strategic goal of "Building a First-class Global Banking Group" and to the annual performance objectives approved by the Board of Directors, the Senior Management emphasised the strategic approach of "invigorate, adapt to change and drive for major breakthroughs". It accelerated the implementation of the 14th Five-Year Development Plan, and ensured steady improvement in the Group's operating results.

During the reporting period, the Senior Management of the Bank held 40 regular meetings, at which it focused on key operational areas and discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, audit supervision, IT development, product and service innovation, integrated operation, globalised development, inclusive finance and scenario building. It also held special meetings to study and make plans for the Group's corporate banking, personal banking, financial markets, channel building and compliance management.

During the reporting period, the Financial Digitalization Committee under the Senior Management (Executive Committee) integrated the responsibilities of the former Innovation and Product Management Committee to strengthen the integration and management of product innovation and digital development; the Technology Finance Committee was newly established to be responsible for the overall management and professional decision-making of the Group's technology finance work; the newly-established Cross-border Finance Committee is responsible for the overall management and professional decision-making of the Group's cross-border finance work; the Related Party Transactions Management Office was established under the Risk Management and Internal Control Committee, responsible for the identification and maintenance of related parties, management of related transactions and other daily matters. Currently, the Senior Management presided over the Asset and Liability Management Committee, Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, Asset Disposal Committee, Credit Risk Management and Decision-making Committee and Related Party Transactions Management Office), Centralised Procurement Management Committee, Securities Investment and Management Committee, Asset Management Business Committee, Consumer Protection Committee, Green Finance Committee, Financial Digitalisation Committee, Technology Finance Committee and Cross-border Finance Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix 10 to the Hong Kong Listing Rules (the "*Model Code*"). All directors and supervisors confirmed that they had complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Appointment of External Auditors

Following approval by the 2021 Annual General Meeting, PricewaterhouseCoopers Zhong Tian LLP was appointed as the Bank's domestic auditor and internal control auditor for 2022, and PricewaterhouseCoopers was appointed as the Bank's international auditor for 2022.

Fees paid to PricewaterhouseCoopers and its member firms for auditing the financial statements of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB182 million for the year ended 31 December 2022, of which the fees for internal control audit paid to PricewaterhouseCoopers Zhong Tian LLP totalled RMB12 million. The Bank paid RMB21.9559 million for non-auditing services to PricewaterhouseCoopers and its member firms during the year.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have provided audit services to the Bank for two years. Ms. HO Shuk Ching Margarita, Mr. ZHU Yu, Mr. LI Dan are the certified public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2022.

Investor Relations and Information Disclosure

In 2022, the Bank closely tracked market dynamics in a timely manner, actively conducted market communication, continued to build a professional and efficient investor relations management practice, and strived to enhance its service offering for capital market investors. It held its annual and interim results releases via a live-streaming platform and conducted in-depth communication with institutional investors through various channels, including attending seminars held by investment banking institutions, holding online non-deal roadshow and thematic meetings, and conducting daily communications, etc., thus proactively conveying the investment value of the Bank to capital market. The Bank also attached high importance to minority investor services. It professionally answered investor hotline and email inquiries, promptly responded to inquiries from the "e-interaction online platform" run by the SSE, optimised the information shared in the investor relations section of the official website of the Bank, actively participated in themed investor education activities such as "National Investor Protection Publicity Day", and recorded meeting information for reference. It actively sought out market opinions and suggestions regarding the Bank's operation and development and disseminated such information internally in a timely manner, thus continuously improving its corporate governance and intrinsic value. The Bank earnestly carried out shareholder services and equity management work according to regulatory requirements and management needs. The Bank's external ratings remained unchanged with a stable prospect.

The Bank strictly adhered to the principles of truthfulness, accuracy, completeness, conciseness and clarity, focused on the demands of investors, and continually took steps to increase the pertinence and effectiveness of information disclosure so as to enhance information transparency, with an average of over 360 documents disclosed each year. The Bank has established a comprehensive and systemic information disclosure policy system, putting in place clear specifications regarding information disclosure standards and their scope of application; the responsibilities and division of work of all parties concerned; compilation and disclosure procedures, and internal monitoring and punitive measures. It conducted timely reexamination of various types of policy documents in accordance with changes in regulatory rules during the year. Moreover, the Bank actively promoted voluntary information disclosure to respond to market concerns. In 2022, with an emphasis on issues of critical interest to the capital markets, including serving the real economy, helping to stabilise the economy, its ESG development philosophy, and progress in its implementation of the "One Mainstay, Two Engines" and "Eight Priority Areas" strategies, it actively enhanced voluntary information disclosure and responded to market concerns through regular reports and provisional announcements, thus increasing the transparency of information and realising more efficient communication with capital markets. Furthermore, the Bank reinforced the information disclosure responsibility system and information correspondent mechanism, and promoted the building of a professional team and a strong compliance culture with regard to information disclosure, so as to make its information disclosure management more proactive and forward-looking. It also carried out the registration and submission of insider information according to relevant regulatory requirements and the Bank's rules.

In 2022, the Bank continued to enhance its work in investor relations and information disclosure management, receiving wide market recognition. It won a number of awards including "Best Company for Investor Relations" and "Best Board of Directors for Investor Relations" at the 13th Pegasus Award of China's Listed Companies Investor Relations organised by *Securities Times*. The Bank was also included in the "A-share Listed Companies Cash Dividend List" of the China Association for Public Companies, and the "Best Practice Cases of ESG of Public Companies", "Best Practice Cases of 2021 Annual Report Performance Briefing of Public Companies" and "Excellent Cases of Investor Relations Management" of the Listed Companies Association of Beijing. The Bank's annual report won an "Annual Report Gold Award" of the League of American Communications Professionals (LACP).

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2022.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, direct investment, securities, insurance, fund management, aircraft leasing, asset management, financial technology business and financial leasing.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the interest income and other operating income of the Group.

Results and Profit Distribution

Ordinary Shares

The Bank's annual results for 2022 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2022 of RMB2.32 per 10 shares (before tax), subject to the approval of the forthcoming 2022 Annual General Meeting. If approved, the 2022 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates of HKD to RMB announced by the PBOC in the week before the date (inclusive) of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 17 July 2023 and the H-Share dividend distribution date is expected to be 4 August 2023 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the Bank's 2021 Annual General Meeting held on 30 June 2022, a final dividend on ordinary shares for 2021 of RMB2.21 per 10 shares (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in July and August of 2022 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB65.060 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2022 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2022.

Preference Shares

At the Board meeting held on 28 October 2022, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 6 March 2023. According to the issuance terms of the Bank's Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2022, the dividend distribution plans for the Bank's Domestic Preference Shares (Third and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 27 June 2022, with an annual dividend rate of 4.50% (before tax). The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 29 August 2022, with an annual dividend rate of 4.35% (before tax). The dividend distribution plans have been accomplished.

At the Board meeting held on 29 October 2021, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2022. According to the issuance terms of the Bank's Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

Cash Dividend Payout for Ordinary Shares and Capitalisation of the Capital Reserve to Share Capital for the Past Three Years

Year of dividend distribution	Dividend per share (before tax) (Unit: RMB)	Total dividend (before tax) (Unit: RMB million)	Profit attributable to equity holders of the Bank (Unit: RMB million)	Payout ratio	Capitalisation of the capital reserve to share capital
2022	0.232	68,298	227,439	30%	Nil
2021	0.221	65,060	216,559	30%	Nil
2020	0.197	57,994	192,870	30%	Nil

Formulation and Implementation of Cash Dividend Policy

Ordinary Shares

The Bank takes full account of shareholder return while also taking into account the long-term interests of the Bank, the overall interests of all its shareholders and the sustainable development of the Bank.

The Articles of Association of the Bank states that the Bank should maintain the continuity and stability of its profit distribution policy. It also clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The procedure to formulate the aforementioned dividend distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2022, the Bank distributed dividends on ordinary shares for 2021 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute dividends on ordinary shares before all the dividends on preference shares have been paid.

Dividends on the Bank's preference shares will be distributed on an annual basis. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend of the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent from the Bank's credit rating, nor do they vary with the credit rating.

In 2022, the Bank distributed dividends on domestic and offshore preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Saturday, 8 July 2023 to Friday, 14 July 2023 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, China, no later than 4:30 p.m. on Friday, 7 July 2023. The ex-dividend date of the Bank's H Shares will be on Thursday, 6 July 2023.

Donations

Charitable donations made by the Group during the reporting period amounted to approximately RMB89.085 million.

Share Capital

As at the latest practicable date prior to the issue of this annual report, the Bank had sufficient public float based on publicly available information, in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange at the time of the Bank's listing.

Distributable Reserves

Please refer to Note V.39 to the Consolidated Financial Statements for details of distributable reserves of the Bank.

Fixed Assets

Please refer to Note V.20 to the Consolidated Financial Statements for details of the fixed assets of the Bank.

Financial Summary

Please refer to the section "Financial Highlights" for the summary of the annual results, assets and liabilities of the Bank for the last five years.

Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2022, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements according to the Hong Kong Listing Rules.

Directors' Interests in Competing Businesses of the Bank

None of the directors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Remuneration Policy of Directors, Supervisors and Senior Management Members

The Bank has formulated clear regulations on the remuneration of directors, supervisors and senior management members. The remuneration for Chairman of the Board of Directors, President, Chairperson of the Board of Supervisors and executive vice presidents shall be paid in accordance with the rules on remuneration reform for central enterprises, which consists of basic annual remuneration, performance-based annual remuneration and incentive income linked to term appraisal. The remuneration for other senior management members and shareholder supervisors consists of basic annual remuneration and performance-based remuneration, with part of the performance-based remuneration paid in a deferred manner. According to the recourse and recovery mechanism for performance-based remuneration of the Bank, if risk losses falling within the employees' remit and responsibility are exposed in excess during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Independent directors as well as external supervisors and employee supervisors are remunerated by the Bank while non-executive directors are not remunerated by the Bank. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer contributions to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income.

Please refer to the section "Directors, Supervisors and Senior Management Members" for details of the remuneration of directors, supervisors and senior management members.

Directors' and Supervisors' Service Contracts

None of the directors or supervisors of the Bank has a service contract with the Bank or its subsidiaries that is not determinable within one year or is not determinable without payment of compensation other than normal statutory compensation.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Bank's business to which the Bank, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement that would enable the Bank's directors, supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 31 December 2022, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* as set out in Appendix 10 of the Hong Kong Listing Rules.

Financial, Business and Family Relations among Directors, Supervisors and Senior Management Members

Directors, Supervisors and senior management members of the Bank are not related to one another with respect to finance, business and family, or other material relations.

Substantial Shareholder Interests

Please refer to the section "Changes in Shares and Shareholdings of Shareholders" for the details of the Bank's substantial shareholder interests.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Bank was entered into or existed during the reporting period.

Share Appreciation Rights Plan and Share Option Scheme

Please refer to Note V.35 to the Consolidated Financial Statements for details of the share appreciation rights plan and share option scheme of the Group.

Purchase, Sale or Redemption of the Bank's Shares

During the reporting period, neither the Bank nor its subsidiaries purchased, sold or redeemed any of the Bank's shares.

Pre-emptive Rights

There are no compulsory provisions for pre-emptive rights requiring the Bank to offer new shares to existing shareholders in proportion to their existing shareholdings under the Articles of Association. The Articles of Association provide that the Bank may increase its capital by public offering, private placement, issuing rights of new shares to existing shareholders or allotting new shares to existing shareholders, transferring its capital reserve, issuing convertible bonds, or through other means as permitted by laws, administrative regulations and relevant regulatory authorities.

Permitted Indemnity Provision

As stipulated in the Articles of Association, within the scope permitted under applicable laws, administrative regulations and the Articles of Association, the Bank may purchase and maintain any liabilities insurance for the Bank's former and incumbent directors. The Bank will indemnify every former and incumbent director out of its own assets against any liability incurred when he/she served as director of the Bank to the maximum extent permitted by law and administrative regulations or alternatively to the extent that it is not prohibited by law and administrative regulations unless it is established that the director has not acted honestly or in good faith in performing his/her duties.

During the reporting period, the Bank renewed its directors' liability insurance to provide protection against claims arising from the lawful discharge of duties by directors, thus encouraging directors to fully perform their duties.

Equity-linked Agreement

The Bank has not been engaged in any equity-linked agreement during the reporting period.

Business Review

For disclosures of the Bank in respect of business review under Article 28 of Appendix 16 to the Hong Kong Listing Rules, please refer to sections "Management Discussion and Analysis" and "Environmental and Social Responsibilities" and the Consolidated Financial Statements. The relevant disclosure constitutes part of the Report of the Board of Directors.

Use of Raised Funds

All proceeds raised from initial public offerings, the rights issue, issuances of tier 2 capital bonds, preference shares and undated capital bonds have been used to replenish the Bank's capital and increase its level of capital adequacy.

For details, please refer to the related announcements on the websites of the SSE, the HKEX and the Bank and the Notes to the Consolidated Financial Statements.

Tax and Tax Relief

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

A-Share Holders

In accordance with the provisions of the *Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2012] No. 85) and the *Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2015] No. 101) issued jointly by the MOF, the State Administration of Taxation of PRC, and the CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the *Implementation Rules of Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China* mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign investment enterprises in Hong Kong SAR are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong SAR are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between the Chinese mainland and Hong Kong SAR and Macao SAR. Accordingly, the Bank generally withholds 10% of the dividends to be distributed to the individual H-Share Holders as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

In accordance with the provisions of the *Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises* (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC, when Chinese resident enterprises distribute annual dividends for 2008 onwards to H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong SAR, no tax is payable in Hong Kong SAR in respect of dividends on H Shares paid by the Bank.

The tax and tax relief of Shanghai-Hong Kong Stock Connect shall comply with the *Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong* issued jointly by the MOF, the State Administration of Taxation of PRC, and the CSRC.

Domestic Preference Share Holders

The individual income tax levied on dividends obtained by individuals from non-public issuance of domestic preference shares is calculated in accordance with the relevant Chinese tax laws and regulations.

In accordance with the provisions of the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income from domestic preference shares distributed between qualified resident enterprises are non-taxable, and dividend income from domestic preference shares obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Offshore Preference Share Holders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong SAR, no tax is payable in Hong Kong SAR in respect of the dividends on offshore preference shares paid by the Bank.

Auditors

Please refer to the section "Corporate Governance – Appointment of External Auditors" for details of the Bank's external auditors.

Consumer Rights Protection

The Bank comprehensively implemented the requirements set out in relevant rules and regulations including the *Measures of the People's Bank of China for the Implementation of the Protection of Rights and Interests of Financial Consumers*, the *Guidelines on Strengthening the Development of Consumer Protection System and Mechanism in Banking and Insurance Institutions*, and the *Rules on Consumer Protection of Banking and Insurance Institutions* issued by the CBIRC, constantly improved its organisational layout, systems and mechanisms, and continued to strengthen the whole-process control and management of consumer protection. It shifted the focus of the Group's consumer protection efforts from "consolidating foundations and making breakthroughs in key areas" to "deepening strategies and cultivating culture", built heartful connections to better serve consumers, and took on enhanced responsibility for bringing convenience and benefit to the people.

Coordinating the Integration of the Group's Consumer Protection Management

The Board of Directors and its Corporate Culture and Consumer Protection Committee planned and guided consumer protection work across the Bank, constantly strengthened information sharing and supervision and evaluation mechanisms, and comprehensively integrated consumer protection into corporate governance. The Bank gave full weight to various elements of consumer protection in its day-to-day corporate culture building, so as to make the consumer protection concept an integral part of its operations management and business development. Giving full play to the efficiency advantages of its globalised and integrated operations, the Bank effectively unified the Group's thinking regarding consumer protection, continued to encourage all tier-1 branches and comprehensive operation companies to improve their consumer protection systems and mechanisms, and implemented work in key areas in an orderly manner.

Building a Backstop of Ex Ante Risk Prevention and Control

The Bank continued to follow regulatory requirements, strengthened risk prevention through early examination, and emphasised key areas, optimising consumer protection examination mechanisms, clarifying examination scope and improving key points of examination, so as to steadily promote a more institutionalized, standardized and normalized consumer protection review process. It integrated consumer protection examination into its operational risk management process, implemented examination in all categories of its personal banking products and services, and embedded consumer protection examination mechanisms across the full life-cycle of its products and services. At the same time, it regularly identified key areas of improvement for consumer protection examination based on complaints, public opinion, regulatory notifications and industry case studies, so as to effectively identify risks and potential dangers.

Raising Awareness of Following Consumer Protection Concept

The Bank attached great importance to employee education regarding consumer protection concepts, and deeply cultivated all employees' understanding of key consumer protection activities. In 2022, it continued to extend and deepen its consumer protection training programme, carrying out training through a variety of forms including on-site lessons, live-streaming, and online videos and lectures. It invited regulators, industry experts and senior professionals to teach relevant courses on consumer protection regulatory policies, internal consumer protection rules, consumer protection examination mechanisms, marketing and publicity, complaints management, customer information protection and other themed trainings, with more than 200 thousand employees participating in online video training sessions. The Bank strengthened employees' awareness of consumer protection and created a bank-wide culture in which everyone understands and practices consumer protection. It also enhanced new employees' awareness of consumer protection by delivering pre-job training to 11,325 new employees.

Optimising the End-to-End Process of Consumer Dispute Handling

The Bank placed great emphasis on consumer complaints management, actively listened to consumers' voices and solved pressing difficulties and most concerning problems. It established and improved its complaint handling rules, standardised and optimised the complaint handling process, consolidated the liabilities of primary responsible parties, and strengthened the performance assessment of its complaint management. It formulated and strengthened special contingency plans for major complaints and group complaints, and incorporated related risk plans into the Bank's comprehensive risk emergency management system. Information about consumer complaint channels, such as telephone numbers, mailing addresses, email addresses and websites, as well as the handling process for consumer complaints, has been published in prominent positions on the Bank's official website, business premises, mobile client products and WeChat banking, in order to facilitate communication with customers. The Bank's complaint management system is connected to regulators' systems, and complaint information transfer channels include customer service centers, offline outlets, regulators, local governments and social organisations, thus realising whole-process online management from receiving a complaint to settlement. Focusing on reducing complaints at source, the Bank carried out comprehensive analysis based on consumer voice, regulatory alerts and key complaints, etc., to uncover the main root problems, and worked persistently to rectify such problems until they had been solved in accordance with the complaints tracing and rectification mechanism. It actively promoted the building of a diversified mechanism for resolving financial disputes, revised its guidelines on financial dispute resolution for personal customers, and reviewed content related to third-party mediation, so as to provide institutional guarantees of dispute resolution for institutions at all levels.

There were 182 thousand complaints in 2022, a year-on-year increase of 22%. Based on analysis by business type, 47.2% of complaints were about credit cards, 21.2% about debit cards, and 14.2% about loans. These three categories accounted for 82.6% of total complaints. In terms of the reasons for complaints, 64.1% were about policies and procedures, 19.0% about fee rates, and 4.9% about services. These three types of complaints accounted for 88% of the total. In terms of geographical distribution, the top five regions in terms of number of complaints in 2022 were Guangdong (10.9%), Jiangsu (4.6%), Zhejiang (3.7%), Hubei (2.7%) and Henan (2.6%). For details of complaints in 2022, please see the *Report on 2022 Financial Consumer Complaints of Bank of China* published on the Bank's official website.

Highlighting Financial Knowledge Education and Publicity

In 2022, the Bank's brand influence in the field of financial education and publicity continued to expand. It held a total of nearly 56 thousand special education and publicity activities regarding consumer protection during the year, reaching 737 million consumers and attracting wide recognition from all walks of life for their impact. The Bank also constantly enriched the formats of its education and publicity activities, both online and offline. It set up public-facing independent financial knowledge education and publicity sections on its online and offline platforms, including its official website, official accounts, mobile banking and business locations, in a bid to construct a multi-channel education and publicity matrix. In addition, it carried out education and publicity campaigns through videos, cartoons, social media posts and many other digital formats. Its original online content received nearly 180 million engagements, being reported, forwarded and published 1,547 times on social media. The Bank also organised offline activities to popularise financial knowledge in communities and nursing homes. At the same time, it gave priority to important groups such as elderly people, disabled people, young people and "new citizens" and held special education and publicity activities appealing to different groups of people and achieving a positive social response. It launched a consumer protection quiz competition "Protecting Elderly Consumers and Winning Rewards by Answering Questions", in the silver economy section of its mobile banking service, attracting 458 thousand participants.

Further Actions to Support Consumer Information Protection

Carrying out comprehensive consultation to effectively fulfill regulatory requirements for the protection of consumer information. In terms of domestic information protection, a special working group for personal consumer information protection was set up to make arrangements for the Group's work in 12 aspects of personal information protection, including organisation, policy, assortment and classification, impact assessment and security incident management, according to the requirements of the *Personal Information Protection Law*. In terms of EU data protection, a GDPR working group was set up to carry out tasks including legal assessment, adapting data transmission fields, determining data transmission modes, and responding to data safeguarding measures, so as to implement the EU's regulatory requirements for cross-border personal data transmission.

Focusing on formulating and clarifying rules and regulations so as to standardise the handling of personal information. The Bank revised its measures for the protection and management of personal customer information, formulated emergency plans for personal customer information security incidents, and defined the organisational structure, institutional mechanisms and management process for personal customer information protection and management. It optimised relevant matters including privacy policies, consumer contracts and cooperative organisation management in accordance with the *Personal Information Protection Law*.

Carrying out special examinations to raise information protection compliance awareness. The Bank regularly implemented special examinations and special treatments regarding personal customer information protection, so as to promote rectification through examination and draw wider lessons from single cases, thus constantly improving information security management. It regularly revised its rules and policies on personal information protection and strengthened policy compliance publicity and guidance, special training, information exchange, and risk alert and warning education for employees. There were more than 400 thousand participations in personal information protection training in 2022.

Deepening Consumer Protection Assessment

In 2022, the Bank continued to increase its emphasis on consumer protection assessment, further revised its consumer protection assessment and evaluation measures, optimised consumer protection assessment and evaluation systems for the Head Office and tier-1 branches, and strengthened the application of assessment results. It continued to enhance the assessment weight of the consumer protection index, strengthened process management of the index, and offered personalised help and targeted guidance for relevant institutions. It also carried out examinations on consumer protection in accordance with the regulators' assessment system during the year.

For more details regarding the Bank's consumer protection activities, please refer to the *Corporate Social Responsibility Report of Bank of China Limited for 2022 (Environmental, Social and Governance)*.

Members of the Board of Directors

Executive Directors: LIU Jin, LIN Jingzhen

Non-executive Directors: XIAO Lihong, WANG Xiaoya, ZHANG Jiangang, CHEN Jianbo, HUANG Binghua

Independent Directors: JIANG Guohua, Martin Cheung Kong LIAO, CHUI Sai Peng Jose, Jean-Louis EKRA, E Weinan, Giovanni TRIA

The Board of Directors
30 March 2023

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2022, the Bank convened four on-site meetings of the Board of Supervisors on 29 March, 29 April, 30 August and 28 October respectively, as well as five meetings via written resolution. At these meetings, the Board of Supervisors reviewed and approved 39 proposals, including proposals regarding the Bank's four regular reports; the 2021 profit distribution plan; the 2021 corporate social responsibility report (Environmental, Social and Governance); the 2021 internal control assessment report; the 2021 work report of the Board of Supervisors; the evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2021; the performance evaluation results for Chairperson of the Board of Supervisors for 2021; the implementation plan on performance management for Chairperson of the Board of Supervisors in 2022; the performance evaluation results and remuneration distribution plan for external supervisors; the nomination of Mr. JIA Xiangsen to be re-appointed as external supervisor of the Bank; the nomination of Mr. CHU Yiyun to be appointed as external supervisor of the Bank; the appointment of Mr. HUI Ping as member of the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors; and the appointment of Mr. CHU Yiyun as member of the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors, among others. In addition, the Board of Supervisors issued supervision and evaluation opinions regarding the Bank's performance in strategy implementation in 2021, as well as the Bank's reputational risk management, information disclosure management, capital management and management of advanced approaches for capital measurement, liquidity risk management, internal audit, consolidated management, stress test management, data governance, internal control, case prevention, remuneration management, employee behaviour management, internal control compliance of foreign exchange business, compliance management, anti-money laundering management, comprehensive risk management, market risk management, consumer protection and product management.

In 2022, the attendance of each supervisor at the meetings of the Board of Supervisors is given below:

Supervisors	Number of meetings attended in person/ Number of meetings convened during term of office
Incumbent Supervisors	
ZHANG Keqiu	9/9
WEI Hanguang	9/9
ZHOU Hehua	9/9
JIA Xiangsen	9/9
HUI Ping	9/9
CHU Yiyun	3/3
Former Supervisors	
LENG Jie	9/9
ZHENG Zhiguang	6/6

In 2022, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held three on-site meetings and six meetings via written resolution, at which it previewed proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management and its members for 2021; the performance evaluation results for Chairperson of the Board of Supervisors for 2021; the implementation plan on performance management for Chairperson of the Board of Supervisors in 2022; the performance evaluation results and remuneration distribution plan for external supervisors; the nomination of Mr. JIA Xiangsen to be re-appointed as external supervisor of the Bank; and the nomination of Mr. CHU Yiyun to be appointed as external supervisor of the Bank, among others.

In 2022, the Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-site meetings, at which it previewed proposals regarding the Bank's four regular reports, the 2021 profit distribution plan, the 2021 social responsibility (ESG) report, the 2021 internal control assessment report, the evaluation opinions of the Board of Supervisors on the Bank's performance in strategy implementation in 2021, among others.

Performance of Supervision and Inspection by the Board of Supervisors

In 2022, in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank, the Board of Supervisors earnestly performed its supervisory responsibilities by diligently supervising the Bank's strategy implementation, duty performance, financial management, risk management and internal control. By intensifying supervision efforts, employing new supervision methods, strengthening supervision quality and effectiveness, and enhancing self-development, the Board of Supervisors played an effective and constructive supervisory role within the Bank's corporate governance system, thus continuously supporting the Bank's drive towards building a first-class global banking group.

Intensified supervisory and guidance efforts with a focus on the Bank's efforts to fully observe major national decisions and plans as well as the tour inspection feedback of the CPC Central Committee. The Board of Supervisors kept a close eye on the Bank's efforts to help stabilise the economy, ensure stability on six key fronts and maintain security in six key areas, increase financial support for hard-hit market entities amid pandemic outbreaks, and enhance the Bank's ability to serve the real economy. It paid close attention to measures taken by the Bank to better serve the real economy, and supervised and encouraged greater financial input into key areas such as small and medium-sized enterprises, scientific and technological innovation, green development, advanced manufacturing and rural revitalisation. It carefully monitored the Bank's efforts to better meet people's diverse financial needs, supervised and encouraged improvements to the coverage, accessibility and customer satisfaction of the Bank's financial services, and improved protection of consumers' rights and interests. Focusing on the Bank's ability to serve high-level opening up, it supervised and encouraged the Bank to consolidate and expand the advantages of its globalised operations, help "stabilise foreign trade and foreign investments", and contribute to the smooth progress of the domestic and international circulations. It closely followed the effective prevention and defusion of the major financial risks of the Bank, and supervised and encouraged the Bank to stay alert to worst-case scenarios and improve its comprehensive risk management capabilities so as to ensure that no systemic risks arise. In response to the information obtained, the Board of Supervisors made timely reflections and issued prompts when carrying out its supervision duties throughout the year.

Actively carried out strategy supervision. The Board of Supervisors closely tracked the implementation progress of the Group's 14th Five-Year Development Plan, with an emphasis on key elements such as the development of the "Eight Priority Areas", strategic scenario building, and the implementation of projects for deepening reform. It included strategy implementation in its regular agenda, heard two related reports, issued supervision and evaluation opinions on the Bank's performance in strategy implementation for 2021 and the first half of 2022, and put forward nine suggestions for driving high-quality strategy implementation through high-quality inspection and rectification, improving strategy resource allocation, and conducting a whole-process re-examination of the Bank's strategic management. It continued to follow up on the rectifications suggested by the strategic management survey carried out in 2021, and promoted the further implementation of the Bank's development plan on the basis of effective alignment with national plans.

Supervised and evaluated the duty performance of directors and senior management members in an orderly manner. The Board of Supervisors made steady progress in the supervision of day-to-day duty performance by attending meetings of the Board of Directors and its special committees as well as meetings of the Senior Management as non-voting attendees, so as to keep abreast of and oversee the performance of the Board of Directors, the Senior Management and its members in the following areas: compliance with laws and regulations, regulatory requirements and the Articles of Association of the Bank, implementation of the resolutions of shareholders' general meetings and the Board of Directors, implementation of the Group's 14th Five-Year Development Plan, progress towards improving operation and management, and intensification of risk control. The Board of Supervisors completed four quarterly supervision reports on the duty performance of the Board of Directors and the Senior Management, and gave supervisory opinions. In an effort to enhance annual evaluations of duty performance, the Chairwoman of the Board of Supervisors led the team to conduct group on-site interviews with non-executive directors as well as written interviews with executive directors, independent directors and senior management members. Through these efforts, the Board of Supervisors issued annual evaluation results and opinions on the duty performance of the Board of Directors, the Senior Management and their members based on supervision of their routine duty performance, reported to the shareholders' meeting and regulatory authorities as required, and provided written feedback to directors and senior management members, all of which reflects the mutual cooperation and effective checks and balances that pertain among all subjects of the Bank's corporate governance.

Earnestly conducted the review and supervision of financial and regular reports. The Board of Supervisors strengthened its routine financial supervision and attended the meetings of the Financial Approval Committee as non-voting attendees. It followed up and supervised the decision-making and implementation progress of major financial activities and matters with a focus on the Bank's annual financial management priorities, annual business plan, and financial budget. It regularly reviewed and analysed the movement of major financial indicators, completed four quarterly supervision reports on the Bank's financial position by monitoring and studying the macroeconomic and financial situation, regulatory policies and peer dynamics, and supervised and encouraged greater efforts to improve the refined management of financial operations as well as the far-reaching mechanism for financial compliance. Moreover, the Board of Supervisors consolidated the review and supervision of regular reports, heard four reports on operating results, and supervised and reviewed the authenticity, accuracy and completeness of regular reports as well as the compliance and rationality of the profit distribution plan. All supervisors signed written confirmation opinions regarding the Bank's regular reports, and put forward 12 opinions and suggestions, including giving full play to the mainstay role of domestic commercial banks, improving the quality and efficiency of globalised operations, promoting integrated operations with a focus on its core responsibility and business, accelerating digital transformation and enhancing the Bank's comprehensive competitiveness, in order to facilitate the Group's high-quality development. It also deepened its supervision over external auditors, receiving four reports on the work of external auditors, putting forward requirements on their audit independence and effectiveness, and supervising and encouraging them to increase inputs of audit resources and improve audit quality.

Deepened supervision of risk management and internal control through a problem-oriented approach. In response to the tour inspection feedback of the CPC Central Committee as well as problems identified by regulators, the Board of Supervisors carried out daily supervision of risk management and internal control, tracked and monitored changes in related indicators, and completed four quarterly supervision reports on risk and internal control. These reports put forward 16 opinions and suggestions in terms of strengthening the prevention and control of credit risks in key areas such as real estate and local government debt, improving market and derivatives risk management, enhancing the Bank's ability to prevent and resolve country risks in key areas, and consolidating the foundations of internal control and case prevention. It further strengthened risk supervision in a more forward-looking manner, proactively studied and analysed changes in the international political and economic situation, issued prompt risk alerts, supervised and encouraged the strengthening of the Group's integrated management of cross-border and cross-industry risks, and enhanced the effectiveness of major risk screening and stress testing, as part of its efforts to safeguard the bottom line that no systemic risks shall arise. It also continuously followed up on progress regarding the optimisation of the Bank's comprehensive risk management system, focusing on risk control mechanisms and process optimisation, the enhancement of emergency response capabilities for major risks, and the construction of risk management infrastructure in primary-level institutions, etc., and made timely analysis and issued prompt alerts of potential risks and hazards, so as to promote enhanced risk management that better serves the development of the Group.

Issued supervision and evaluation opinions on key supervisory matters. In line with regulatory requirements and the supervisory responsibilities assigned by the Articles of Association, the Board of Supervisors reviewed and acted on key supervisory matters, including strategy implementation, capital management and the management of advanced approaches for capital measurement, consolidated management, new products and new business management, data governance, employee behaviour management, and the management of expected credit losses, etc., strengthened daily research and analysis; issued 21 required supervision and evaluation opinions; and developed a work plan for supervising the management of the Bank's off-balance sheet business in close alignment with the latest regulatory requirements for boards of supervisors in this regard.

Carried out in-depth surveys and supervision. The Board of Supervisors continued to integrate special surveys with routine supervision, with a total of seven special surveys conducted in 2022. Specifically, with a focus on the nation's major strategies for rural revitalisation and regional coordinated development, it conducted special surveys on financial industry's support to the rural revitalisation strategy and implementation of the Guangdong-Hong Kong-Macao Greater Bay Area strategy. Focusing on the Group's globalised and integrated development strategy and risk prevention and control, it carried out special surveys on serving high-level opening up and cross-border risk management, as well as integrated operations. With a focus on the value contribution potential of financial management to the Group's operation and development, it launched a special survey on the effectiveness of the Bank's financial management. Focusing on the key links of the Bank's comprehensive risk management, it initiated a special survey on risk management of outsourcing programmes. With a focus on the development of the Group's enterprise-level structure, it organised a special survey on information technology management. The special survey teams were led by supervisors and included some directors. They organised extensive and in-depth video seminars and written surveys with departments from the Head Office, domestic and overseas tier-1 branches and tier-2 branches under their jurisdiction, as well as the Bank's comprehensive operation companies. In this way, they analysed existing problems and difficulties, proposed countermeasures and recommendations, and submitted special survey reports to provide targeted and practical opinions and recommendations to the Board of Directors and the Senior Management, so as to promote improvement and development through supervision.

Leveraged supervision synergies. The Board of Supervisors reinforced coordination with the Board of Directors and the Senior Management, and maintained information sharing between the Board of Directors and the Board of Supervisors in respect of macro information, management information, industry information and risk alerts, etc. It also jointly conducted survey, training and other activities with the Board of Directors, and organised supervisors to participate in joint seminars of directors, supervisors and senior management members to strengthen communication and exchange, so as to enhance the effectiveness of the Group's corporate governance. Moreover, the Board of Supervisors enhanced coordination with the second and third lines of defence and the comprehensive management departments in order to integrate and utilise supervision information and cooperate in supervision and inspection. It also strengthened supervision and guidance of internal audit, and put forward supervisory suggestions such as deepening the application of audit results and strengthening audit accountability.

Strengthened self-improvement of the Board of Supervisors. The Board of Supervisors improved its policy system by revising items concerning the Board of Supervisors in the Articles of Association of the Bank and improving the *Rules of Procedure of the Board of Supervisors*. It further strengthened the building of the supervisory team by completing the resignation of one external supervisor, the re-appointment of one external supervisor, and the appointments of two external supervisors in accordance with laws, regulations and corporate governance procedures. To enhance supervisors' professional competency, three special training activities were held for the Board of Supervisors to learn about the latest regulatory policies, such as the *Administrative Measures on Related Party Transactions of Banking and Insurance Institutions,* the *Administrative Measures on the Implementation of Expected Credit Loss Approach by Commercial Banks*, and *Measures on the Financial Management of Overseas Investment by State-owned Financial Enterprises*, as well as the latest developments in anti-money laundering legislation; to study and discuss the responsibilities and requirements of the Board of Supervisors in performing their duties, and to formulate supervisory measures. Furthermore, it improved the incentive and constraint mechanism for supervisors to perform their duties, and completed the annual duty performance evaluation of the Board of Supervisors and its members. All supervisors performed their supervision duties faithfully and diligently, gave full play to their own specialties, and made efforts to improve their policy awareness and duty performance capability. In addition, they actively attended meetings, earnestly deliberated on proposals, listened to work reports, carried out special surveys, and provided professional, well-considered and unbiased suggestions, conscientiously fulfilling their supervisory function.

Over the past year, the Board of Supervisors put forward more than 200 supervisory recommendations to the Board of Directors and the Senior Management via letters of supervisory recommendation, duty performance evaluation opinions, supervision and evaluation opinions, quarterly supervision reports and special survey reports. The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors. By holding Executive Committee meetings and special meetings, issuing written instructions and through other means, they required senior management members and relevant functional departments to carefully study the opinions and suggestions offered by the Board of Supervisors, develop practical rectification measures and integrate them into their daily work so as to achieve coordinated improvement, and regularly update the Board of Supervisors on rectification progress. The work of the Board of Supervisors was fully recognised and appreciated by its peers and the market, with the Board of Supervisors of the Bank receiving the "Best Practices Award for the Board of Supervisors of Listed Companies" for the first time.

During the reporting period, the Board of Supervisors held no objection to such matters under its supervision regarding the Bank's operational and legal compliance, financial position, use of raised funds, purchase and sale of assets, connected transactions, internal control and corporate information disclosure.

Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen, Mr. ZHENG Zhiguang, Mr. HUI Ping and Mr. CHU Yiyun, the external supervisors of the Bank, performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. They attended all meetings of the Board of Supervisors and its special committees during their terms of office, and participated in the research and decision-making of the significant affairs of the Board of Supervisors. They were present at shareholders' meetings and attended the meetings of the Board of Directors, the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee as non-voting attendees. They organised special surveys of the Board of Supervisors, proposed independent opinions, and played an active role in promoting the improvement of the Bank's corporate governance and business management.

The Board of Supervisors
30 March 2023

Significant Events

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in the regular course of its business. Given the range and scale of its international presence, the Bank may be involved in a variety of litigation, arbitration as well as other judicial proceedings within different jurisdictions in the course of its regular business operations in different countries and regions across the world, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Based upon the opinions of internal and external legal counsels, the Senior Management of the Bank believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Bank. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

Purchase and Sale of Material Assets

During the reporting period, the Bank did not undertake any purchase and sale of material assets that is required to be disclosed.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the extraordinary shareholders' meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note V.43 of the Consolidated Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take, or allow to subsist any significant custody of, sub-contract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is required to be disclosed.

Material Guarantee Business

As approved by the PBOC and the CBIRC, the Bank's guarantee business is an off-balance sheet item in the ordinary course of its business. The Bank operates its guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in respect of the risks of guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

During the reporting period, there was no violation of laws, administrative regulations or rules of the CSRC in the Bank's guarantee business.

Other Major Contracts

During the reporting period, the Bank did not enter into or allow to subsist any other major contract that is required to be disclosed.

Misappropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Undertakings

Huijin made a "non-competing commitment" when the Bank launched its IPO. As at 31 December 2022, Huijin has strictly observed and has not breached such undertaking.

Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to compulsory measures due to alleged crimes, subject to criminal punishment, investigated by the CSRC due to potential violation of laws and regulations or subject to administrative punishment by the CSRC, or had material administrative punishment imposed on them by other competent authorities. None of the directors, supervisors or senior management members or controlling shareholder was detained by disciplinary inspection and supervision authorities due to any potential material breach of laws, disciplinary regulations or duty crimes, nor did any such matter affect its duty performance. None of the directors, supervisors or senior management members was subject to compulsory measures by other competent authorities due to potential violation of laws and regulations, nor did any such matter affect its duty performance.

Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform any obligations from effective legal instruments of the court or pay off any due debt in large amount.

Information on Environmental, Social and Governance Performance

For details of the Bank's environmental, social and governance performance, please refer to the Bank's *2022 Corporate Social Responsibility Report (Environmental, Social and Governance)* published on the websites of the SSE, the HKEX and the Bank.

Other Significant Events

For announcements regarding other significant events during the reporting period made in accordance with regulatory requirements, please refer to the websites of the SSE, the HKEX and the Bank.

Independent Auditor's Report

To the Shareholders of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 220 to 440, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include principal accounting policies and other explanatory information.

Our Opinion

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Opinion (Continued)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit loss ("ECL") for loans and advances to customers
- Valuation of financial investments measured at fair value
- Consolidation of structured entities

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers

Refer to Note II 4.6, Note III 1, Note V 9, 17, 24 and Note VI 2.3 of the consolidated financial statements.

As at 31 December 2022, the carrying amount of loans and advances to customers in the Group's consolidated statement of financial position was RMB17,117,566 million. Of these balances, the loans and advances to customers measured at amortised cost of RMB16,920,093 million and loans and advances to customers measured at fair value through other comprehensive income of RMB583,182 million, together with accrued interest were subject to ECL measurement, and an impairment allowance of RMB437,241 million was recognised by management as at 31 December 2022. The impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2022 amounted to RMB92,793 million.

The Group assessed whether the credit risk of loans and advances to customers had increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL. For loans and advances to customers that are classified as stage 1 or stage 2, and those classified as stage 3 (impaired) with individual amount that are relatively insignificant, the Group assessed the ECL using the risk parameter modelling approach that incorporated relevant key risk parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For loans and advances to customers classified as stage 3 with individual amount that are relatively significant, the Group assessed ECL for each loan by estimating the future cash flows from the loans.

We understood and evaluated management's internal controls and assessment process for the measurement of ECL for loans and advances to customers. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

We assessed the design and tested the operating effectiveness of the internal controls over the measurement of ECL for loans and advances to customers. These included periodic assessment and approval controls, which primarily include:

(1) internal controls over the ECL model management, including continuous monitoring of the selection of modelling methodologies, model optimisation, approval and application of changes in key parameters, and model back-testing;

(2) internal controls over significant management judgements and assumptions, including portfolio segmentation, parameter estimation, determination and application of criteria to identify significant increases in credit risk, default and credit-impaired assets, as well as economic indicators, economic scenarios and weightings used in forward-looking measurement;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

The measurement of ECL for loans and advances to customers involves significant management judgements and estimations, mainly on:

(1) Segmentation of portfolios based on credit risk characteristics, selection of appropriate models and assumptions;

(2) Determination and application of criteria to identify significant increase in credit risks and default or credit-impaired assets;

(3) Economic indicators, economic scenarios and weightings used in the forward-looking measurement;

(4) Estimation of future cash flows for stage 3 loans and advances to customers with individual amount that are relatively significant.

We have identified the measurement of ECL for loans and advances to customers as a key audit matter due to the material balance of the Group's loss allowances for loans and advances to customers and high inherent risk given the uncertainty of estimates, adoption of complex models, involvement of significant management judgements and assumptions and use of numerous parameters and data inputs in such measurement.

(3) internal controls over the estimated future cash flows and calculation of present value with respect to loans and advances to customers classified as stage 3 with individual amount that are relatively significant;

(4) internal controls over the accuracy and completeness of key data used by the models;

(5) internal controls over the information technology systems for ECL measurement, including information technology general controls, data interfaces, application of model parameters and automated IT controls over impairment calculations.

We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers. The substantive audit procedures performed by us were mainly as follows:

(1) we assessed the appropriateness of portfolio segmentation and the models adopted for the measurement of ECL in respect of different portfolios with consideration given to the risk characteristics of loans and advances to customers, the Group's risk management practices and industry practices. We selected samples of ECL calculations and examined whether the models' calculation engines are consistent with the Group's methodologies.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

(2) we examined the accuracy and completeness of historical and measurement date data used in the ECL models on a sample basis, including:

(i) in respect of PD: financial and non-financial information for determining borrowers' credit rating, overdue repayment status, etc.;

(ii) in respect of LGD: types of guarantees and collateral, historical actual loss rates, etc.;

(iii) in respect of EAD: borrowers' outstanding loan balances, interest rates, maturity dates, repayment methods, etc. by agreeing them to loan contracts and other relevant documents. We also agreed the total credit risk exposure in the ECL models to data from other information systems.

(3) in respect of PD and LGD, we assessed the reasonableness of the parameters by comparing the historical expected default and loss given default with the subsequent actual default and loss given default for significant exposures through independent back-testing.

(4) we selected samples and assessed the appropriateness of management's staging classifications and judgements used in determining significant increases in credit risk and identification of default or credit-impaired assets based on the borrower's financial and non-financial information and other external evidence provided by management. We took into consideration the credit risk profile of borrowers and the Group's risk management practices in such assessment.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)	
	(5) for forward-looking measurements, we evaluated management's selection methodology for economic indicators, economic scenarios and weightings assigned based on statistical analysis and expert judgements. We assessed the reasonableness of the forecasted economic indicators by performing back-testing and comparing with publicly available forecasts from third-party institutions. We performed sensitivity analysis on the economic indicators and weightings under different economic scenarios. (6) for individual loans and advances to customers classified as stage 3 which were relatively significant, we examined on a sample basis, the forecasted cash flows prepared by management based on the financial information of borrowers and guarantors, latest collateral valuations and other available information and factors together with discount rates used to support the computation of loss allowances. We checked and evaluated the appropriateness of the financial statement disclosures in relation to the measurement of ECL in the context of applicable accounting framework. Based on procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers were supported by the available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of financial investments measured at fair value

Refer to Note II 4.4, Note III 2, Note V 18 and Note VI 5.1 of the consolidated financial statements.

As at 31 December 2022, financial investments measured at fair value through profit or loss and financial investments measured at fair value through other comprehensive income of the Group were RMB571,960 million and RMB2,468,375 million respectively, representing 10.52% of total assets. Of these financial investments measured at fair value, (1) financial investments classified as Level 1 fair value, measured using quoted prices (unadjusted) in active markets accounted for 13.59%; (2) financial investments classified as Level 2 fair value, measured using valuation techniques for which inputs are observable for the financial investments, accounted for 81.10%; (3) financial investments classified as Level 3 fair value, measured using valuation techniques using unobservable inputs that have a significant impact on the valuation accounted for 5.31%. Level 3 financial investments mainly include unlisted equity and fund investments held by the Group.

We have identified this as a key audit matter due to the material balance of the financial investments measured at fair value and significant management judgements and assumptions are required, including selection and determination of unobservable inputs, in valuing the financial investments classified as Level 3.

We understood and evaluated management's internal controls and assessment process over the valuation of financial investments measured at fair value. We assessed the inherent risk of material misstatement by considering the inherent risk factors of the different fair value levels such as the degree of estimation uncertainty, the complexity of valuation techniques and models, the subjectivity of management's judgements and assumptions in selecting valuation techniques, models and inputs and susceptibility to management bias.

We assessed the design and tested the operating effectiveness of the internal controls over the valuation of financial investments measured at fair value. These included controls over model validation and approval, review and approval of valuation results, as well as the information technology general controls of related systems, systems interfaces of inputs such as market data and automated calculations within the valuation systems.

We performed the following substantive procedures over the valuation of financial investments measured at fair value, on a sample basis:

(1) for Level 1 financial investments, we tested their valuations by comparing to quoted prices in active markets.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial investments measured at fair value (Continued)	
	(2) for Level 2 and Level 3 financial investments: (i) we assessed the appropriateness of the Group's valuation models and benchmarked against common market models, taking into consideration the product characteristics and industry practice; (ii) we compared the valuation of Level 2 financial investments to quotations available from independent sources; as well as tested observable inputs used in valuation models; (iii) for unobservable inputs used for the valuation of Level 3 financial investments, we obtained an understanding of management's methodology for the selection of inputs such as liquidity discounts, discount rates, expected dividend, net asset value of unlisted investments etc. and assessed the reasonableness and appropriateness of such inputs by examining supporting information and comparing to alternatives in the market with involvement of our internal valuation experts. We also performed sensitivity analysis on the unobservable inputs; (iv) we engaged internal valuation experts to perform independent valuation testing. We checked and evaluated the appropriateness of the financial statement disclosures in relation to the fair value of financial investments in the context of applicable accounting framework. Based on the procedures performed, we considered that the judgements and assumptions used by management in valuing financial investments measured at fair value were acceptable.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note II 2.1, Note III 7 and Note V 46 of the consolidated financial statements. The Group is principally involved with structured entities through sponsoring and managing, and/or investing in wealth management products, asset securitisation products, funds, investment trust plans and asset management plans. As at 31 December 2022, the Group's interests in unconsolidated structured entities mainly included (1) the net asset value of unconsolidated wealth management products and funds/asset management plans where the Group sponsored and managed amounted to RMB1,760,322 million and RMB661,931 million, respectively; (2) the carrying amounts of interest in unconsolidated structured entities held by the Group through direct investments in fund investments, investment trusts and asset management plans, and asset-backed securitisations sponsored by other financial institutions outside the Group were RMB81,478 million, RMB16,565 million, and RMB117,253 million, respectively. The Group determines whether to consolidate structured entities based on management's assessment of the Group's control over the structured entities, taking into consideration its power over the structured entities, its exposure or rights to variable returns from its involvement with the structured entities, and its ability to use its power to affect the amount of returns from the structured entities. We have identified this as a key audit matter due to the material amount of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.	We assessed and tested the design and operating effectiveness of the internal controls over the Group's consolidation of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as review and approval of the consolidation assessments. We performed the following substantive procedures on a sample basis: (1) we inspected the contractual terms of structured entities, understood the purpose of establishment, examined the transaction structure and identified the decision-making mechanism of related activities to assess the rights and obligations of the Group and other investors, as well as the Group's power over the structured entities. (2) we examined the arrangements for investment income, fee income, assets management fees and retained residual income from the structured entities based on the contractual terms including whether liquidity support or other arrangements were provided by the Group to the structured entities, and performed independent analysis and testing to assess the Group's exposure or rights to variable returns from its involvement in related activities with the structured entities.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities (Continued)	
	(3) we analysed the extent of the Group's decision-making power, the level of returns and the risk of variable returns due to holding other interests in the structured entities to assess whether the Group has the ability to use their power to influence the amount of returns from the structured entities. We also analysed the substantive rights held by other investors to assess whether the Group acted as a principal or an agent in structured entities related transactions. We checked and assessed the appropriateness of the financial statement disclosures in relation to the consolidation of structured entities in the context of applicable accounting framework. Based on the procedures performed, we considered that management's judgements on the consolidation of structured entities were supported by the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

Consolidated Financial Statements

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CONTENTS (Continued)

CONSOLIDATED INCOME STATEMENT

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

		Year ended 31 December	
	Note	**2022**	**2021**
Interest income	V.1	882,273	789,488
Interest expense	V.1	(421,595)	(364,346)
Net interest income		**460,678**	**425,142**
Fee and commission income	V.2	87,102	94,453
Fee and commission expense	V.2	(14,854)	(13,027)
Net fee and commission income		**72,248**	**81,426**
Net trading gains	V.3	13,332	28,291
Net gains on transfers of financial asset	V.4	2,057	3,197
Other operating income	V.5	70,824	67,661
Operating income		**619,139**	**605,717**
Operating expenses	V.6	(231,196)	(226,355)
Credit impairment losses	V.9	(98,027)	(103,079)
Impairment losses on other assets		(5,966)	(1,141)
Operating profit		**283,950**	**275,142**
Share of results of associates and joint ventures	V.19	645	1,478
Profit before income tax		**284,595**	**276,620**
Income tax expense	V.10	(47,091)	(49,281)
Profit for the year		**237,504**	**227,339**
Attributable to:			
Equity holders of the Bank		227,439	216,559
Non-controlling interests		10,065	10,780
		237,504	**227,339**
Earnings per share (in RMB)	V.11		
— Basic		0.73	0.70
— Diluted		0.73	0.70

For details of the dividends paid or proposed, please refer to Note V.39.3.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		Year ended 31 December	
	Note	2022	2021
Profit for the year		**237,504**	**227,339**
Other comprehensive income:	V.12		
Items that will not be reclassified to profit or loss			
— Actuarial gains/(losses) on defined benefit plans		68	(83)
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		2,086	150
— Other		9	83
Subtotal		2,163	150
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		(24,735)	5,444
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		(374)	571
— Exchange differences from the translation of foreign operations		33,347	(12,760)
— Other		757	359
Subtotal		8,995	(6,386)
Other comprehensive income for the year, net of tax		**11,158**	**(6,236)**
Total comprehensive income for the year		**248,662**	**221,103**
Total comprehensive income attributable to:			
Equity holders of the Bank		230,877	213,615
Non-controlling interests		17,785	7,488
		248,662	**221,103**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Cash and due from banks and other financial institutions	V.13	815,063	644,816
Balances with central banks	V.14	2,313,859	2,228,726
Placements with and loans to banks and other financial institutions	V.15	1,174,097	1,257,413
Government certificates of indebtedness for bank notes issued	V.27	196,497	175,715
Precious metals		130,215	276,258
Derivative financial assets	V.16	152,033	95,799
Loans and advances to customers, net	V.17	17,117,566	15,322,484
Financial investments	V.18	6,445,743	6,164,671
— financial assets at fair value through profit or loss		571,960	561,642
— financial assets at fair value through other comprehensive income		2,468,375	2,389,830
— financial assets at amortised cost		3,405,408	3,213,199
Investments in associates and joint ventures	V.19	38,304	35,769
Property and equipment	V.20	226,776	219,126
Construction in process	V.21	19,613	26,965
Investment properties	V.22	23,311	19,554
Deferred income tax assets	V.36	70,192	51,172
Other assets	V.23	190,588	203,940
Total assets		**28,913,857**	**26,722,408**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2022 (Amount in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021
LIABILITIES			
Due to banks and other financial institutions	V.25	2,240,323	2,682,739
Due to central banks	V.26	915,858	955,557
Bank notes in circulation	V.27	196,903	175,605
Placements from banks and other financial institutions	V.28	466,335	407,767
Financial liabilities held for trading	V.29	53,868	12,458
Derivative financial liabilities	V.16	135,838	89,151
Due to customers	V.30	20,201,825	18,142,887
Bonds issued	V.31	1,540,935	1,388,678
Other borrowings	V.32	24,905	26,354
Current tax liabilities	V.33	58,957	45,006
Retirement benefit obligations	V.34	1,842	2,095
Deferred income tax liabilities	V.36	6,804	7,003
Other liabilities	V.37	501,893	436,555
Total liabilities		**26,346,286**	**24,371,855**
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	V.38.1	294,388	294,388
Other equity instruments	V.38.3	369,505	319,505
Preference shares		119,550	119,550
Perpetual bonds		249,955	199,955
Capital reserve	V.38.2	135,759	135,717
Other comprehensive income	V.12	5,706	1,417
Statutory reserves	V.39.1	235,362	213,930
General and regulatory reserves	V.39.2	337,465	303,209
Undistributed profits	V.39	1,049,404	956,987
		2,427,589	**2,225,153**
Non-controlling interests	V.40	**139,982**	**125,400**
Total equity		**2,567,571**	**2,350,553**
Total equity and liabilities		**28,913,857**	**26,722,408**

Approved and authorised for issue by the Board of Directors on 30 March 2023.

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

LIU Jin
Director

LIN Jingzhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		Attributable to equity holders of the Bank									
			Other equity instruments								
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
As at 1 January 2022		294,388	119,550	199,955	135,717	1,417	213,930	303,209	956,987	125,400	2,350,553
Total comprehensive income	V.12	–	–	–	–	3,438	–	–	227,439	17,785	248,662
Appropriation to statutory reserves	V.39.1	–	–	–	–	–	21,432	–	(21,432)	–	–
Appropriation to general and regulatory reserves	V.39.2	–	–	–	–	–	–	34,256	(34,256)	–	–
Dividends	V.39.3	–	–	–	–	–	–	–	(78,479)	(5,704)	(84,183)
Capital contribution by non-controlling shareholders		–	–	–	(3)	–	–	–	–	2,501	2,498
Capital contribution by other equity instruments holders	V.38.3	–	–	50,000	(11)	–	–	–	–	–	49,989
Other comprehensive income transferred to retained earnings		–	–	–	–	851	–	–	(851)	–	–
Other		–	–	–	56	–	–	–	(4)	–	52
As at 31 December 2022		294,388	119,550	249,955	135,759	5,706	235,362	337,465	1,049,404	139,982	2,567,571

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

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

		Attributable to equity holders of the Bank										
			Other equity instruments									
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Treasury shares	Non-controlling interests	Total
As at 1 January 2021		294,388	147,519	129,971	135,973	4,309	193,438	267,981	864,848	(8)	124,418	2,162,837
Total comprehensive income	V.12	–	–	–	–	(2,944)	–	–	216,559	–	7,488	221,103
Appropriation to statutory reserves	V.39.1	–	–	–	–	–	20,492	–	(20,492)	–	–	–
Appropriation to general and regulatory reserves	V.39.2	–	–	–	–	–	–	35,228	(35,228)	–	–	–
Dividends		–	–	–	–	–	–	–	(68,645)	–	(6,558)	(75,203)
Net change in treasury shares		–	–	–	–	–	–	–	–	8	–	8
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	–	41	41
Capital contribution and reduction by other equity instruments holders		–	(27,969)	69,984	(31)	–	–	–	–	–	–	41,984
Other comprehensive income transferred to retained earnings		–	–	–	–	52	–	–	(52)	–	–	–
Other		–	–	–	(225)	–	–	–	(3)	–	11	(217)
As at 31 December 2021		294,388	119,550	199,955	135,717	1,417	213,930	303,209	956,987	–	125,400	2,350,553

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Profit before income tax		284,595	276,620
Adjustments:			
Impairment losses on assets		103,993	104,220
Depreciation of property and equipment and right-of-use assets		22,434	22,428
Amortisation of intangible assets and other assets		6,763	6,364
Net gains on disposals of property and equipment, intangible assets and other long-term assets		(876)	(781)
Net gains on disposals of investments in subsidiaries, associates and joint ventures		(561)	(992)
Share of results of associates and joint ventures		(645)	(1,478)
Interest income arising from financial investments		(165,954)	(153,859)
Dividends arising from investment securities		(744)	(616)
Net gains on financial investments		(478)	(1,755)
Interest expense arising from bonds issued		44,281	41,836
Accreted interest on impaired loans		(868)	(728)
Interest expense arising from lease liabilities		684	742
Net changes in operating assets and liabilities:			
Net increase in balances with central banks		(66,184)	(2,710)
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions		(31,193)	111,715
Net decrease/(increase) in precious metals		146,056	(52,983)
Net increase in loans and advances to customers		(1,881,993)	(1,564,704)
Net (increase)/decrease in other assets		(266,584)	126,476
Net (decrease)/increase in due to banks and other financial institutions		(441,111)	762,120
Net (decrease)/increase in due to central banks		(39,642)	67,240
Net increase/(decrease) in placements from banks and other financial institutions		57,969	(4,006)
Net increase in due to customers		2,019,973	1,226,797
Net (decrease)/increase in other borrowings		(1,449)	320
Net increase/(decrease) in other liabilities		246,068	(62,752)
Cash inflow from operating activities		34,534	899,514
Income tax paid		(45,871)	(56,256)
Net cash (outflow)/inflow from operating activities		**(11,337)**	**843,258**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	Note	Year ended 31 December 2022	2021
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		12,850	7,781
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		842	1,620
Dividends received		1,618	1,288
Interest income received from financial investments		166,768	151,183
Proceeds from disposals/maturities of financial investments		3,557,232	3,105,057
Increase in investments in subsidiaries, associates and joint ventures		(2,717)	(2,240)
Purchase of property and equipment, intangible assets and other long-term assets		(27,738)	(30,173)
Purchase of financial investments		(3,731,097)	(3,630,077)
Net cash outflow from investing activities		**(22,242)**	**(395,561)**
Cash flows from financing activities			
Proceeds from issuance of bonds		1,012,066	1,005,299
Proceeds from issuance of other equity instruments		50,000	69,984
Proceeds from capital contribution by non-controlling shareholders		2,473	41
Repayments of debts issued		(896,096)	(869,059)
Cash payments for interest on bonds issued		(27,977)	(22,879)
Repayments of other equity instruments issued		–	(28,000)
Dividend payments to ordinary shareholders		(65,060)	(57,994)
Dividend and interest payments to other equity instrument holders		(13,421)	(12,230)
Dividend payments to non-controlling shareholders		(5,701)	(6,558)
Other net cash flows from financing activities		(3,237)	(4,260)
Net cash inflow from financing activities		**53,047**	**74,344**
Effect of exchange rate changes on cash and cash equivalents		96,367	(41,278)
Net increase in cash and cash equivalents		**115,835**	**480,763**
Cash and cash equivalents at beginning of year		1,975,631	1,494,868
Cash and cash equivalents at end of year	V.42	**2,091,466**	**1,975,631**

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

I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. After 1949, the Bank was designated as the state-designated specialised foreign exchange and trade bank. Since 1994, the Bank has evolved into a State-owned commercial bank. In this regard, in accordance with the Master Implementation Plan for the Joint Stock Reform approved by the State Council of the PRC, the Bank was converted into a joint stock commercial bank on 26 August 2004 and its name was changed from Bank of China to Bank of China Limited. In 2006, the Bank listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the "CBIRC") No. B0003H111000001 and is issued the business license of legal enterprise with unified social credit code No. 911000001000013428 by the State Administration of Industry and Commerce of the PRC. The registered address is No.1, Fuxingmen Nei Dajie, Beijing, China.

The Bank and its subsidiaries (together the "Group") provide a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other major international financial centres.

The Bank's principal regulator is the CBIRC. The operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group are subject to the supervision of local regulators.

The parent company is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC").

These consolidated financial statements have been approved by the Board of Directors on 30 March 2023.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and investment properties 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 the relevant policy.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

1.1 Standards and amendments effective in 2022 relevant to and adopted by the Group

On 1 January 2022, the Group has adopted the following IFRSs and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective:

IFRS 3 Amendments	*Business Combination*
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*
IAS 37 Amendments	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)	*Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16*

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2022 relevant to and adopted by the Group (Continued)

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that when 'testing whether the asset is functioning properly', an entity assesses the technical and physical performance of the asset. The assessment of functioning properly is not an assessment of the financial performance of an asset, such as assessing whether the asset has achieved the level of operating margin initially anticipated by management. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments as well as an amendment to IFRS 16 Leases. The amendment to IFRS 9 clarifies fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment to IFRS 16 Leases removes the illustration of payments from the lessor relating to leasehold improvements in an illustrative example so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The adoption of the above standards and amendments does not have any material impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2022.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group

1.2.1 Minor amendments to IFRSs

		Effective for annual periods beginning on or after
IAS 1 and IFRS Practice Statement 2 Amendments	*Disclosure of Accounting Policies*	1 January 2023
IAS 8 Amendments	*Definition of Accounting Estimates*	1 January 2023
IAS 12 Amendments	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IFRS 16 Amendments	*Lease Liability in a Sale and Leaseback*	1 January 2024
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

IAS 1 and IFRS Practice Statement 2 Amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 8 Amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of "accounting estimates". The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group (Continued)

1.2.1 Minor amendments to IFRSs (Continued)

IAS 12 Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

IFRS 10 and IAS 28 Amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards and amendments will have no material impact on the consolidated and the Bank's financial statements.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group (Continued)

1.2.2 IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective from 1 January 2023. According to the transition requirements of IFRS 17, the Group shall restate the comparative figures for the previous period starting from 1 January 2022.

IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts. The main impacts of IFRS 17 compared with the Group's current accounting policies for insurance contracts under IFRS 4 as set forth in Note II. 14 are as follows:

- IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.

- investment components are no longer included in insurance revenue or insurance service expenses.

- under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. Such unearned profits will be released and recognized as insurance revenue over the coverage period of the insurance contracts as services are provided.

- IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets in accordance with IFRS 9. In addition, the Group has an option to present the changes in the measurement of selected insurance contract liabilities due to changes in time value money and other financial risks in other comprehensive income.

The Group expects that the adoption of IFRS 17 will not have material impact on the Group's total equity.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in changes of relevant elements in the definition of control, the Group will re-evaluate whether subsidiaries are controlled.

The Group uses acquisition method of accounting to account for business combinations. Consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested for impairment annually, or more frequently whenever there is an indication of possible impairment, and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.1 Subsidiaries (Continued)

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. Dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as other operating income. The Group assesses at each financial reporting date whether there is objective evidence that an investment in subsidiaries is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

2.2 Associates and joint ventures

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and accounted for using the equity method of accounting. The Group's "Investment in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to the income statement.

3 Foreign currency translation

3.1 Functional and presentation currency

The functional currency of the Group's operations in the Chinese mainland is Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

3.2 Transactions and balances

Foreign currency transactions are translated into respective functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

3 Foreign currency translation (Continued)

3.2 Transactions and balances (Continued)

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in "Other comprehensive income". Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in "Other comprehensive income". Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the income statement.

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction; and

- all resulting exchange differences are recognised in "Other comprehensive income".

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of customers deposits taken and other currency instruments designated as hedges of such investments are taken to "Other comprehensive income". When a foreign entity is disposed, these exchange differences are recognised in the income statement.

The effect of exchange rate changes on cash and cash equivalents is presented individually in the statement of cash flows.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments

4.1 Initial recognition and measurement

The Group recognises a financial asset or financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial asset or liability, transaction costs are recognised in the initial measurement.

The fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

4.2 Classification and Subsequent measurement

4.2.1 Financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the financial assets are classified as part of "other" business model. The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(1) Financial assets at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

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.

(2) Financial assets at fair value through other comprehensive income

The Group classifies financial assets as subsequently measured at fair value through other comprehensive income if both of the following conditions are met:

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

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

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

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 interests calculated using effective interest method, impairment losses or reversal 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 losses or reversal are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

Investments in equity instruments

The Group may, at initial recognition, irrevocably designate an investment in equity instrument, which is not held for trading, as at fair value through other comprehensive income when it meets the definition of an equity instrument under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss. No impairment losses or reversal are recognised for such equity instruments.

(3) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

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.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

4.2.2 Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities at fair value through profit or loss held by the Group are subsequently measured at fair value. A gain or loss on a financial liability that is measured at fair value is recognised in profit or loss unless:

- it is part of a hedging relationship; or

- it is a financial liability designated as at fair value through profit or loss and the effects of changes in the Group's credit risk are presented in other comprehensive income. When such financial liability is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to undistributed profits under equity.

The Group does not reclassify any financial liabilities.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.3 Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

The Group may, at initial recognition, irrevocably designate a financial asset or financial liability as measured at fair value through profit or loss, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- a portfolio of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to the Group's key management personnel; or

- the financial liability contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.3 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model at the financial reporting date. Any increase in the liability relating to financial guarantee contracts is recognised in the income statement.

Loan commitments are commitments provided by the Group to customers to grant loans under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Other liabilities — provision".

4.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of quoted financial assets and financial liabilities in active markets are based on market prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.5 Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or when a financial asset is transferred, the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

4.6 Impairment measurement for losses on assets

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

Measurement of ECL

ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates ECL by three stages:

- stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included under Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Measurement of ECL (Continued)

Where, in the previous accounting period, the impairment allowance of a financial instrument was measured based on the ECL of the instrument over the entire lifetime, and while, at the current financial reporting date, such financial instrument is no longer regarded as experiencing a significant increase in credit risk since its initial recognition, the Group measures the impairment allowance of the financial instrument as at the financial reporting date using the ECL of the instrument over the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition at the financial reporting date as an impairment allowance. At each financial reporting date, the Group recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- time value of money; and
- reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the financial reporting date.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The parameters, assumptions and estimation techniques used in measuring the ECL are disclosed in Note VI.2.3 measurement of ECL.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.7 Modification of contractual cash flows

The Group sometimes modifies or renegotiates the contractual cash flows with a counterparty, which include extending payment term arrangements, repayment schedule modifications and changes to the interest settlement arrangement. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are not substantially different, it does not result in a derecognition of the original financial asset. The risk of default of such assets after modification is assessed at the financial reporting date and compared with the risk under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate, and the related gain or loss is recognised in profit and loss.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

4.8 Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has taken necessary actions and necessary proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss captured within impairment losses on financial assets.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting

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. Credit risk valuation adjustments are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group, respectively. They are dependent on the expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The treatment of 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 the income statement.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. When designating a hedging relationship and on an ongoing basis, the Group assesses the hedge effectiveness, that is the extent to which changes in the fair value or cash flows of the hedging instrument offsets changes in fair values or cash flows of the hedged item.

The hedging relationship should meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Possible sources of ineffectiveness are as follows:

- notional and timing differences between the hedged items and hedging instruments;

- significant changes in counterparties' credit risk.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

(2) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in "Other comprehensive income". The ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the same periods when the hedged future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

(3) Net investment hedge

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

When the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element, the changes in the value of the forward element of the forward contract shall be recognised in other comprehensive income to the extent that it relates to the hedged item.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

4 Financial instruments (Continued)

4.10 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is a financial asset, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not a financial asset, the Group separates the embedded derivative from the host contract and accounts for it as a derivative, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

If it is unable to measure the embedded derivative separately either at acquisition or at the subsequent financial reporting date, the Group will designate the entire hybrid instrument as at fair value through profit or loss.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

5 Precious metals

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

6 Repurchase agreements, agreements to re-sell and securities lending

Securities and bills sold subject to repurchase agreements ("Repos") continue to be recognised, and are recorded as "Financial investments". The corresponding obligation is included in "Placements from banks and other financial institutions" and "Due to central banks". Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Placements with and loans to banks and other financial institutions" or "Balances with central banks", as appropriate.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

7 Property and equipment and construction in progress

The Group's property and equipment mainly comprise buildings, equipment and motor vehicles and aircraft. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in "Property and equipment".

Assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

(Amount in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment and construction in progress (Continued)

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Property and equipment are reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the income statement.

7.1 Buildings, equipment and motor vehicles

Buildings comprise primarily branch and office premises. The estimated useful lives, estimated residual value rate and depreciation rate of buildings, equipment and motor vehicles are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	15-50 years	3%	1.9%-6.5%
Equipment	3-15 years	3%	6.4%-32.4%
Motor vehicles	4-6 years	3%	16.1%-24.3%

7.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate varying from 0% to 15%.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

7 Property and equipment and construction in progress (Continued)

7.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

8 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

8.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any option to purchase the underlying asset as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when new as a lease of low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognised as "Operating expenses" in the income statement on a straight-line basis over each period of the lease term.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the Bank and its subsidiaries and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(3) any initial direct costs incurred when the Group is a lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Lease liabilities (Continued)

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 Leases (Continued)

8.2 As Lessor

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

When the Group is a lessor under finance leases, the Group recognises the finance lease receivable and derecognises the assets under finance leases at the commencement date. The Group recognise assets held under a finance lease in the consolidated statement of financial position and such assets at an amount equal to the net investment in the lease. Net investment in the lease is the present value of the sum of the unguaranteed residual value and the lease payments that are not received at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest income in profit or loss. Income relating to variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group reflects the underlying assets as the Group's assets. The rental income is recognised as "Other operating income" in the income statement on a straight-line basis over each period of the lease term. Income relating to variable lease payments that are not measured as part of the receivable in the lease are recognised in profit or loss as incurred.

9 Investment properties

Investment properties, principally consisting of office buildings, are held to generate rental income or earn capital gains or both and are not occupied by the Group. Investment properties are carried at fair value and changes in fair value are recorded in the income statement, representing the open market value and other related information determined periodically by independent appraisers.

10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the income statement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

10 Intangible assets (Continued)

The value of intangible assets is reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount of an intangible asset is the higher of the asset's fair value less costs to sell and value in use.

11 Repossessed assets

Repossessed assets are initially recognised at fair value of the waived creditors' rights and other costs directly attributable to the assets when they are obtained as compensation for waiving the loans' principal and interest. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is brought down to its recoverable amount.

12 Employee benefits

12.1 Defined contribution plans and Defined benefit plans

In accordance with the policies of relevant state and local governments, employees in Chinese mainland participate in various defined contribution retirement schemes administered by local Labour and Social Security Bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Upon retirement, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees. In addition to these basic staff pension schemes, employees in Chinese mainland who retire after 1 January 2004 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

All eligible employees in operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions participate in local defined contribution schemes or defined benefit plans.

Contributions made by the Group to the retirement schemes described above are recognised as "Operating expenses" in the income statement as incurred. Forfeited contributions by those employees who leave the schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions or retained in the retirement schemes in accordance with the requirements of the respective defined contribution plans.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.1 Defined contribution plans and Defined benefit plans (Continued)

The obligations related to the defined benefit plans are calculated by independent actuaries using the projected unit credit method at each financial reporting date with actuarial gains or losses are recognised in "Other comprehensive income" immediately when they occur. Gains or losses arising from amendments to pension plans are charged or credited to the income statement immediately as "Operating expenses" when they occur.

12.2 Retirement benefit obligations

The Group pays supplemental retirement benefits to employees in Chinese mainland who retired prior to 31 December 2003 and early retirement benefits to those employees who accepted an early retirement arrangement.

Supplemental retirement benefits include supplemental pension payments and medical expense coverage.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

Liabilities related to the above supplemental retirement benefit obligations and early retirement obligations existing at each financial reporting date are calculated by independent actuaries using the projected unit credit method and are recorded as liabilities under "Retirement benefit obligations" in the statement of financial position. Liabilities represent the present value determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains or losses of supplemental retirement benefit are recognised in "Other comprehensive income" immediately when they occur. Actuarial gains or losses of early retirement benefit obligations and gains or losses arising from amendments to retirement benefit obligations are charged or credited to the income statement immediately as "Operating expenses" when they occur.

12.3 Housing funds

Pursuant to local government regulations, all employees in Chinese mainland participate in various local housing funds administered by local governments. Operations in Chinese mainland contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. These payments are recognised as "Operating expenses" in the income statement as incurred.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

12 Employee benefits (Continued)

12.4 Share-based compensation

(1) Equity-settled share-based compensation schemes

Fair value of the employee services received in exchange for the grant of the options under these schemes is recognised as an expense over the vesting period, with a corresponding increase in equity. Total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Fair value of the equity instruments is measured at the grant date and is not subsequently re-measured. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each financial reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as "Operating expenses" in the income statement over the remaining vesting period, with a corresponding adjustment to "Capital reserve".

The proceeds received net of any directly attributable transaction costs are credited to "Share capital" (nominal value) and "Capital reserve" when the options are exercised.

(2) Cash-settled share-based compensation schemes

The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each financial reporting date with any changes in fair value recognised as "Operating expenses" in the income statement for the period and derecognised when the liability is settled.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of rights that are expected to vest. At each financial reporting date, the Group revises its estimates of the number of rights that are expected to vest. It recognises the impact of the revision to original estimates, if any, as "Operating expenses" in the income statement, with a corresponding adjustment to liability.

12.5 Bonus plans

The Group recognises a liability and an expense for bonuses, taking into consideration its business performance and profit attributable to the Bank's equity holders. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

14 Insurance contracts

14.1 Insurance contracts classification

The Group's insurance subsidiaries issue insurance contracts that transfer significant insurance risk. The Group performs a significant insurance risk test at the contract initial recognition date. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The Group's insurance subsidiaries issue non-life insurance contracts, which cover casualty and property insurance risk, and life insurance contracts, which insure events associated with human life (for example death, or survival) over a long duration.

The Group does not separately measure embedded derivatives that itself meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

14.2 Insurance contracts recognition and measurement

(1) Non-life insurance contracts

Premiums on non-life insurance contracts are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the financial reporting date is reported as the unearned premium liability in "Other liabilities". Claims and loss adjustment expenses are charged to the income statement as "Operating expenses" when incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the financial reporting date even if they have not yet been reported to the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

14 Insurance contracts (Continued)

14.2 Insurance contracts recognition and measurement (Continued)

(2) Life insurance contracts

Premiums on life insurance contracts are recognised as revenue when they become payable by the contract holders. Benefits and claims are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. For certain long-term insurance contracts (investment-linked long-term insurance contracts) with embedded derivatives linking payments on the contract to units of an investment fund set up by the Group with the consideration received from the contract holders, the liability is adjusted for all changes in the fair value of the underlying assets, and includes a liability for contractual benefits that are expected to be incurred in the future which is recorded when the premiums are recognised.

14.3 Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities (including unearned premium in the case of non-life insurance contracts). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and reported as “Operating expenses”, with a provision established for losses arising from the liability adequacy test.

15 Preference shares and perpetual bonds

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Preference shares issued are non-derivative instruments that will be settled in the Group’s own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. Dividends on preference shares are recognised as profit distribution at the time of declaration.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

15 Preference shares and perpetual bonds (Continued)

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. Interest on perpetual bonds is recognised as profit distribution at the time of declaration.

16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

17 Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities, that result in its holding or placing of assets on behalf of individuals, securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other customers. These assets are not included in the statement of financial position of the Group, as they are not assets of the Group.

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognised in the statement of financial position of the Group.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

18 Interest income and expense

"Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

19 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Income taxes

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items directly recognised in Equity, in which case, tax is also directly recognised in Equity.

20.1 Current income tax

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

20.2 Deferred income tax

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation and amortisation, provisions for pension, retirement benefits and salary payables.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/loss.

For deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/loss.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

20 Income taxes (Continued)

20.2 Deferred income tax (Continued)

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority.

21 Segment reporting

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

22 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Measurement of ECL

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

A number of significant judgements and estimations are required in applying the accounting requirements for measuring ECL, such as:

- segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECL;
- selection of appropriate models and assumptions for the measurement of ECL;
- determination of criteria for determining significant increases in credit risk, default and credit-impaired financial assets;
- economic indicators for forward-looking measurement, and the application of economic scenarios and weightings for different types of products; and
- estimation of future cash flows for impaired loans and advances to customers where ECL is being assessed individually.

Refer to Note VI.2.3 measurement of ECL for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against the industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, updated to reflect market conditions at the financial reporting date.

3 Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

4 Employee retirement benefit obligations

As described in Note II.12.2 and Note V.34, the Bank has established liabilities in connection with benefits payable to certain retired and early retired employees. These liabilities are calculated using actuarial assumptions such as discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect other comprehensive income, expenses and employee retirement benefit obligations.

5 Taxes

The Group is subject to income, value-added and other taxes in numerous jurisdictions, principally in Chinese mainland and Hong Kong (China). During the ordinary course of business, there are certain transactions and activities for which the final tax treatment is uncertain. The Group takes into account the existing tax legislations and past practice in determining the tax estimates.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and value-added tax in the period during which such a determination is made.

6 Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

When estimating the value in use of aircraft held by the subsidiary, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate present value. The Group obtains valuations of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in the same location and condition. The Group also uses the fair value of aircraft obtained from independent appraisers in its assessment of the recoverable amount of intangible assets and the goodwill arising from the purchase of the Group's aircraft leasing subsidiary.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

7 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

Variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

IV TAXATION

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

Taxes	Tax basis	Statutory rates
Chinese mainland		
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value	6%
City construction and maintenance tax	Turnover tax paid	1%–7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%
Hong Kong (China)		
Hong Kong (China) profits tax	Assessable profits	16.5%

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2022	**2021**
Interest income		
Loans and advances to customers	652,729	581,000
— Corporate loans and advances	361,805	309,436
— Personal loans	282,464	263,651
— Discounted bills	8,460	7,913
Financial investments	165,954	153,859
— Financial assets at fair value through other comprehensive income	60,631	53,550
— Financial assets at amortised cost	105,323	100,309
Due from and placements with and loans to banks and other financial institutions and central banks	63,590	54,629
Subtotal	882,273	789,488
Interest expense		
Due to customers	(311,936)	(263,599)
Due to and placements from banks and other financial institutions	(64,761)	(58,447)
Bonds issued and other	(44,898)	(42,300)
Subtotal	(421,595)	(364,346)
Net interest income	460,678	425,142

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Net fee and commission income

	Year ended 31 December	
	2022	**2021**
Agency commissions	22,319	29,875
Settlement and clearing fees	15,994	15,371
Bank card fees	12,256	12,717
Credit commitment fees	11,368	11,868
Custodian and other fiduciary service fees	6,844	6,400
Spread income from foreign exchange business	5,788	5,520
Consultancy and advisory fees	5,651	4,576
Other	6,882	8,126
Fee and commission income	87,102	94,453
Fee and commission expense	(14,854)	(13,027)
Net fee and commission income	72,248	81,426

3 Net trading gains

	Year ended 31 December	
	2022	**2021**
Net gains from foreign exchange and foreign exchange products	9,079	3,968
Net gains from interest rate products	8,275	13,065
Net (losses)/gains from fund investments and equity products	(4,834)	10,322
Net gains from commodity products	812	936
Total (1)	13,332	28,291

(1) Included in "Net trading gains" above for the year ended 31 December 2022 were losses of RMB1,173 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2021: losses of RMB348 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Net gains on transfers of financial asset

	Year ended 31 December	
	2022	**2021**
Net gains on derecognition of financial assets at fair value through other comprehensive income	616	2,109
Net gains on derecognition of financial assets at amortised cost [(1)]	1,441	1,088
Total	2,057	3,197

(1) All the net gains on the derecognition of financial assets at amortised cost result from disposals during the year ended 31 December 2022 and 2021.

5 Other operating income

	Year ended 31 December	
	2022	**2021**
Insurance premiums [(1)]	36,357	33,027
Aircraft leasing income	12,058	12,021
Revenue from sale of precious metals products	9,413	10,004
Dividend income [(2)]	6,036	6,881
Gains on disposal of property and equipment, intangible assets and other assets	979	976
Changes in fair value of investment properties (Note V.22)	(7)	(427)
Gains on disposal of subsidiaries, associates and joint ventures	561	992
Other	5,427	4,187
Total	70,824	67,661

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Other operating income (Continued)

(1) Details of insurance premium income are as follows:

	Year ended 31 December	
	2022	**2021**
Life insurance contracts		
Gross earned premiums	38,439	36,806
Less: gross written premiums ceded to reinsurers	(7,479)	(9,004)
Net insurance premium income	30,960	27,802
Non-life insurance contracts		
Gross earned premiums	6,549	6,563
Less: gross written premiums ceded to reinsurers	(1,152)	(1,338)
Net insurance premium income	5,397	5,225
Total	36,357	33,027

(2) For equity instruments classified as financial assets at fair value through other comprehensive income, RMB744 million of dividend income is recognised for the year ended 31 December 2022 (2021: RMB616 million).

6 Operating expenses

	Year ended 31 December	
	2022	**2021**
Staff costs (Note V.7)	102,756	99,317
General operating and administrative expenses (1) (2)	45,647	47,403
Insurance benefits and claims		
— Life insurance contracts	29,002	27,749
— Non-life insurance contracts	4,162	3,830
Depreciation and amortisation	23,908	23,882
Cost of sales of precious metal products	9,090	9,650
Taxes and surcharges	6,135	5,715
Other	10,496	8,809
Total (3)	231,196	226,355

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Operating expenses (Continued)

(1) Included in the "General operating and administrative expenses" is principal auditors' remuneration of RMB182 million for the year ended 31 December 2022 (2021: RMB173 million), of which RMB73 million is for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group (2021: RMB62 million).

(2) Included in the "General operating and administrative expenses" are lease expenses related to short-term leases, leases of low-value assets and others of RMB1,081 million for the year ended 31 December 2022 (2021: RMB1,404 million).

(3) Included in the "Operating expenses" are premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB13,325 million for the year ended 31 December 2022 (2021: RMB12,986 million).

7 Staff costs

	Year ended 31 December	
	2022	**2021**
Salary, bonus and subsidy	72,158	68,798
Staff welfare	5,017	4,664
Retirement benefits	29	67
Social insurance		
— Medical	3,690	3,932
— Pension	6,420	6,205
— Annuity	3,829	3,527
— Unemployment	216	213
— Injury at work	86	81
— Maternity insurance	109	135
Housing funds	5,117	4,940
Labour union fee and staff education fee	1,152	2,052
Reimbursement for cancellation of labour contract	25	29
Other	4,908	4,674
Total	102,756	99,317

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments

Details of the directors' and supervisors' emoluments are as follows:

For the year ended 31 December 2022

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LIU Jin [4]	–	656	125	86	867
LIN Jingzhen [4]	–	591	118	86	795
LIU Liange [4][6]	–	656	125	86	867
WANG Wei [4][6]	–	591	118	86	795
Non-executive directors					
XIAO Lihong [1]	–	–	–	–	–
WANG Xiaoya [1]	–	–	–	–	–
ZHANG Jiangang [1]	–	–	–	–	–
CHEN Jianbo [1]	–	–	–	–	–
HUANG Binghua [1][5]	–	–	–	–	–
ZHAO Jie [1][6]	–	–	–	–	–
Independent directors					
JIANG Guohua	600	–	–	–	600
Martin Cheung Kong LIAO	450	–	–	–	450
CHUI Sai Peng Jose	493	–	–	–	493
Jean-Louis Ekra [5]	250	–	–	–	250
E Weinan [5]	152	–	–	–	152
Giovanni Tria [5]	174	–	–	–	174
WANG Changyun [6]	300	–	–	–	300
Angela CHAO [6]	225	–	–	–	225
CHEN Chunhua [6]	329	–	–	–	329
Supervisors					
ZHANG Keqiu [4]	–	656	125	86	867
WEI Hanguang	50	–	–	–	50
ZHOU Hehua	50	–	–	–	50
JIA Xiangsen	260	–	–	–	260
HUI Ping [5]	223	–	–	–	223
CHU Yiyun [5]	127	–	–	–	127
LENG Jie [6]	50	–	–	–	50
ZHENG Zhiguang [6]	129	–	–	–	129
	3,862	3,150	611	430	8,053

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

For the year ended 31 December 2021

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LIU Jin (4)	–	658	88	63	809
LIN Jingzhen (4)	–	788	111	84	983
LIU Liange (4)(6)	–	878	117	85	1,080
WANG Jiang (4)	–	73	10	7	90
WANG Wei (4)(6)	–	788	111	84	983
Non-executive directors					
XIAO Lihong (1)	–	–	–	–	–
WANG Xiaoya (1)	–	–	–	–	–
ZHANG Jiangang (1)	–	–	–	–	–
CHEN Jianbo (1)	–	–	–	–	–
ZHAO Jie (1)(6)	–	–	–	–	–
Independent directors					
JIANG Guohua	600	–	–	–	600
Martin Cheung Kong LIAO	450	–	–	–	450
CHUI Sai Peng Jose	450	–	–	–	450
WANG Changyun (6)	600	–	–	–	600
Angela CHAO (6)	450	–	–	–	450
CHEN Chunhua (6)	500	–	–	–	500
Supervisors					
ZHANG Keqiu (4)	–	878	117	85	1,080
WEI Hanguang	8	–	–	–	8
ZHOU Hehua	8	–	–	–	8
JIA Xiangsen	260	–	–	–	260
LENG Jie (6)	50	–	–	–	50
ZHENG Zhiguang (6)	260	–	–	–	260
WANG Xiquan (4)	–	73	10	7	90
WANG Zhiheng	25	–	–	–	25
LI Changlin	46	–	–	–	46
	3,707	4,136	564	415	8,822

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

(1) For the years ended 31 December 2022 and 2021, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2022 and 2021, these executive directors of the Bank did not receive any fees.

(3) Employee supervisors' compensation presented above is paid for serving as the supervisors of the Bank.

(4) A portion of the discretionary bonus payments for executive directors and the Chairman of the Board of Supervisors are deferred for a minimum of 3 years, which is contingent upon the future performance in accordance with relevant regulations of the PRC authorities.

The total compensation packages for executive directors and certain supervisors for the year ended 31 December 2022 including discretionary bonus have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2022 financial statements. The final compensation for the year ended 31 December 2022 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2021 were restated based on the finalised amounts as disclosed in the Bank's announcement on resolutions of the Board of Directors dated 30 August 2022.

(5) HUANG Binghua began to serve as Non-executive director of the Bank as of 31 March 2022.Jean-Louis Ekra began to serve as Independent director of the Bank as of 24 May 2022. E Weinan and Giovanni Tria began to serve as Independent directors of the Bank as of 25 July 2022. HUI Ping began to serve as External Supervisor as of 17 February 2022. CHU Yiyun began to serve as External Supervisor as of 30 June 2022.

(6) LIU Liange ceased to serve as Chairman of the Board of director and Executive director of the Bank as of 18 March 2023. WANG Wei ceased to serve as Executive director of the Bank as of 21 March 2023. ZHAO Jie ceased to serve as Non-executive director of the Bank as of 15 March 2022. WANG Changyun and Angela CHAO ceased to serve as Independent directors of the Bank as of 30 June 2022. CHEN Chunhua ceased to Independent director of the Bank as of 29 August 2022. LENG Jie ceased to Employee Supervisor as of 31 January 2023. ZHENG Zhiguang ceased to External Supervisor as of 30 June 2022.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 2021, respectively are as follows:

	Year ended 31 December	
	2022	**2021**
Basic salaries and allowances	20	18
Discretionary bonuses	55	63
Contributions to pension schemes and other	2	2
	77	83

Emoluments of the individuals were within the following bands:

	Year ended 31 December	
Amounts in RMB	**2022**	**2021**
10,000,001-20,000,000	4	4
20,000,001-30,000,000	1	1

The above five highest paid individuals' emoluments are based on best estimates of discretionary bonuses. Discretionary bonuses include portions of payments that are deferred to future periods.

During the years ended 31 December 2022 and 2021, the Group has not paid any emoluments to the directors, supervisors, or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Credit impairment losses

	Year ended 31 December	
	2022	**2021**
Loans and advances		
— Loans and advances at amortised cost	92,769	98,289
— Loans and advances at fair value through other comprehensive income	24	9
Subtotal	92,793	98,298
Financial investments		
— Financial assets at amortised cost	151	721
— Financial assets at fair value through other comprehensive income	(573)	763
Subtotal	(422)	1,484
Credit commitments	5,781	(3,038)
Other	(125)	6,335
Total	98,027	103,079

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax expense

	Year ended 31 December	
	2022	**2021**
Current income tax		
— Chinese mainland income tax	47,629	35,039
— Hong Kong (China) profits tax	5,076	4,348
— Macao (China), Taiwan (China) and other countries and regions taxation	5,016	3,537
Adjustments in respect of current income tax of prior years	2,473	(345)
Subtotal	60,194	42,579
Deferred income tax (Note V.36.3)	(13,103)	6,702
Total	47,091	49,281

The principal tax rates applicable to the Group are set out in Note IV.

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in the Chinese mainland, and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations.

Taxation on profits of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax expense (Continued)

The tax rate on the Group's profit before income tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	Year ended 31 December	
	2022	**2021**
Profit before income tax	284,595	276,620
Tax calculated at the basic Chinese mainland tax rate	71,149	69,155
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(3,642)	(4,337)
Supplementary PRC tax on overseas income	3,019	2,927
Income not subject to tax (1)	(31,182)	(29,556)
Items not deductible for tax purposes (2)	7,324	12,257
Other	423	(1,165)
Income tax expense	47,091	49,281

(1) Income not subject to tax mainly comprises interest income from PRC treasury bonds and Chinese local government bonds, and tax-free income recognised by the overseas entities in accordance with the relevant local tax law.

(2) Non-deductible items primarily include non-deductible losses resulting from the write-off of certain non-performing loans, and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Earnings per share

Basic earnings per share was computed by dividing the profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	**2021**
Profit attributable to equity holders of the Bank	227,439	216,559
Less: dividends/interest on preference shares/ perpetual bonds declared	(13,419)	(10,651)
Profit attributable to ordinary shareholders of the Bank	214,020	205,908
Weighted average number of ordinary shares in issue (in million shares)	294,388	294,379
Basic and diluted earnings per share (in RMB)	0.73	0.70

Weighted average number of ordinary shares in issue (in million shares)

	Year ended 31 December	
	2022	**2021**
Issued ordinary shares as at 1 January	294,388	294,388
Less: weighted average number of treasury shares	–	(9)
Weighted average number of ordinary shares in issue	294,388	294,379

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Other comprehensive income

	Year ended 31 December	
	2022	**2021**
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	68	(83)
Changes in fair value on equity instruments designated at fair value through other comprehensive income	2,981	335
Less: related income tax impact	(895)	(185)
Other	9	83
Subtotal	2,163	150
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	(31,110)	8,412
Less: related income tax impact	6,735	(1,557)
Amount transferred to the income statement	(616)	(1,687)
Less: related income tax impact	256	276
	(24,735)	5,444
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	(512)	761
Less: related income tax impact	138	(190)
	(374)	571
Exchange differences from the translation of foreign operations	33,347	(12,760)
Other	757	359
Subtotal	8,995	(6,386)
Total	11,158	(6,236)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Other comprehensive income (Continued)

Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position:

	Gains/(losses) on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 1 January 2021	22,190	(20,457)	2,576	4,309
Changes for the previous year	6,700	(9,782)	190	(2,892)
As at 31 December 2021 and 1 January 2022	28,890	(30,239)	2,766	1,417
Changes for the year	(19,130)	22,814	605	4,289
As at 31 December 2022	9,760	(7,425)	3,371	5,706

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Cash and due from banks and other financial institutions

	As at 31 December	
	2022	**2021**
Cash	64,706	59,518
Due from banks in Chinese mainland	573,718	464,417
Due from other financial institutions in Chinese mainland	11,880	8,709
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	161,004	110,948
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	2,897	926
Subtotal(1)	749,499	585,000
Accrued interest	2,492	1,835
Less: allowance for impairment losses(1)	(1,634)	(1,537)
Subtotal due from banks and other financial institutions	750,357	585,298
Total	815,063	644,816

(1) As at 31 December 2022 and 2021, the Group included the predominant majority of due from banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Balances with central banks

	As at 31 December	
	2022	**2021**
Mandatory reserves[(1)]	1,551,359	1,478,465
Surplus reserves and others[(2)]	765,062	753,369
Subtotal	2,316,421	2,231,834
Accrued interest	1,080	672
Less: allowance for impairment losses	(3,642)	(3,780)
Total	2,313,859	2,228,726

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 31 December 2022, mandatory reserve funds placed with the PBOC were calculated at 9.5% (31 December 2021: 10.0%) and 6.0% (31 December 2021: 9.0%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. Mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulations.

(2) These represent funds for clearing purposes and balances other than mandatory reserves placed with the PBOC, the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2022	**2021**
Placements with and loans to:		
Banks in Chinese mainland	137,472	150,556
Other financial institutions in Chinese mainland	648,655	589,919
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	357,834	450,817
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	29,360	67,055
Subtotal(1)(2)(3)	1,173,321	1,258,347
Accrued interest	4,663	3,109
Less: allowance for impairment losses(3)	(3,887)	(4,043)
Total	1,174,097	1,257,413

(1) The Group designates certain placements with and loans to banks and other financial institutions as financial assets measured at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2022, the carrying amount of the above-mentioned financial assets of the Group was RMB12,333 million.

(2) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. They are presented by collateral type as follows:

	As at 31 December	
	2022	**2021**
Debt securities		
— Governments	209,940	396,324
— Policy banks	86,703	101,436
— Financial institutions	22,084	6,914
— Corporates	10,374	1,222
Subtotal(3)	329,101	505,896
Less: allowance for impairment losses(3)	(588)	(668)
Total	328,513	505,228

(3) As at 31 December 2022 and 2021, the Group included the predominant majority of its placements with and loans to banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity-related derivative financial instruments for trading, hedging, asset and liability management and customer initiated transactions.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign currency exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

16.1 Derivative financial instruments

	As at 31 December 2022			As at 31 December 2021		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross–currency interest rate swaps	6,088,697	94,304	(86,847)	5,966,594	61,172	(52,535)
Currency options	623,484	6,672	(5,967)	593,654	4,996	(4,196)
Currency futures	1,590	19	(10)	1,250	1	(3)
Subtotal	6,713,771	100,995	(92,824)	6,561,498	66,169	(56,734)
Interest rate derivatives						
Interest rate swaps	4,329,705	46,655	(38,621)	4,032,069	23,860	(27,179)
Interest rate options	22,037	349	(348)	22,988	136	(135)
Interest rate futures	89,445	72	(47)	2,058	2	(4)
Subtotal	4,441,187	47,076	(39,016)	4,057,115	23,998	(27,318)
Equity derivatives	9,085	269	(239)	4,776	185	(120)
Commodity derivatives and other	339,554	3,693	(3,759)	288,773	5,447	(4,979)
Total(1)	11,503,597	152,033	(135,838)	10,912,162	95,799	(89,151)

(1) The derivative financial instruments above include those designated as hedging instruments by the Group.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting

(1) Fair value hedges

The Group uses cross-currency interest rate swaps and interest rate swaps to hedge against changes in fair value of "Financial investments", "Due to central banks" and "Bonds issued" arising from changes in foreign currency exchange rates and interest rates. Foreign currency exchange rate risk and interest rate risk are usually the primary risks which affect the change in fair value.

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies:

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2022				
Interest rate risk				
Interest rate swaps	109,257	6,512	(253)	Derivative financial assets/ liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	2,860	3	(43)	Derivative financial assets/ liabilities
Total	112,117	6,515	(296)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2021				
Interest rate risk				
Interest rate swaps	107,597	685	(2,154)	Derivative financial assets/ liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	625	–	(24)	Derivative liabilities
Total	108,222	685	(2,178)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

The following table sets out the maturity and average exchange rate/interest rate information of the hedging instruments mentioned above:

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2022						
Interest rate risk						
Interest rate swaps						
Notional amount	2,380	2,380	9,484	70,065	24,948	109,257
Average fixed interest rate	3.47%	3.29%	3.22%	4.45%	2.86%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	—	—	—	2,860	—	2,860
Average fixed interest rate	—	—	—	4.74%	—	N/A
Average exchange rate of USD/CNY	—	—	—	6.0350	—	N/A
Average exchange rate of AUD/CNY	—	—	—	4.6875	—	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Fair value hedges					
	Less than 1 month	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
As at 31 December 2021						
Interest rate risk						
Interest rate swaps						
Notional amount	1,237	5,493	9,438	56,999	34,430	107,597
Average fixed interest rate	3.23%	2.99%	3.33%	3.04%	2.87%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	—	—	308	317	—	625
Average fixed interest rate	—	—	4.70%	5.50%	—	N/A
Average exchange rate of USD/CNY	—	—	6.2110	6.0350	—	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(ii) The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	Fair value hedges				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line item in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
As at 31 December 2022					
Interest rate risk					
Financial investments	95,927	—	(7,714)	—	Financial investments
Due to central banks	—	(2,574)	—	25	Due to central banks
Bonds issued	—	(3,175)	—	92	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	—	(2,794)	—	37	Bonds issued
Total	95,927	(8,543)	(7,714)	154	
As at 31 December 2021					
Interest rate risk					
Financial investments	103,502	—	2,561	—	Financial investments
Due to central banks	—	(2,523)	—	14	Due to central banks
Bonds issued	—	(4,458)	—	116	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	—	(600)	—	24	Bonds issued
Total	103,502	(7,581)	2,561	154	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(iii) The Group's net gains/(losses) on fair value hedges are as follows:

	Year ended 31 December	
	2022	**2021**
Net gains/(losses) on		
— hedging instruments	7,193	3,136
— hedged items	(6,958)	(3,250)
Ineffectiveness recognised in net trading gains	235	(114)

(2) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currencies of the Group and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using due to customers, due to central banks and foreign exchange forward and swap contracts in the same or exchange-rate pegged currencies as the functional currencies of the related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations. Under the hedging relationships of designating due to customers, due to central banks and foreign exchange forward and swap contracts as hedging instruments, the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract. There was no ineffectiveness for the year ended 31 December 2022 (2021: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(i) Details of due to customers and due to central banks used in the Group's net investment hedging strategies:

As at 31 December 2022, the carrying value of such due to customers amounted to RMB74,359 million (31 December 2021: RMB50,273 million) and due to central banks amounted to RMB588 million (31 December 2021: RMB762 million).

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies:

	Derivatives designated as net investment hedging instruments			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2022				
Foreign exchange forward and swap contracts	7,520	278	(35)	Derivative financial assets/liabilities
Total	7,520	278	(35)	
As at 31 December 2021				
Foreign exchange forward and swap contracts	6,946	292	(26)	Derivative financial assets/liabilities
Total	6,946	292	(26)	

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

The following table sets out the maturity and average exchange rate of the hedging instruments mentioned above:

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2022						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	7,520	–	–	7,520
Average exchange rate of USD/BRL	–	–	5.2811	–	–	N/A
Average exchange rate of USD/ZAR	–	–	16.6945	–	–	N/A
Average exchange rate of USD/INR	–	–	81.4512	–	–	N/A
Average exchange rate of USD/PEN	–	–	3.8149	–	–	N/A
Average exchange rate of USD/HUF	–	–	380.5948	–	–	N/A
Average exchange rate of USD/TWD	–	–	28.8214	–	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2021						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	6,946	–	–	6,946
Average exchange rate of USD/BRL	–	–	5.5165	–	–	N/A
Average exchange rate of USD/ZAR	–	–	15.3221	–	–	N/A
Average exchange rate of USD/INR	–	–	77.6566	–	–	N/A
Average exchange rate of USD/MXN	–	–	21.4996	–	–	N/A
Average exchange rate of USD/CLP	–	–	845.0014	–	–	N/A
Average exchange rate of USD/PEN	–	–	3.7309	–	–	N/A
Average exchange rate of USD/HUF	–	–	298.2472	–	–	N/A
Average exchange rate of USD/TWD	–	–	26.9425	–	–	N/A
Average exchange rate of USD/RUB	–	–	78.2517	–	–	N/A

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(iii) The Group's fair value changes from the hedging instruments recognised in "Other comprehensive income" on net investment hedges are as follows:

	As at 31 December	
	2022	**2021**
Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	3,822	6,740
Amounts of forward element reclassified from "Other comprehensive income" to profit or loss	93	98
Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	3,915	6,838

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers by measurement category

	As at 31 December	
	2022	**2021**
Measured at amortised cost		
— Corporate loans and advances	10,509,864	9,224,184
— Personal loans	6,408,526	6,093,750
— Discounted bills	1,703	1,460
Measured at fair value through other comprehensive income(1)		
— Corporate loans and advances	7,936	2,254
— Discounted bills	575,246	349,541
Subtotal	17,503,275	15,671,189
Measured at fair value through profit or loss(2)		
— Corporate loans and advances	4,074	3,805
Total	17,507,349	15,674,994
Accrued interest	46,973	37,580
Total loans and advances	17,554,322	15,712,574
Less: allowance for loans at amortised cost	(436,756)	(390,090)
Loans and advances to customers, net	17,117,566	15,322,484

(1) As at 31 December 2022, the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB485 million (31 December 2021: RMB451 million) and was credited to other comprehensive income.

(2) During the years ended 31 December 2022 and 2021, there were no significant movements in the fair value and accumulated fair value changes of corporate loans and advances measured at fair value through profit or loss that are attributable to changes in credit risk of these loans.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.2 Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented in Note VI.2.5.

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Allowance for loans at amortised cost

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	166,358	53,832	169,900	390,090
Transfers to Stage 1	6,481	(5,296)	(1,185)	–
Transfers to Stage 2	(2,234)	5,611	(3,377)	–
Transfers to Stage 3	(1,659)	(11,533)	13,192	–
Impairment (reversal)/losses of loans with stage transfers	(5,969)	18,943	41,851	54,825
Charge for the year(i)	93,067	14,787	22,827	130,681
Reversal for the year(ii)	(52,371)	(18,168)	(22,198)	(92,737)
Write-off and transfer out	(64)	–	(61,766)	(61,830)
Recovery of loans and advances written off	–	–	11,837	11,837
Foreign exchange and other movements	1,586	886	1,418	3,890
As at 31 December	205,195	59,062	172,499	436,756

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(1) Allowance for loans at amortised cost (Continued)

	Year ended 31 December 2021			
	12-month ECL	**Lifetime ECL**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
As at 1 January	134,566	70,712	162,895	368,173
Transfers to Stage 1	6,186	(5,205)	(981)	–
Transfers to Stage 2	(989)	1,786	(797)	–
Transfers to Stage 3	(687)	(14,244)	14,931	–
Impairment (reversal)/losses of loans with stage transfers	(5,245)	10,226	32,586	37,567
Charge for the year(i)	84,479	15,132	58,502	158,113
Reversal for the year(ii)	(51,399)	(24,087)	(21,905)	(97,391)
Write-off and transfer out	(195)	–	(85,401)	(85,596)
Recovery of loans and advances written off	–	–	11,921	11,921
Foreign exchange and other movements	(358)	(488)	(1,851)	(2,697)
As at 31 December	166,358	53,832	169,900	390,090

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	374	77	–	451
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year(i)	469	6	–	475
Reversal for the year(ii)	(374)	(77)	–	(451)
Foreign exchange and other movements	10	–	–	10
As at 31 December	479	6	–	485

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income (Continued)

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	441	5	–	446
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year(i)	276	77	–	353
Reversal for the year(ii)	(339)	(5)	–	(344)
Foreign exchange and other movements	(4)	–	–	(4)
As at 31 December	374	77	–	451

(i) Charge for the year comprises impairment losses attributable to new loans granted, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the year.

(ii) Reversal for the year comprises impairment losses attributable to loan repaid, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

The Group enhanced its ECL models in 2022, which has no significant impact to the financial statements.

In 2022, the changes in gross carrying amounts of loans and advances to customers that have a significant impact on the Group's impairment allowance were mainly derived from the credit business in the Chinese mainland, including:

- The domestic branches performed regular reviews of the five-category loan classification grading and internal credit ratings on their loans and advances to customers. Loans with a gross carrying amount of RMB119,797 million (2021: RMB71,309 million) were transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB38,571 million (2021: RMB23,296 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB33,006 million (2021: RMB38,376 million), with a corresponding increase in impairment allowance of RMB11,398 million (2021: RMB13,814 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB26,004 million (2021: RMB22,435 million), and the impairment allowance decreased correspondingly by RMB4,149 million (2021: RMB3,729 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB6,015 million (2021: RMB2,463 million), and the impairment allowance decreased correspondingly by RMB2,553 million (2021: RMB1,438 million).

- During the year, the disposal of non-performing loans by domestic branches via write-off, transfer of creditor's rights and loans to equity conversion amounted to RMB53,303 million (2021: RMB75,152 million), resulting in a corresponding reduction of RMB47,718 million (2021: RMB72,016 million) in impairment allowance for Stage 3 loans.

- Through personal loan securitisation, the domestic branches transferred out loans of RMB18,556 million (2021: RMB53,258 million), resulting in a decrease of RMB64 million (2021: RMB195 million) and RMB5,586 million (2021: RMB6,976 million) in the impairment allowance for Stage 1 and Stage 3 loans respectively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments

	As at 31 December	
	2022	**2021**
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	35,266	18,837
— Public sectors and quasi-governments	285	30
— Policy banks	27,059	26,127
— Financial institutions	167,896	204,624
— Corporate	44,164	52,415
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	13,839	13,535
— Public sectors and quasi-governments	118	367
— Financial institutions	14,817	12,982
— Corporate	5,863	9,808
	309,307	338,725
Equity instruments	112,217	102,268
Fund investments and other	102,423	90,733
Total financial assets held for trading and other financial assets at fair value through profit or loss	523,947	531,726

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2022	**2021**
Financial assets at fair value through profit or loss (continued)		
Financial assets at fair value through profit or loss (designated)		
Debt securities[(1)]		
Issuers in Chinese mainland		
— Government	8,243	3,164
— Policy banks	53	516
— Financial institutions	8,929	4,811
— Corporate	296	396
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	21,158	594
— Public sectors and quasi-governments	470	1,164
— Financial institutions	4,183	2,322
— Corporate	4,681	4,770
	48,013	17,737
Other	–	12,179
Total financial assets at fair value through profit or loss (designated)	48,013	29,916
Total financial assets at fair value through profit or loss	571,960	561,642

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2022	**2021**
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	876,776	752,899
— Public sectors and quasi-governments	96,113	101,562
— Policy banks	429,406	358,807
— Financial institutions	177,817	223,510
— Corporate	167,595	171,294
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	471,272	532,338
— Public sectors and quasi-governments	29,677	28,529
— Financial institutions	96,907	79,214
— Corporate	95,611	114,925
	2,441,174	2,363,078
Equity instruments and other	27,201	26,752
Total financial assets at fair value through other comprehensive income(2)	2,468,375	2,389,830

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2022	2021
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government[(3)(4)]	2,472,163	2,417,293
— Public sectors and quasi-governments	73,194	64,724
— Policy banks	162,662	155,338
— Financial institutions	60,592	76,280
— Corporate	41,224	48,959
— China Orient[(5)]	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	182,715	101,974
— Public sectors and quasi-governments	94,515	70,107
— Financial institutions	93,906	65,885
— Corporate	28,066	19,058
	3,361,470	3,172,051
Investment trusts, asset management plans and other	17,853	12,010
Accrued interest	36,022	38,865
Less: allowance for impairment losses	(9,937)	(9,727)
Total financial assets at amortised cost	3,405,408	3,213,199
Total financial investments[(6)(7)(8)]	6,445,743	6,164,671

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2022	**2021**
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong, China	34,510	33,127
— Listed outside Hong Kong, China[9]	328,475	332,549
— Unlisted	208,975	195,966
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong, China	133,721	154,931
— Listed outside Hong Kong, China[9]	1,882,284	1,633,446
— Unlisted	425,169	574,701
Equity instruments and other		
— Listed in Hong Kong, China	4,993	5,980
— Listed outside Hong Kong, China[9]	10,867	11,762
— Unlisted	11,341	9,010
Financial assets at amortised cost		
— Listed in Hong Kong, China	49,064	38,898
— Listed outside Hong Kong, China[9]	3,058,210	2,886,030
— Unlisted	298,134	288,271
Total	6,445,743	6,164,671
Listed in Hong Kong, China	222,288	232,936
Listed outside Hong Kong, China[9]	5,279,836	4,863,787
Unlisted	943,619	1,067,948
Total	6,445,743	6,164,671

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

	As at 31 December			
	2022		2021	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong, China	49,064	44,053	38,898	39,594
— Listed outside Hong Kong, China[9]	3,058,210	3,099,839	2,886,030	2,937,103

(1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.

(2) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 31 December 2022 amounted to RMB5,684 million (31 December 2021:RMB6,230 million).

(3) On 18 August 1998, a Special Purpose Treasury Bond was issued by the Ministry of Finance ("MOF") with a par value of RMB42,500 million maturing on 18 August 2028. This bond was originally issued with an annual coupon rate of 7.20% and its coupon rate was restructured to 2.25% per annum from 1 December 2004.

(4) The Bank underwrites certain Treasury bonds issued by the MOF and undertakes the role of a distributor of these Treasury bonds through its branch network earning commission income on bonds sold. The investors of these bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The balance of these bonds held by the Bank as at 31 December 2022 amounted to RMB1,449 million (31 December 2021: RMB2,083 million).

(5) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The MOF shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 31 December 2022, the Bank had received early repayments of principal amounting to RMB7,567 million cumulatively.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

(6) As at 31 December 2022, the Group held bonds issued by the MOF and bills issued by the PBOC included in financial investments. The carrying value (accrued interest excluded) and the related coupon rate range on such bonds and bills are as follows:

	As at 31 December	
	2022	**2021**
Carrying value (accrued interest excluded)	1,061,252	942,440
Coupon rate range	0.00%-5.31%	0.00%-5.31%

(7) Included in the Group's financial investments were certificates of deposit held amounting to RMB153,680 million as at 31 December 2022 (31 December 2021: RMB149,530 million).

(8) As at 31 December 2022, RMB3,193 million of debt securities measured at fair value through other comprehensive income and at amortised cost of the Group was determined to be impaired and was included under Stage 3 (31 December 2021: RMB2,338 million), with an impairment allowance of RMB2,441 million (31 December 2021: fully accrued); RMB5,584 million of debt securities was included under Stage 2 (31 December 2021: RMB816 million), with an impairment allowance of RMB170 million (31 December 2021: RMB5 million); and the remaining debt securities were included under Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(9) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong, China".

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at amortised cost:

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,173	4	7,550	9,727
Transfers to Stage 2	(25)	25	–	–
Transfers to Stage 3	(10)	(1)	11	–
Net charge for the year	–	43	266	309
Impairment losses/ (reversal) during the year	752	–	(910)	(158)
Write-off and transfer out	–	–	–	–
Exchange differences and other	(32)	(1)	92	59
As at 31 December	2,858	70	7,009	9,937

	Year ended 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	1,907	1	7,015	8,923
Impairment losses during the year	159	3	559	721
Write-off and transfer out	–	–	–	–
Exchange differences and other	107	–	(24)	83
As at 31 December	2,173	4	7,550	9,727

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at fair value through other comprehensive income:

	Year ended 31 December 2022			
	12-month ECL	**Lifetime ECL**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
As at 1 January	5,729	1	500	6,230
Transfers to Stage 2	(40)	40	–	–
Net charge for the year	–	58	–	58
Impairment losses/ (reversal) during the year	(432)	1	(200)	(631)
Exchange differences and other	27	–	–	27
As at 31 December	5,284	100	300	5,684

	Year ended 31 December 2021			
	12-month ECL	**Lifetime ECL**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
As at 1 January	4,979	–	500	5,479
Impairment losses during the year	762	1	–	763
Exchange differences and other	(12)	–	–	(12)
As at 31 December	5,729	1	500	6,230

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Investment in associates and joint ventures

	Year ended 31 December	
	2022	**2021**
As at 1 January	35,769	33,508
Additions	2,717	2,240
Disposals and transfer out	(281)	(628)
Share of results, net of tax	645	1,478
Dividends received	(850)	(625)
Exchange differences and other	304	(204)
As at 31 December	38,304	35,769

The carrying amounts of major investments in associates and joint ventures of the Group are as follows. Further details are disclosed in Note V.43.4.

	As at 31 December	
	2022	**2021**
China Insurance Investment Fund Co., Ltd.	11,889	11,849
BOC International (China) Co., Ltd.	5,484	5,254
Ying Kou Port Group CORP.	4,227	4,311
National Green Development Fund	1,800	800
CGN Phase I Private Equity Fund Company Limited	1,731	1,679
Shanghai Chenggang Real Estate Co., Ltd.	1,558	1,308
Graceful Field Worldwide Limited	1,531	1,414
Sichuan Lutianhua Co., Ltd.	1,471	1,415
Guomin Pension Insurance Co.,Ltd	1,002	–
Wkland Investments II Limited	842	835
Other	6,769	6,904
Total	38,304	35,769

As at 31 December 2022, there were no restrictions on associates and joint ventures to transfer funds to the Group.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment

	Year ended 31 December 2022			
	Buildings	Equipment and motor vehicles	Aircraft	Total
Cost				
As at 1 January	124,989	73,497	146,901	345,387
Additions	136	6,115	7,250	13,501
Transfer from investment properties (Note V.22)	406	–	–	406
Construction in progress transfer in (Note V.21)	2,690	520	9,054	12,264
Deductions	(1,613)	(4,188)	(10,046)	(15,847)
Exchange differences	2,001	599	13,291	15,891
As at 31 December	128,609	76,543	166,450	371,602
Accumulated depreciation				
As at 1 January	(45,518)	(58,364)	(20,022)	(123,904)
Additions	(4,056)	(6,290)	(5,289)	(15,635)
Deductions	887	4,030	1,367	6,284
Transfer to investment properties (Note V.22)	11	–	–	11
Exchange differences	(546)	(491)	(1,965)	(3,002)
As at 31 December	(49,222)	(61,115)	(25,909)	(136,246)
Allowance for impairment losses				
As at 1 January	(740)	–	(1,617)	(2,357)
Additions	–	–	(5,944)	(5,944)
Deductions	16	–	25	41
Exchange differences	(3)	–	(317)	(320)
As at 31 December	(727)	–	(7,853)	(8,580)
Net book value				
As at 1 January	78,731	15,133	125,262	219,126
As at 31 December	78,660	15,428	132,688	226,776

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

	Year ended 31 December 2021			
	Buildings	**Equipment and motor vehicles**	**Aircraft**	**Total**
Cost				
As at 1 January	122,464	73,337	141,025	336,826
Additions	1,413	5,550	11,187	18,150
Transfer from investment properties (Note V.22)	960	–	–	960
Construction in progress transfer in (Note V.21)	2,806	607	4,633	8,046
Deductions	(1,736)	(5,748)	(6,737)	(14,221)
Exchange differences	(918)	(249)	(3,207)	(4,374)
As at 31 December	124,989	73,497	146,901	345,387
Accumulated depreciation				
As at 1 January	(42,814)	(57,839)	(17,302)	(117,955)
Additions	(4,098)	(6,274)	(4,911)	(15,283)
Deductions	1,145	5,563	1,747	8,455
Transfer to investment properties (Note V.22)	10	–	–	10
Exchange differences	239	186	444	869
As at 31 December	(45,518)	(58,364)	(20,022)	(123,904)
Allowance for impairment losses				
As at 1 January	(746)	–	(590)	(1,336)
Additions	(3)	–	(1,060)	(1,063)
Deductions	8	–	10	18
Exchange differences	1	–	23	24
As at 31 December	(740)	–	(1,617)	(2,357)
Net book value				
As at 1 January	78,904	15,498	123,133	217,535
As at 31 December	78,731	15,133	125,262	219,126

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Property and equipment (Continued)

As at 31 December 2022, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB132,688 million (31 December 2021: RMB125,262 million).

As at 31 December 2022, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB4,783 million (31 December 2021:RMB9,989 million) (Note V.32).

According to the relevant PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of China Limited. As at 31 December 2022, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2022	**2021**
Held in Hong Kong, China		
on long-term lease (over 50 years)	4,155	3,919
on medium-term lease (10-50 years)	9,029	8,074
on short-term lease (less than 10 years)	–	1
Subtotal	13,184	11,994
Held outside Hong Kong, China		
on long-term lease (over 50 years)	6,208	3,834
on medium-term lease (10-50 years)	52,509	56,051
on short-term lease (less than 10 years)	6,759	6,852
Subtotal	65,476	66,737
Total	78,660	78,731

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Construction in progress

	Year ended 31 December	
	2022	**2021**
Cost		
As at 1 January	27,192	31,281
Additions	6,663	6,247
Transfer to property and equipment (Note V.20)	(12,264)	(8,046)
Deductions	(3,320)	(1,788)
Exchange differences	1,569	(502)
As at 31 December	19,840	27,192
Allowance for impairment losses		
As at 1 January	(227)	(227)
Additions	–	–
Deductions	–	–
Exchange differences	–	–
As at 31 December	(227)	(227)
Net book value		
As at 1 January	26,965	31,054
As at 31 December	19,613	26,965

22 Investment properties

	Year ended 31 December	
	2022	**2021**
As at 1 January	19,554	22,065
Additions	2,995	720
Transfer to property and equipment, net (Note V.20)	(417)	(970)
Deductions	(58)	(1,324)
Fair value changes (Note V.5)	(7)	(427)
Exchange differences	1,244	(510)
As at 31 December	23,311	19,554

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Investment properties (Continued)

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate markets.

Investment properties are mainly held by Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and Bank of China Group Investment Limited ("BOCG Investment"), subsidiaries of the Group. The carrying values of investment properties held by BOCHK (Holdings) and BOCG Investment as at 31 December 2022 amounted to RMB10,768 million and RMB9,764 million, respectively (31 December 2021: RMB10,708 million and RMB6,827 million). The valuations of these investment properties as at 31 December 2022 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2022	**2021**
Held in Hong Kong, China		
on long-term lease (over 50 years)	3,103	2,856
on medium-term lease (10-50 years)	7,441	7,622
Subtotal	10,544	10,478
Held outside Hong Kong, China		
on long-term lease (over 50 years)	4,429	3,842
on medium-term lease (10-50 years)	7,633	4,793
on short-term lease (less than 10 years)	705	441
Subtotal	12,767	9,076
Total	23,311	19,554

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other assets

	As at 31 December	
	2022	**2021**
Accounts receivable and prepayments(1)	106,843	123,590
Right-of-use assets(2)	19,709	20,321
Intangible assets(3)	19,036	16,930
Land use rights(4)	5,770	6,122
Long-term deferred expense	3,425	3,329
Repossessed assets(5)	2,153	2,043
Goodwill(6)	2,651	2,481
Interest receivable	749	284
Other	30,252	28,840
Total	190,588	203,940

(1) Accounts receivable and prepayments

	As at 31 December	
	2022	**2021**
Accounts receivable and prepayments	111,680	128,561
Impairment allowance	(4,837)	(4,971)
Net value	106,843	123,590

Accounts receivable and prepayments mainly include items in the process of clearing and settlement. The analysis of the ageing of accounts receivable and prepayments is as follows:

	As at 31 December			
	2022		**2021**	
	Balance	**Impairment allowance**	**Balance**	**Impairment allowance**
Within 1 year	98,141	(354)	114,233	(575)
From 1 year to 3 years	4,887	(1,380)	6,549	(1,305)
Over 3 years	8,652	(3,103)	7,779	(3,091)
Total	111,680	(4,837)	128,561	(4,971)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other assets (Continued)

(2) Right-of-use assets

	Year ended 31 December					
	2022			2021		
	Buildings	Motor vehicles and other	Total	Buildings	Motor vehicles and other	Total
Cost						
As at 1 January	36,447	232	36,679	35,251	176	35,427
Additions	6,952	193	7,145	5,243	119	5,362
Deductions	(5,118)	(31)	(5,149)	(3,734)	(61)	(3,795)
Exchange differences	545	3	548	(313)	(2)	(315)
As at 31 December	38,826	397	39,223	36,447	232	36,679
Accumulated depreciation						
As at 1 January	(16,265)	(93)	(16,358)	(12,477)	(95)	(12,572)
Additions	(6,669)	(130)	(6,799)	(7,087)	(58)	(7,145)
Deductions	3,804	31	3,835	3,166	58	3,224
Exchange differences	(190)	(2)	(192)	133	2	135
As at 31 December	(19,320)	(194)	(19,514)	(16,265)	(93)	(16,358)
Net book value						
As at 1 January	20,182	139	20,321	22,774	81	22,855
As at 31 December	19,506	203	19,709	20,182	139	20,321

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other assets (Continued)

(3) Intangible assets

	Year ended 31 December	
	2022	**2021**
Cost		
As at 1 January	40,377	34,709
Additions	7,013	6,120
Deductions	(135)	(252)
Exchange differences	633	(200)
As at 31 December	47,888	40,377
Accumulated amortisation		
As at 1 January	(23,447)	(19,095)
Additions	(5,072)	(4,665)
Deductions	119	177
Exchange differences	(442)	136
As at 31 December	(28,842)	(23,447)
Allowance for impairment losses		
As at 1 January	–	–
Additions	(9)	–
Deductions	–	–
Exchange differences	(1)	–
As at 31 December	(10)	–
Net book value		
As at 1 January	16,930	15,614
As at 31 December	19,036	16,930

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other assets (Continued)

(4) Land use rights

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

	As at 31 December	
	2022	**2021**
Held outside Hong Kong, China		
on long-term lease (over 50 years)	56	58
on medium-term lease (10-50 years)	5,128	5,384
on short-term lease (less than 10 years)	586	680
Total	5,770	6,122

(5) Repossessed assets

As at 31 December 2022, the net book amount of repossessed assets was RMB2,153 million (31 December 2021: RMB2,043 million), mainly comprised properties. Related allowance for impairment was RMB886 million (31 December 2021: RMB882 million).

The total book value of repossessed assets disposed of during the year ended 31 December 2022 amounted to RMB232 million (2021: RMB353 million). The Group plans to dispose of the repossessed assets held at 31 December 2022 by auction, bidding or transfer.

(6) Goodwill

	Year ended 31 December	
	2022	**2021**
As at 1 January	2,481	2,525
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposal of subsidiaries	–	–
Exchange differences	170	(44)
As at 31 December	2,651	2,481

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,677 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Impairment allowance

	As at 1 January 2022	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2022
Loans and advances to customers					
— at amortised cost	390,090	92,769	(50,863)	4,760	436,756
— at fair value through other comprehensive income	451	24	–	10	485
Subtotal	390,541	92,793	(50,863)	4,770	437,241
Financial investments					
— at amortised cost	9,727	151	–	59	9,937
— at fair value through other comprehensive income	6,230	(573)	–	27	5,684
Subtotal	15,957	(422)	–	86	15,621
Other	43,891	11,622	(434)	847	55,926
Total	450,389	103,993	(51,297)	5,703	508,788

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Impairment allowance (Continued)

	As at 1 January 2021	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2021
Loans and advances to customers					
— at amortised cost	368,173	98,289	(74,403)	(1,969)	390,090
— at fair value through other comprehensive income	446	9	–	(4)	451
Subtotal	368,619	98,298	(74,403)	(1,973)	390,541
Financial investments					
— at amortised cost	8,923	721	–	83	9,727
— at fair value through other comprehensive income	5,479	763	–	(12)	6,230
Subtotal	14,402	1,484	–	71	15,957
Other	40,358	4,438	(500)	(405)	43,891
Total	423,379	104,220	(74,903)	(2,307)	450,389

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Due to banks and other financial institutions

	As at 31 December	
	2022	**2021**
Due to:		
Banks in Chinese mainland	409,250	581,078
Other financial institutions in Chinese mainland	1,506,452	1,827,138
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	248,486	145,363
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	69,920	121,640
Subtotal	2,234,108	2,675,219
Accrued interest	6,215	7,520
Total	2,240,323	2,682,739

26 Due to central banks

	As at 31 December	
	2022	**2021**
Due to central banks	909,223	948,865
Accrued interest	6,635	6,692
Total	915,858	955,557

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 Government certificates of indebtedness for bank notes issued and bank notes in circulation

Bank of China (Hong Kong) Limited ("BOCHK") and Bank of China Macau Branch are note issuing banks for Hong Kong Dollar and Macao Pataca notes in Hong Kong (China) and Macao (China), respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong (China) and Macao (China) governments, respectively, to secure the currency notes in circulation.

Bank notes in circulation represent the liabilities in respect of Hong Kong Dollar notes and Macao Pataca notes in circulation, issued respectively by BOCHK and Bank of China Macau Branch.

28 Placements from banks and other financial institutions

	As at 31 December	
	2022	**2021**
Placements from:		
Banks in Chinese mainland	306,835	279,480
Other financial institutions in Chinese mainland	10,350	3,688
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	138,142	120,396
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	9,614	3,408
Subtotal	464,941	406,972
Accrued interest	1,394	795
Total(1)	466,335	407,767

(1) Included in "Placements from banks and other financial institutions" are amounts received from counterparties under repurchase agreements and collateral agreements as follows:

	As at 31 December	
	2022	**2021**
Repurchase debt securities(i)	137,894	97,372

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.41.2.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Financial liabilities held for trading

As at 31 December 2022 and 2021, financial liabilities held for trading mainly included short position in debt securities.

30 Due to customers

	As at 31 December	
	2022	**2021**
Demand deposits		
— Corporate deposits	5,370,057	5,275,514
— Personal deposits	3,757,373	3,487,433
Subtotal	9,127,430	8,762,947
Time deposits		
— Corporate deposits	4,462,328	3,968,527
— Personal deposits	5,384,034	4,299,050
Subtotal	9,846,362	8,267,577
Structured deposits (1)		
— Corporate deposits	328,602	351,445
— Personal deposits	255,289	300,628
Subtotal	583,891	652,073
Certificates of deposit	290,082	160,419
Other deposits (2)	92,375	77,152
Subtotal due to customers	19,940,140	17,920,168
Accrued interest	261,685	222,719
Total due to customers (3)	20,201,825	18,142,887

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Due to customers (Continued)

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2022, the carrying amount of these financial liabilities was RMB36,701 million (31 December 2021: RMB31,311 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2022 and 2021 were not significant. For the years ended 31 December 2022 and 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Included in other deposits is special purpose funding, which represents long-term funding provided in multiple currencies by foreign governments and/or entities in the form of export credit, foreign government and other subsidised credit. The special purpose funding is normally used to finance projects with a special commercial purpose in the PRC as determined by the foreign governments or entities and the Group is obliged to repay the funding when it falls due.

As at 31 December 2022, the remaining maturity of special purpose funding ranges from 15 days to 31 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2021: 0.15% to 7.92%). These terms are consistent with the related development loans granted to customers.

(3) Due to customers included margin deposits received by the Group as at 31 December 2022 of RMB471,382 million (31 December 2021: RMB330,494 million).

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 31 December 2022	As at 31 December 2021
Bonds issued at amortised cost					
Subordinated bonds issued					
2012 RMB Debt Securities Second Tranche (1)	27 November 2012	29 November 2027	4.99%	–	18,000
Subtotal (19)				–	18,000
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities (2)	13 November 2014	13 November 2024	5.00%	20,862	19,084
2017 RMB Debt Securities First Tranche (3)	26 September 2017	28 September 2027	4.45%	–	29,973
2017 RMB Debt Securities Second Tranche (4)	31 October 2017	2 November 2027	4.45%	–	29,974
2018 RMB Debt Securities First Tranche (5)	3 September 2018	5 September 2028	4.86%	39,984	39,984
2018 RMB Debt Securities Second Tranche (6)	9 October 2018	11 October 2028	4.84%	39,987	39,986
2019 RMB Debt Securities First Tranche 01 (7)	20 September 2019	24 September 2029	3.98%	29,990	29,989
2019 RMB Debt Securities First Tranche 02 (8)	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche (9)	20 November 2019	22 November 2029	4.01%	29,992	29,991
2020 RMB Debt Securities First Tranche 01 (10)	17 September 2020	21 September 2030	4.20%	59,975	59,976
2020 RMB Debt Securities First Tranche 02 (11)	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 (12)	17 March 2021	19 March 2031	4.15%	14,995	14,995
2021 RMB Debt Securities First Tranche 02 (13)	17 March 2021	19 March 2036	4.38%	9,996	9,996
2021 RMB Debt Securities Second Tranche 01 (14)	12 November 2021	16 November 2031	3.60%	39,989	39,989
2021 RMB Debt Securities Second Tranche 02 (15)	12 November 2021	16 November 2036	3.80%	9,997	9,997

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Bonds issued (Continued)

	Issue date	Maturity date	Annual interest rate	As at 31 December 2022	As at 31 December 2021
2022 RMB Debt Securities First Tranche [16]	20 January 2022	24 January 2032	3.25%	29,992	–
2022 RMB Debt Securities Second Tranche 01 [17]	24 October 2022	26 October 2032	3.02%	44,993	–
2022 RMB Debt Securities Second Tranche 02 [18]	24 October 2022	26 October 2037	3.34%	14,998	–
Subtotal [19]				410,740	378,924
Other bonds issued [20]					
US Dollar Debt Securities				195,391	185,618
RMB Debt Securities				190,939	90,604
Other				33,614	49,403
Subtotal				419,944	325,625
Negotiable certificates of deposit				699,468	659,306
Subtotal bonds issued at amortised cost				1,530,152	1,381,855
Bonds issued at fair value [21]				2,080	317
Subtotal bonds issued				1,532,232	1,382,172
Accrued interest				8,703	6,506
Total bonds issued [22]				1,540,935	1,388,678

(1) The second subordinated bonds issued on 27 November 2012 had a maturity of 15 years, with a fixed coupon rate of 4.99%, paid annually. The Bank was entitled to early redeem all these bonds at the end of the tenth year. The Bank has redeemed all the bonds in advance at face value on 29 November 2022.

(2) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.00%.

(3) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds had a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank was entitled to redeem the bonds at the end of the fifth year.The Bank has redeemed all the bonds in advance at face value on 28 September 2022.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Bonds issued (Continued)

(4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds had a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank was entitled to redeem the bonds at the end of the fifth year.The Bank has redeemed all the bonds in advance at face value on 2 November 2022.

(5) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(6) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(7) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(8) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(9) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(10) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(11) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(12) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(13) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.38%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(14) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 12 November 2021. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.60%. The Bank is entitled to redeem the bonds at the end of the fifth year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Bonds issued (Continued)

(15) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 12 November 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.80%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(16) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 January 2022. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.25%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(17) The Bank issued tier 2 capital bonds in an amount of RMB45 billion on 24 October 2022. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.02%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(18) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 24 October 2022. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(19) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.

(20) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2013 and 2022 by the Group, with dates of maturity ranging from 2023 to 2030.

(21) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2022, the carrying amount of the above-mentioned bonds issued by the Group was RMB2,080 million (31 December 2021: RMB317 million).The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2022 and 2021 were not significant. In the years of 2022 and 2021, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(22) During the years ended 31 December 2022 and 2021, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

32 Other borrowings

These other borrowings relate to the financing of the aircraft leasing business of BOC Aviation Limited, a subsidiary of the Group. These other borrowings are secured by its aircraft (Note V.20).

As at 31 December 2022, these other borrowings had a remaining maturity ranging from 6 days to 6 years and borne floating and fixed interest rates ranging from 4.02% to 6.03% (31 December 2021: 0.36% to 1.62%).

During the years ended 31 December 2022 and 2021, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Current tax liabilities

	As at 31 December	
	2022	**2021**
Corporate income tax	50,192	35,891
Value-added tax	6,965	7,459
City construction and maintenance tax	554	539
Education surcharges	325	345
Other	921	772
Total	58,957	45,006

34 Retirement benefit obligations

As at 31 December 2022, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to 31 December 2003 and the early retirement obligations for employees who early-retired were RMB1,713 million (31 December 2021: RMB1,881 million) and RMB129 million (31 December 2021: RMB214 million), respectively, using the projected unit credit method

The movements of the net liabilities recognised are as follows:

	Year ended 31 December	
	2022	**2021**
As at 1 January	2,095	2,199
Interest cost	54	66
Net actuarial (gains)/losses recognised	(94)	84
Benefits paid	(213)	(254)
As at 31 December	1,842	2,095

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Retirement benefit obligations (Continued)

Primary assumptions used:

	As at 31 December	
	2022	**2021**
Discount rate		
— Normal retiree	2.75%	2.75%
— Early retiree	2.50%	2.50%
Pension benefit inflation rate		
— Normal retiree	3.0%	3.0%
— Early retiree	3.0%	3.0%
Medical benefit inflation rate	8.0%	8.0%
Retiring age		
— Male	60	60
— Female	50/55	50/55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

As at 31 December 2022 and 2021, there was no significant change in employee retirement benefit obligations that was attributable to changes in actuarial assumptions.

35 Share appreciation rights plan

In November 2005, the Bank's Board of Directors and equity holders approved and adopted a Share Appreciation Rights Plan under which eligible participants, including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no shares will be issued under the share appreciation rights plan.

No share appreciation rights were granted since the inception of the plan.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Deferred income taxes

36.1 The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and the related temporary differences.

	As at 31 December			
	2022		2021	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	274,560	70,192	197,710	51,172
Deferred income tax liabilities	(38,194)	(6,804)	(40,818)	(7,003)
Net	236,366	63,388	156,892	44,169

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Deferred income taxes (Continued)

36.2 Deferred income tax assets/liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 31 December			
	2022		2021	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	306,972	76,005	274,503	68,376
Pension, retirement benefits and salary payables	32,054	7,992	24,929	6,238
Financial instruments at fair value through profit or loss and derivative financial instruments	106,246	26,171	65,287	16,237
Financial assets at fair value through other comprehensive income	17,167	3,514	1,224	304
Other temporary differences	46,286	10,937	37,898	8,849
Subtotal	508,725	124,619	403,841	100,004
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(137,987)	(34,253)	(108,696)	(26,774)
Financial assets at fair value through other comprehensive income	(24,776)	(6,177)	(37,265)	(9,205)
Depreciation and amortisation	(30,978)	(5,378)	(25,978)	(4,530)
Revaluation of investment properties	(10,369)	(1,955)	(8,040)	(1,536)
Other temporary differences	(68,249)	(13,468)	(66,970)	(13,790)
Subtotal	(272,359)	(61,231)	(246,949)	(55,835)
Net	236,366	63,388	156,892	44,169

As at 31 December 2022, deferred tax liabilities relating to temporary differences of RMB201,205 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2021: RMB174,351 million). Refer to Note II.20.2.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 Deferred income taxes (Continued)

36.3 Movements of the deferred income tax are as follows:

	Year ended 31 December	
	2022	**2021**
As at 1 January	44,169	52,417
Credited/(charged) to the income statement (Note V.10)	13,103	(6,702)
Credited/(charged) to other comprehensive income	6,251	(1,557)
Other	(135)	11
As at 31 December	63,388	44,169

36.4 Breakdowns of deferred income tax credit/(charge) in the income statement are as follows:

	Year ended 31 December	
	2022	**2021**
Asset impairment allowances	7,629	5,134
Financial instruments at fair value through profit or loss and derivative financial instruments	2,455	(10,908)
Pension, retirement benefits and salary payables	1,754	1,768
Other temporary differences	1,265	(2,696)
Total	13,103	(6,702)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Other liabilities

	As at 31 December	
	2022	**2021**
Insurance liabilities		
— Life insurance contracts	178,126	153,677
— Non-life insurance contracts	11,327	9,932
Items in the process of clearance and settlement	87,110	68,229
Salary and welfare payables (1)	46,657	39,685
Lease liabilities (2)	19,621	19,619
Provision (3)	32,844	26,343
Deferred income	6,579	6,362
Other	119,629	112,708
Total	501,893	436,555

(1) Salary and welfare payables

	As at 1 January 2022	Accrual	Payment	As at 31 December 2022
Salary, bonus and subsidy	31,051	72,158	(64,367)	38,842
Staff welfare	–	5,017	(5,017)	–
Social insurance				
— Medical	1,525	3,690	(3,857)	1,358
— Pension	230	6,420	(6,393)	257
— Annuity	10	3,829	(3,827)	12
— Unemployment	6	216	(215)	7
— Injury at work	2	86	(86)	2
— Maternity insurance	3	109	(109)	3
Housing funds	30	5,117	(5,096)	51
Labour union fee and staff education fee	6,126	1,152	(1,904)	5,374
Reimbursement for cancellation of labour contract	23	25	(23)	25
Other	679	4,908	(4,861)	726
Total (i)	39,685	102,727	(95,755)	46,657

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Other liabilities (Continued)

(1) Salary and welfare payables (Continued)

	As at 1 January 2021	Accrual	Payment	As at 31 December 2021
Salary, bonus and subsidy	23,909	68,798	(61,656)	31,051
Staff welfare	–	4,664	(4,664)	–
Social insurance				
— Medical	1,476	3,932	(3,883)	1,525
— Pension	204	6,205	(6,179)	230
— Annuity	2,086	3,527	(5,603)	10
— Unemployment	5	213	(212)	6
— Injury at work	1	81	(80)	2
— Maternity insurance	3	135	(135)	3
Housing funds	36	4,940	(4,946)	30
Labour union fee and staff education fee	5,782	2,052	(1,708)	6,126
Reimbursement for cancellation of labour contract	24	29	(30)	23
Other	653	4,674	(4,648)	679
Total [(i)]	34,179	99,250	(93,744)	39,685

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2022 and 2021.

(2) Lease liabilities

The Group's lease liabilities are analysed by the maturity date – undiscounted analysis

	As at 31 December	
	2022	2021
Less than 1 year	6,257	5,927
Between 1 to 5 years	10,740	11,082
Over 5 years	8,507	8,361
Undiscounted lease liabilities	25,504	25,370
Lease liabilities	19,621	19,619

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 Other liabilities (Continued)

(3) Provision

	As at 31 December	
	2022	**2021**
Allowance for credit commitments [(i)]	31,602	25,456
Allowance for litigation losses (Note V.41.1)	1,242	887
Total	32,844	26,343

Movements of the provision are as follows:

	Year ended 31 December	
	2022	**2021**
As at 1 January	26,343	29,492
Losses/(reversal) for the year	6,199	(2,623)
Utilised during the year	(63)	(251)
Exchange differences and other	365	(275)
As at 31 December	32,844	26,343

(i) Allowance for credit commitments is measured using the ECL model. Credit commitments were mainly under Stage 1, and the transfers in balance between stages were not significant during the years ended 31 December 2022 and 2021.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Share capital, capital reserve and other equity instruments

38.1 Share capital

The Bank's share capital is as follows:

Unit: Share

	As at 31 December	
	2022	2021
Domestic listed A shares, par value of RMB1.00 per share	210,765,514,846	210,765,514,846
Overseas listed H shares, par value of RMB1.00 per share	83,622,276,395	83,622,276,395
Total	294,387,791,241	294,387,791,241

All A and H shares rank pari passu with the same rights and benefits.

38.2 Capital reserve

	As at 31 December	
	2022	2021
Share premium	133,634	133,648
Other capital reserve	2,125	2,069
Total	135,759	135,717

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments

For the year ended 31 December 2022, the movements in the Bank's other equity instruments were as follows:

	As at 1 January 2022		Increase/(decrease)		As at 31 December 2022	
	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount
Preference Shares						
Domestic Preference Shares (Third Tranche) (1)	730.0	73,000	–	–	730.0	73,000
Domestic Preference Shares (Fourth Tranche) (2)	270.0	27,000	–	–	270.0	27,000
Offshore Preference Shares (Second Tranche) (3)	197.9	19,787	–	–	197.9	19,787
Subtotal	1,197.9	119,787	–	–	1,197.9	119,787
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1) (4)		40,000		–		40,000
2020 Undated Capital Bonds (Series 1) (5)		40,000		–		40,000
2020 Undated Capital Bonds (Series 2) (6)		30,000		–		30,000
2020 Undated Capital Bonds (Series 3) (7)		20,000		–		20,000
2021 Undated Capital Bonds (Series 1) (8)		50,000		–		50,000
2021 Undated Capital Bonds (Series 2) (9)		20,000		–		20,000
2022 Undated Capital Bonds (Series 1) (10)		–		30,000		30,000
2022 Undated Capital Bonds (Series 2) (11)		–		20,000		20,000
Subtotal		200,000		50,000		250,000
Total		319,787		50,000		369,787

As at 31 December 2022, the transaction costs of outstanding other equity instruments issued by the bank were RMB108 million (31 December 2021: RMB97 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

(1) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 24 June 2019, in the aggregate par value of RMB73 billion. Each Domestic Preference Share has a par value of RMB100 and 730 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.50% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 27 June 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(2) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 26 August 2019, in the aggregate par value of RMB27 billion. Each Domestic Preference Share has a par value of RMB100 and 270 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.35% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 29 August 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(3) With the approvals by the relevant regulatory authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares on 4 March 2020. Each Offshore Preference Share has a par value of RMB100 and 197,865,300 Offshore Preference Shares were issued in total. The aggregate par value of the Offshore Preference Shares is USD2.820 billion as converted into USD using the fixed exchange rate (USD1.00 to RMB7.0168). The initial annual dividend rate is 3.60% (after tax) and is subject to reset per agreement, but in no case shall exceed 12.15%. The dividends are calculated and paid in US Dollars.

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Offshore Preference Shares on 4 March 2025 or any dividend payment date thereafter at the redemption price representing the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid in US Dollars.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares bear non-cumulative dividends. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full payment of dividends on the preference shares. Upon the occurrence of a triggering event for the compulsory conversion of preference shares into ordinary shares in accordance with the agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the relevant regulatory authorities for its examination and approval decision.

Capital raised from the issuance of the above preference shares was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

(4) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 January 2019 and completed the issuance on 29 January 2019. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.50%, which is reset every 5 years.

(5) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.40%, which is reset every 5 years.

(6) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 13 November 2020 and completed the issuance on 17 November 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.55%, which is reset every 5 years.

(7) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 10 December 2020 and completed the issuance on 14 December 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.70%, which is reset every 5 years.

(8) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB50,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 17 May 2021 and completed the issuance on 19 May 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.08%, which is reset every 5 years.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

(9) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 November 2021 and completed the issuance on 29 November 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.64%, which is reset every 5 years.

(10) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 8 April 2022 and completed the issuance on 12 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.

(11) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 26 April 2022 and completed the issuance on 28 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.

The above bonds will continue to be outstanding so long as the Bank's business continues to operate. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the relevant regulatory authorities, the Bank may redeem the above bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance of the above bonds. Upon the occurrence of a triggering event for the write-downs, with the consent of the relevant regulatory authorities and without the need for the consent of the holders of the above bonds, the Bank has the right to write down the principal amount of the above bonds issued and existing at that time in whole or in part, in accordance with the outstanding principal amount of the bonds. The claims in respect of the above bonds, in the event of a winding-up of the Bank, will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the above bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the above bonds.

The above bonds bear non-cumulative interest and the Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. The Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment to the holders of the above bonds.

Capital raised from the issuance of the above bonds was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits

39.1 Statutory reserves

Under relevant PRC laws, the Bank is required to appropriate 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the Annual General Meeting, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the statutory surplus reserves after such capitalisation is not less than 25% of the share capital.

According to the profit distribution plan approved by the Board of Directors on 30 March 2023, the Bank appropriated 10% of the net profit for the year ended 31 December 2022 to the statutory surplus reserves, amounting to RMB20,494 million (2021: RMB19,396 million).

In addition, some operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are required to appropriate certain percentages of their net profits to the statutory surplus reserves as stipulated by local banking authorities.

39.2 General and regulatory reserves

According to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* (the "Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the equity, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

According to the profit distribution plan approved by the Board of Directors on 30 March 2023, the Bank appropriated RMB32,264 million to the general reserve for the year ended 31 December 2022 (2021: RMB31,439 million).

The regulatory reserve mainly refers to the reserve amount set aside by BOC Hong Kong (Group) Limited ("BOCHK Group"), a subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks. As at 31 December 2022 and 2021, the reserve amounts set aside by BOCHK Group were RMB4,186 million and RMB3,866 million, respectively.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

39.3 Dividends

Dividends for Ordinary Shares

Ordinary share cash dividend of RMB65,060 million (pre-tax) in respect of the profit for the year ended 31 December 2021 was approved by the shareholders of the Bank at the Annual General Meeting held on 30 June 2022 and was distributed during the year.

Ordinary share cash dividend of RMB2.32 per ten shares (pre-tax) in respect of the profit for the year ended 31 December 2022 (2021: RMB2.21 per ten shares), amounting to a total dividend of RMB68,298 million (pre-tax), based on the number of shares issued as at 31 December 2022 will be proposed for approval at the forthcoming 2022 Annual General Meeting and the dividend payable is not reflected in the liabilities of the financial statements.

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2022. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 27 June 2022. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) was distributed on 29 August 2022.

Dividend distribution of Offshore Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 28 October 2022. Dividend of Offshore Preference Shares (Second Tranche) amounting to USD101.5 million (after tax) was distributed on 6 March 2023 and was recorded in “Other liabilities” as at 31 December 2022.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

39.3 Dividends (Continued)

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2022.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 5 May 2022.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 1) amounting to RMB2,040 million on 19 May 2022.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 2) amounting to RMB1,365 million on 17 November 2022.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 2) amounting to RMB728 million on 29 November 2022.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 3) amounting to RMB940 million on 14 December 2022.

40 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2022	**2021**
BOC Hong Kong (Group) Limited	104,852	93,924
Tai Fung Bank Limited	13,195	10,234
Bank of China Group Investment Limited	11,982	11,847
Other	9,953	9,395
Total	139,982	125,400

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments

41.1 Legal proceedings and arbitrations

As at 31 December 2022, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In the Group's regular business operations in different countries and regions across the world, given the range and scale of its international presence, the Group may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Management makes provisions for potential losses that may arise from these uncertainties based on assessments of potential liabilities, courts' judgements or the opinions of legal counsel, and as at 31 December 2022, the balance of the provisions was RMB1,242 million (31 December 2021: RMB887 million), as discussed in Note V.37. Based upon the opinions of internal and external legal counsels, senior management of the Group believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Group. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

41.2 Assets pledged

Assets pledged by the Group as collateral mainly for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 31 December	
	2022	**2021**
Debt securities	1,084,236	1,050,527
Bills	281	1,778
Total	1,084,517	1,052,305

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 31 December 2022, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB130,147 million (31 December 2021: RMB299,137 million). As at 31 December 2022, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB761 million (31 December 2021: RMB2,384 million). These transactions are conducted under standard terms in the normal course of business.

41.4 Capital commitments

	As at 31 December	
	2022	**2021**
Property and equipment		
— Contracted but not provided for	82,420	34,371
— Authorised but not contracted for	2,124	1,992
Intangible assets		
— Contracted but not provided for	3,455	1,442
— Authorised but not contracted for	264	155
Investment properties and others		
— Contracted but not provided for	504	686
Total	88,767	38,646

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.5 Operating leases

The Group acts as lessor in operating leases principally through aircraft leasing undertaken by its subsidiary BOC Aviation Limited. Under irrevocable operating lease contracts, the minimum lease payments which will be received by the Group under the operating leases for existing aircraft and aircraft yet to be delivered amounted to:

	As at 31 December	
	2022	**2021**
Less than 1 year	13,648	11,870
Between 1 to 2 years	14,327	13,153
Between 2 to 3 years	13,565	12,748
Between 3 to 4 years	12,816	11,765
Between 4 to 5 years	12,060	11,080
Over 5 years	51,028	49,901
Total	117,444	110,517

41.6 Treasury bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2022, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB45,563 million (31 December 2021: RMB54,053 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.7 Credit commitments

	As at 31 December	
	2022	**2021**
Loan commitments [(1)]		
— with an original maturity of less than 1 year	394,771	318,393
— with an original maturity of 1 year or above	2,430,689	1,898,072
Undrawn credit card limits	1,067,259	1,044,469
Letters of guarantee issued [(2)]	1,189,069	1,086,152
Bank bill acceptance	574,425	378,118
Letters of credit issued	146,694	171,018
Accepted bills of exchange under letters of credit	79,362	80,958
Other	275,670	243,974
Total [(3)]	6,157,939	5,221,154

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2022, the unconditionally revocable loan commitments of the Group amounted to RMB380,483 million (31 December 2021: RMB338,647 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. The obligations on the Group to make payments are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contracts and other factors.

	As at 31 December	
	2022	**2021**
Credit commitments	1,325,999	1,266,950

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Contingent liabilities and commitments (Continued)

41.8 Underwriting obligations

As at 31 December 2022, there was no firm commitment in underwriting securities of the Group (31 December 2021: RMB600 million).

42 Note to the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 31 December	
	2022	**2021**
Cash and due from banks and other financial institutions	640,003	400,769
Balances with central banks	758,494	740,092
Placements with and loans to banks and other financial institutions	504,145	689,909
Financial investments	188,824	144,861
Total	2,091,466	1,975,631

43 Related party transactions

43.1 CIC was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly state-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Huijin.

The Group entered into banking transactions with CIC in the normal course of its business on commercial terms.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	PENG Chun
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.02%
Voting rights in the Bank	64.02%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council
Unified social credit code	911000007109329615

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business on commercial terms. Purchase of the bonds issued by Huijin was in the normal course of business and in compliance with the requirements of the related regulations and corporate governance.

Transaction balances

	As at 31 December	
	2022	**2021**
Investment in debt securities	20,783	37,842
Placements with Huijin	14,000	–
Due to Huijin	(8,001)	(40,617)

Transaction amounts

	Year ended 31 December	
	2022	**2021**
Interest income	881	1,170
Interest expense	(430)	(652)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business on commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

In the normal course of business, main transactions that the Group entered into with the affiliates of Huijin are as follows:

Transaction balances

	As at 31 December	
	2022	**2021**
Due from banks and other financial institutions	173,096	101,654
Placements with and loans to banks and other financial institutions	211,275	210,826
Financial investments	522,257	498,044
Derivative financial assets	10,347	7,407
Loans and advances to customers	80,993	64,341
Due to customers, banks and other financial institutions	(356,333)	(259,277)
Placements from banks and other financial institutions	(201,668)	(135,319)
Derivative financial liabilities	(10,118)	(8,561)
Credit commitments	50,353	47,175

Transaction amounts

	Year ended 31 December	
	2022	**2021**
Interest income	17,249	14,657
Interest expense	(9,568)	(7,042)

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin (Continued)

Interest rate ranges

	Year ended 31 December	
	2022	**2021**
Due from banks and other financial institutions	0.00%-10.07%	0.00%-5.50%
Placements with and loans to banks and other financial institutions	-0.49%-23.00%	-0.48%-6.50%
Financial investments	0.00%-5.98%	-0.58%-5.98%
Loans and advances to customers	0.15%-6.00%	0.15%-4.75%
Due to customers, banks and other financial institutions	-0.50%-5.47%	-0.60%-5.22%
Placements from banks and other financial institutions	-0.51%-4.80%	-0.53%-5.50%

43.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business on commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include the purchase and redemption of investment securities issued by government agencies, underwriting and distribution of treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 31 December	
	2022	**2021**
Loans and advances to customers	21,342	18,935
Due to customers, banks and other financial institutions	(24,557)	(16,285)
Credit commitments	27,450	27,408

Transaction amounts

	Year ended 31 December	
	2022	**2021**
Interest income	717	674
Interest expense	(490)	(374)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.4 Transactions with associates and joint ventures (Continued)

The general information of principal associates and joint ventures is as follows:

Name	Place of incorporation/ establishment	Unified Social Credit Code	Effective equity held (%)	Voting right (%)	Paid-in capital (in millions)	Principal business
China Insurance Investment Fund Co., Ltd.	PRC	91110102MA01W7X36U	25.70	25.70	RMB45,000	Investment in non-securities business; equity investment; investment management and consulting
BOC International (China) Co., Ltd.	PRC	91310000736650364G	33.42	33.42	RMB2,778	Securities brokerage; securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities assets management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products; management of publicly offered securities investment funds
Ying Kou Port Group CORP.	PRC	91210800121119657C	8.86	Note (1)	RMB20,000	Terminals and other port facilities services; cargo handling; warehousing services; ship and port services; leasing and maintenance services of port facilities and equipment and port machinery, etc.
National Green Development Fund	PRC	91310000MA1FL7AXXR	9.04	Note (1)	RMB88,500	Equity investment; project investment; investment management; investment consulting
CGN Phase I Private Equity Fund Company Limited	PRC	91110000717827478Q	20.00	20.00	RMB100	Investment in nuclear power projects and related industries; assets management; investment consulting
Shanghai Chenggang Real Estate Co., Ltd.	PRC	91310000MA1H3FM95L	75.00	Note (1)	RMB2,400	Real estate development and operations; property management; non-residential real estate leasing; parking services
Graceful Field Worldwide Limited	BVI	N/A	80.00	Note (1)	USD0.0025	Investment
Sichuan Lutianhua Co., Ltd.	PRC	91510500711880825C	16.44	Note (1)	RMB1,568	Chemical industry, mainly produces and sells all kinds of fertilizers and chemical products
Guomin Pension Insurance Co.,Ltd	PRC	91110102MA7LE7UA7T	8.97	8.97	RMB11,150	Insurance business; Insurance asset management
Wkland Investments II Limited	BVI	N/A	50.00	50.00	USD0.00002	Investment holding

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.5 Transactions with the Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the years ended 31 December 2022 and 2021.

43.6 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2022 and 2021, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2022 and 2021 comprises:

	Year ended 31 December	
	2022	**2021**
Compensation for short-term employment benefits (1)	11	15
Compensation for post-employment benefits	1	1
Total	12	16

(1) The total compensation packages for the key management personnel for the year ended 31 December 2022 have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2022 financial statements. The final compensation for the year ended 31 December 2022 will be disclosed in a separate announcement when determined.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.7 Transactions with Connected Natural Persons

As at 31 December 2022, the Bank's balance of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* issued by the former China Banking Regulatory Commission and the *Administrative Measures for the Disclosure of Information of Listed Companies* issued by China Securities Regulatory Commission totalled RMB271 million (31 December 2021: RMB352 million) and RMB11 million (31 December 2021: RMB14 million), respectively.

43.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 31 December	
	2022	**2021**
Due from banks and other financial institutions	38,874	98,768
Placements with and loans to banks and other financial institutions	318,632	273,438
Due to banks and other financial institutions	(255,912)	(200,982)
Placements from banks and other financial institutions	(56,167)	(40,061)

Transaction amounts

	Year ended 31 December	
	2022	**2021**
Interest income	4,090	2,747
Interest expense	(2,452)	(2,111)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.8 Transactions with subsidiaries (Continued)

The general information of the principal subsidiaries is as follows:

Name	Place of incorporation and operation	Year of incorporation/ establishment	Paid-in capital (in millions)	Effective equity held (%)	Voting right (%)	Principal business
Directly held [1]						
BOC Hong Kong (Group) Limited	Hong Kong, China	2001	HKD34,806	100.00	100.00	Holding company
BOC International Holdings Limited[3]	Hong Kong, China	1998	HKD3,539	100.00	100.00	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong, China	1992	HKD3,749	100.00	100.00	Insurance services
Bank of China Group Investment Limited	Hong Kong, China	1993	HKD34,052	100.00	100.00	Investment holding
Bank of China (Macau) Limited	Macao, China	2022	MOP13,000	100.00	100.00	Commercial banking
Bank of China (UK) Limited	United Kingdom	2007	GBP250	100.00	100.00	Commercial banking
BOC Insurance Company Limited	Beijing, China	2005	RMB4,535	100.00	100.00	Insurance services
BOC Financial Asset Investment Company Limited	Beijing, China	2017	RMB14,500	100.00	100.00	Debt-to-equity swaps and other supporting businesses
BOC Wealth Management Co., Ltd.	Beijing, China	2019	RMB10,000	100.00	100.00	Issuance of wealth management products, investment and management of entrusted assets for investors
BOC Financial Leasing Co., Ltd.	Chongqing, China	2020	RMB10,800	92.59	92.59	Financial leasing
Indirectly held						
BOC Hong Kong (Holdings) Limited [2]	Hong Kong, China	2001	HKD52,864	66.06	66.06	Holding company
Bank of China (Hong Kong) Limited [3]	Hong Kong, China	1964	HKD43,043	66.06	100.00	Commercial banking
BOC Credit Card (International) Limited	Hong Kong, China	1980	HKD565	66.06	100.00	Credit card services
BOC Group Trustee Company Limited [3]	Hong Kong, China	1997	HKD200	77.60	100.00	Investment holding
BOC Aviation Limited [2]	Singapore	1993	USD1,158	70.00	70.00	Aircraft leasing

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Related party transactions (Continued)

43.8 Transactions with subsidiaries (Continued)

(1) These directly held principal subsidiaries are unlisted companies. All holdings are in the ordinary share capital of the undertaking concerned, and the ability of the subsidiaries to transfer funds to the Group and the Bank is not restricted.

(2) BOCHK (Holdings) and BOC Aviation Limited are listed on the Stock Exchange of Hong Kong Limited.

(3) BOCHK and BOC International Holdings Limited ("BOCI"), in which the Group holds 66.06% and 100% of their equity interests, respectively, hold 66% and 34% equity interests of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the discrepancy between the percentage of voting rights and the percentage of effective equity holding is mainly due to the impact of indirect holdings.

44 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China); and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the products. Internal transactions are eliminated on consolidation. The Group regularly examines the transfer price and adjusts the price to reflect the current situation.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting (Continued)

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations and insurance services, etc. are performed in Chinese mainland.

Hong Kong (China), Macao (China) and Taiwan (China) — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong (China), Macao (China) and Taiwan (China). The business of this segment is centralised in BOCHK Group.

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, payments and settlements, trade-related products and other credit facilities, foreign currency, derivative products and wealth management products.

Personal banking — Services to retail customers including savings deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest-bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other — Other operations of the Group comprise investment holding business and other miscellaneous activities, none of which constitutes a separately reportable segment.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2022

	Chinese mainland	Hong Kong (China), Macao (China), Taiwan (China)			Other countries and regions	Elimination	Total
		BOCHK Group	Other	Subtotal			
Interest income	776,811	54,116	29,806	83,922	44,366	(22,826)	882,273
Interest expense	(374,884)	(21,311)	(22,542)	(43,853)	(25,981)	23,123	(421,595)
Net interest income	401,927	32,805	7,264	40,069	18,385	297	460,678
Fee and commission income	69,479	10,707	5,696	16,403	6,503	(5,283)	87,102
Fee and commission expense	(10,772)	(2,843)	(3,071)	(5,914)	(2,225)	4,057	(14,854)
Net fee and commission income	58,707	7,864	2,625	10,489	4,278	(1,226)	72,248
Net trading gains/(losses)	1,838	9,012	(109)	8,903	2,604	(13)	13,332
Net gains/(losses) on transfers of financial asset	4,971	(3,354)	449	(2,905)	(9)	–	2,057
Other operating income (1)	17,813	14,680	39,649	54,329	135	(1,453)	70,824
Operating income	485,256	61,007	49,878	110,885	25,393	(2,395)	619,139
Operating expenses (1)	(165,056)	(27,186)	(33,401)	(60,587)	(8,043)	2,490	(231,196)
Impairment losses on assets	(89,983)	(2,023)	(9,337)	(11,360)	(2,650)	–	(103,993)
Operating profit	230,217	31,798	7,140	38,938	14,700	95	283,950
Share of results of associates and joint ventures	427	(260)	478	218	–	–	645
Profit before income tax	230,644	31,538	7,618	39,156	14,700	95	284,595
Income tax expense							(47,091)
Profit for the year							237,504
Segment assets	23,354,928	3,261,565	1,692,409	4,953,974	2,347,203	(1,780,552)	28,875,553
Investments in associates and joint ventures	22,676	378	15,250	15,628	–	–	38,304
Total assets	23,377,604	3,261,943	1,707,659	4,969,602	2,347,203	(1,780,552)	28,913,857
Include: non-current assets (2)	116,769	27,852	175,520	203,372	8,973	(4,815)	324,299
Segment liabilities	21,330,202	2,990,404	1,534,555	4,524,959	2,271,615	(1,780,490)	26,346,286
Other segment items:							
Intersegment net interest income/(expense)	341	(291)	3,875	3,584	(3,925)	–	–
Intersegment net fee and commission income	561	212	381	593	72	(1,226)	–
Capital expenditure	14,662	1,709	11,908	13,617	235	–	28,514
Depreciation and amortisation	20,510	1,815	6,751	8,566	820	(699)	29,197
Credit commitments	5,228,480	311,866	162,902	474,768	622,064	(167,373)	6,157,939

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2021

		Hong Kong (China), Macao (China), Taiwan (China)					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	722,469	34,203	23,009	57,212	22,050	(12,243)	789,488
Interest expense	(346,563)	(6,893)	(16,266)	(23,159)	(6,867)	12,243	(364,346)
Net interest income	375,906	27,310	6,743	34,053	15,183	–	425,142
Fee and commission income	76,927	11,754	7,672	19,426	6,183	(8,083)	94,453
Fee and commission expense	(12,587)	(2,492)	(2,454)	(4,946)	(2,224)	6,730	(13,027)
Net fee and commission income	64,340	9,262	5,218	14,480	3,959	(1,353)	81,426
Net trading gains	19,996	2,261	5,320	7,581	717	(3)	28,291
Net gains on transfers of financial asset	1,742	924	314	1,238	217	–	3,197
Other operating income (1)	19,061	14,204	35,352	49,556	236	(1,192)	67,661
Operating income	481,045	53,961	52,947	106,908	20,312	(2,548)	605,717
Operating expenses (1)	(163,673)	(26,698)	(30,747)	(57,445)	(7,843)	2,606	(226,355)
Impairment losses on assets	(99,622)	(1,778)	(2,539)	(4,317)	(281)	–	(104,220)
Operating profit	217,750	25,485	19,661	45,146	12,188	58	275,142
Share of results of associates and joint ventures	779	(241)	940	699	–	–	1,478
Profit before income tax	218,529	25,244	20,601	45,845	12,188	58	276,620
Income tax expense							(49,281)
Profit for the year							227,339
Segment assets	21,471,302	2,951,526	1,659,173	4,610,699	2,292,838	(1,688,200)	26,686,639
Investments in associates and joint ventures	20,544	598	14,627	15,225	–	–	35,769
Total assets	21,491,846	2,952,124	1,673,800	4,625,924	2,292,838	(1,688,200)	26,722,408
Include: non-current assets (2)	117,571	26,383	169,999	196,382	9,021	(4,275)	318,699
Segment liabilities	19,607,634	2,709,070	1,521,145	4,230,215	2,222,113	(1,688,107)	24,371,855
Other segment items:							
Intersegment net interest (expense)/income	(3,667)	541	4,376	4,917	(1,250)	–	–
Intersegment net fee and commission income	232	370	601	971	150	(1,353)	–
Capital expenditure	13,400	1,423	15,070	16,493	269	–	30,162
Depreciation and amortisation	20,355	1,833	6,406	8,239	880	(682)	28,792
Credit commitments	4,433,323	293,314	171,201	464,515	535,677	(212,361)	5,221,154

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties, right-of-use assets, intangible assets and other long-term assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2022

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	394,698	359,806	211,865	1,799	4,704	5,730	(96,329)	882,273
Interest expense	(206,495)	(152,654)	(150,065)	(158)	(131)	(8,410)	96,318	(421,595)
Net interest income/(expense)	188,203	207,152	61,800	1,641	4,573	(2,680)	(11)	460,678
Fee and commission income	31,610	35,598	13,807	6,919	–	1,889	(2,721)	87,102
Fee and commission expense	(1,451)	(7,999)	(1,405)	(1,717)	(4,377)	(148)	2,243	(14,854)
Net fee and commission income/(expense)	30,159	27,599	12,402	5,202	(4,377)	1,741	(478)	72,248
Net trading gains/(losses)	2,694	943	15,023	(253)	(4,195)	(955)	75	13,332
Net gains on transfers of financial asset	1,490	49	135	4	368	11	–	2,057
Other operating income	835	9,910	927	281	39,661	22,894	(3,684)	70,824
Operating income	223,381	245,653	90,287	6,875	36,030	21,011	(4,098)	619,139
Operating expenses	(73,721)	(89,843)	(21,892)	(2,671)	(36,134)	(11,019)	4,084	(231,196)
Impairment losses on assets	(64,651)	(32,074)	685	(954)	(27)	(6,512)	(460)	(103,993)
Operating profit	85,009	123,736	69,080	3,250	(131)	3,480	(474)	283,950
Share of results of associates and joint ventures	–	–	–	321	(1)	359	(34)	645
Profit before income tax	85,009	123,736	69,080	3,571	(132)	3,839	(508)	284,595
Income tax expense								(47,091)
Profit for the year								237,504
Segment assets	11,734,117	6,391,485	9,819,400	83,439	264,810	676,302	(94,000)	28,875,553
Investments in associates and joint ventures	–	–	–	7,011	1	31,424	(132)	38,304
Total assets	11,734,117	6,391,485	9,819,400	90,450	264,811	707,726	(94,132)	28,913,857
Segment liabilities	12,620,363	9,683,712	3,506,365	51,422	246,581	331,248	(93,405)	26,346,286
Other segment items:								
Inter-segment net interest income/(expense)	17,027	77,971	(94,050)	276	5	(1,229)	–	–
Inter-segment net fee and commission income/(expense)	401	1,834	74	(447)	(1,790)	406	(478)	–
Capital expenditure	4,383	4,910	239	198	260	18,524	–	28,514
Depreciation and amortisation	9,453	10,866	2,724	405	338	6,335	(924)	29,197
Credit commitments	4,779,988	1,377,951	–	–	–	–	–	6,157,939

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2021

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	346,214	311,480	188,432	1,220	3,914	4,414	(66,186)	789,488
Interest expense	(176,401)	(137,540)	(109,822)	(139)	(84)	(6,549)	66,189	(364,346)
Net interest income/(expense)	169,813	173,940	78,610	1,081	3,830	(2,135)	3	425,142
Fee and commission income	31,212	39,163	15,240	9,819	–	2,087	(3,068)	94,453
Fee and commission expense	(1,382)	(6,998)	(914)	(2,640)	(3,585)	(143)	2,635	(13,027)
Net fee and commission income/(expense)	29,830	32,165	14,326	7,179	(3,585)	1,944	(433)	81,426
Net trading gains/(losses)	1,972	(347)	13,255	500	(41)	12,874	78	28,291
Net gains on transfers of financial asset	1,458	206	1,262	21	237	13	–	3,197
Other operating income	581	10,486	484	320	35,580	23,429	(3,219)	67,661
Operating income	203,654	216,450	107,937	9,101	36,021	36,125	(3,571)	605,717
Operating expenses	(71,074)	(88,676)	(21,784)	(2,984)	(34,357)	(11,229)	3,749	(226,355)
Impairment losses on assets	(68,087)	(24,778)	(7,341)	(270)	(30)	(3,513)	(201)	(104,220)
Operating profit	64,493	102,996	78,812	5,847	1,634	21,383	(23)	275,142
Share of results of associates and joint ventures	–	–	–	339	–	1,273	(134)	1,478
Profit before income tax	64,493	102,996	78,812	6,186	1,634	22,656	(157)	276,620
Income tax expense								(49,281)
Profit for the year								227,339
Segment assets	10,117,500	6,179,877	9,521,320	92,943	231,683	637,470	(94,154)	26,686,639
Investments in associates and joint ventures	–	–	–	5,779	–	30,130	(140)	35,769
Total assets	10,117,500	6,179,877	9,521,320	98,722	231,683	667,600	(94,294)	26,722,408
Segment liabilities	12,303,472	8,427,530	3,131,945	62,915	211,832	328,198	(94,037)	24,371,855
Other segment items:								
Inter-segment net interest income/(expense)	16,438	48,690	(64,964)	260	9	(436)	3	–
Inter-segment net fee and commission income/(expense)	472	1,791	59	(637)	(1,612)	360	(433)	–
Capital expenditure	3,998	4,615	212	212	158	20,967	–	30,162
Depreciation and amortisation	9,225	11,027	2,698	411	280	6,082	(931)	28,792
Credit commitments	3,956,835	1,264,319	–	–	–	–	–	5,221,154

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances, require counterparties or be required by counterparties to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	1,354	1,325	6,655	6,398

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Transfers of financial assets (Continued)

Credit assets transfers

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level, and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB452 million as at 31 December 2022 (31 December 2021: RMB680 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB13,074 million for the year ended 31 December 2022 (2021: RMB46,442 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB21,005 million as at 31 December 2022 (31 December 2021: RMB21,579 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Interests in structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit assets transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

46.1 Unconsolidated structured entities

Structured entities sponsored and managed by the Group

In conducting the asset management business, the Group established various structured entities to provide customers specialised investment opportunities within well-defined objectives and narrow range, including wealth management products, funds and asset management plans. The Group earned management fee, commission and custodian fee in return.

As at 31 December 2022, after considering the impact of relevant joint activities of structured entities within the Group, the balance of wealth management products, funds and asset management plans sponsored and managed by the Group amounted to RMB1,760,322 million (31 December 2021: RMB1,710,750 million), and RMB661,931 million (31 December 2021: RMB668,762 million), respectively.

For the year ended 31 December 2022, the above-mentioned commission, custodian fees and management fees amounted to RMB7,705 million (2021: RMB12,280 million).

For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into reverse repurchase and placement transactions with these wealth management products in accordance with market principles. For the year ended 31 December 2022, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB9,300 million (2021: RMB62,120 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2022, the Group did not provide the above transactions (31 December 2021: RMB2,600 million). The maximum exposure to loss of those placements approximated to their carrying amount.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB669 million for the year ended 31 December 2022 (2021: RMB3,476 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note V.45.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Interests in structured entities (Continued)

46.1 Unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

The structured entities sponsored by other financial institutions in which the Group holds investments are set out below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 31 December 2022					
Fund investments	81,478	–	–	81,478	81,478
Investment trusts and asset management plans	2,090	1,470	13,005	16,565	16,565
Asset-backed securitisations	6,126	37,962	73,165	117,253	117,253
As at 31 December 2021					
Fund investments	68,914	–	–	68,914	68,914
Investment trusts and asset management plans	2,745	3,220	6,303	12,268	12,268
Asset-backed securitisations	11,357	45,880	67,844	125,081	125,081

46.2 Consolidated structured entities

The Group's consolidated structured entities mainly consist of open-end funds, private equity funds, trusts for asset-backed securities, and special-purpose companies. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. Except for providing financial guarantees for the companies established solely for financing purposes, the Group does not provide financial or other support to the other consolidated structured entities.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial assets	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral received	
As at 31 December 2022						
Derivatives	78,338	(7,995)	70,343	(47,342)	(12,193)	10,808
Reverse repo agreements	18,738	–	18,738	(18,738)	–	–
Other assets	10,152	(8,238)	1,914	(5)	–	1,909
Total	107,228	(16,233)	90,995	(66,085)	(12,193)	12,717
As at 31 December 2021						
Derivatives	29,313	–	29,313	(20,332)	(3,262)	5,719
Reverse repo agreements	16,568	–	16,568	(16,568)	–	–
Other assets	9,357	(7,284)	2,073	–	–	2,073
Total	55,238	(7,284)	47,954	(36,900)	(3,262)	7,792

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 Offsetting financial assets and financial liabilities (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial liabilities	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral pledged	
As at 31 December 2022						
Derivatives	65,510	(7,995)	57,515	(47,404)	(5,160)	4,951
Repurchase agreements	28,368	–	28,368	(28,368)	–	–
Other liabilities	9,435	(8,238)	1,197	(5)	–	1,192
Total	103,313	(16,233)	87,080	(75,777)	(5,160)	6,143
As at 31 December 2021						
Derivatives	29,845	–	29,845	(20,526)	(4,701)	4,618
Repurchase agreements	55,816	–	55,816	(55,816)	–	–
Other liabilities	7,799	(7,284)	515	–	–	515
Total	93,460	(7,284)	86,176	(76,342)	(4,701)	5,133

* Including non-cash collateral.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

Derivatives and reverse repo/repurchase agreements included in the amounts are not set off in the statement of financial position where:

- The counterparty has an offsetting exposure with the Group and a master netting or similar arrangement (including ISDA master agreement and Global Master Netting Agreement) is in place with a right of setting off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and

- Cash and non-cash collateral have been received/pledged in respect of the transactions described above.

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 The Bank's statement of financial position and changes in equity

48.1 The Bank's statement of financial position

	As at 31 December	
	2022	**2021**
ASSETS		
Cash and due from banks and other financial institutions	766,789	684,360
Balances with central banks	2,088,795	2,066,094
Placements with and loans to banks and other financial institutions	1,378,212	1,441,375
Government certificates of indebtedness for bank notes issued	10,003	9,080
Precious metals	119,533	267,913
Derivative financial assets	100,785	70,379
Loans and advances to customers, net	15,122,657	13,652,081
Financial investments	5,011,055	4,768,450
— financial assets at fair value through profit or loss	282,247	287,927
— financial assets at fair value through other comprehensive income	1,668,889	1,486,942
— financial assets at amortised cost	3,059,919	2,993,581
Investments in subsidiaries	150,947	140,451
Investments in associates and joint ventures	9,189	8,379
Consolidated structured entities	202,065	202,265
Property and equipment	71,067	72,084
Construction in progress	6,362	7,450
Investment properties	2,740	1,984
Deferred income tax assets	67,841	51,892
Other assets	93,676	102,586
Total assets	25,201,716	23,546,823

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.1 The Bank's statement of financial position (Continued)

	As at 31 December	
	2022	**2021**
LIABILITIES		
Due to banks and other financial institutions	2,368,070	2,751,227
Due to central banks	819,529	883,097
Bank notes in circulation	10,409	8,970
Placements from banks and other financial institutions	432,764	356,765
Financial liabilities held for trading	430	1,945
Derivative financial liabilities	95,777	65,892
Due to customers	17,606,623	15,956,260
Bonds issued	1,432,493	1,283,648
Current tax liabilities	52,966	40,325
Retirement benefit obligations	1,842	2,095
Deferred income tax liabilities	298	596
Other liabilities	206,245	187,732
Total liabilities	23,027,446	21,538,552
EQUITY		
Share capital	294,388	294,388
Other equity instruments	369,505	319,505
Preference shares	119,550	119,550
Perpetual bonds	249,955	199,955
Capital reserve	132,331	132,331
Other comprehensive income	9,658	20,116
Statutory reserves	228,944	208,319
General and regulatory reserves	324,911	292,549
Undistributed profits	814,533	741,063
Total equity	2,174,270	2,008,271
Total equity and liabilities	25,201,716	23,546,823

Approved and authorised for issue by the Board of Directors on 30 March 2023.

LIU Jin	**LIN Jingzhen**
Director	*Director*

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.2 The Bank's statement of changes in equity

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2022	294,388	119,550	199,955	132,331	20,116	208,319	292,549	741,063	2,008,271
Total comprehensive income	–	–	–	–	(10,459)	–	–	204,937	194,478
Appropriation to statutory reserves	–	–	–	–	–	20,625	–	(20,625)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	–	32,362	(32,362)	–
Dividends	–	–	–	–	–	–	–	(78,479)	(78,479)
Capital contribution by other equity instruments holders	–	–	50,000	(11)	–	–	–	–	49,989
Other comprehensive income transferred to retained earnings	–	–	–	–	1	–	–	(1)	–
Other	–	–	–	11	–	–	–	–	11
As at 31 December 2022	294,388	119,550	249,955	132,331	9,658	228,944	324,911	814,533	2,174,270

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.2 The Bank's statement of changes in equity (Continued)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2021	294,388	147,519	129,971	132,590	17,712	188,832	261,170	666,612	1,838,794
Total comprehensive income	–	–	–	–	2,404	–	–	193,962	196,366
Appropriation to statutory reserves	–	–	–	–	–	19,487	–	(19,487)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	–	31,379	(31,379)	–
Dividends	–	–	–	–	–	–	–	(68,645)	(68,645)
Capital contribution and reduction by other equity instruments holders	–	(27,969)	69,984	(31)	–	–	–	–	41,984
Other	–	–	–	(228)	–	–	–	–	(228)
As at 31 December 2021	294,388	119,550	199,955	132,331	20,116	208,319	292,549	741,063	2,008,271

(Amount in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 IBOR Reform

The Group monitors the risks related to interbank offered rates ("IBORs") reform, continuously monitors the risk exposure and converts existing contracts.

49.1 The following table contains details of financial instruments that Group's commercial banking business holds at 31 December 2022 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

	As at 31 December	
	2022	**2021**
Non-derivative assets	535,498	481,816
Non-derivative liabilities	9,378	2,997
Contractual/Notional amount of derivatives	602,366	579,043

49.2 External progress on the transition to risk-free rates is being monitored, with the objective of ensuring a smooth transition for the Group's hedge accounting relationships. The specific issues arising will vary with the details of each hedging relationship, but may arise due to the transition of existing products included in the designation, a change in expected volumes of products to be issued, a change in contractual terms of new products issued, or a combination of these factors. Some hedges may need to be de-designated and new relationships entered into, while others may survive IBOR Reform.

The hedged items that are affected by the adoption of applicable temporary reliefs in hedge accounting relationships are presented in the statement of financial position as "Financial investments" and "Bonds issued".

As at 31 December 2022, the notional amount of interest rate derivatives designated in fair value hedged accounting relationships was RMB45,097 million (31 December 2021: RMB65,260 million), which represented the extent of the risk exposure around fair value hedging relationships managed by the Group that was directly affected by IBOR Reform and impacted by applicable temporary reliefs.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 Events after the financial reporting date

Issuance of Tier 2 Capital Bonds

On 20 March 2023, the Bank issued fixed-rate Tier 2 capital bonds with a maturity of 10 years amounting RMB40 billion and fixed-rate Tier 2 capital bonds with a maturity of 15 years amounting RMB20 billion and completed the issuance on 22 March 2023. The issuance details have been set out in the Bank's announcement dated 22 March 2023.

VI FINANCIAL RISK MANAGEMENT

1 Overview

The Group analyses, identifies, monitors and reports risks by formulating risk management policies, setting appropriate risk limits and control procedures, and using relevant information systems. It also regularly reviews its risk management policies and related systems to reflect new changes in markets, products and the industry's best practices.

The financial risks the Group is exposed to mainly include credit risk, market risk and liquidity risk. Among them, market risk includes exchange rate risk, interest rate risk and other price risks.

The Board of Directors of the Group assumes the ultimate responsibility for comprehensive risk management. The Board of Directors authorises its subordinate Risk Policy Committee, Audit Committee and US Risk and Management Committee to perform part of the responsibilities of comprehensive risk management. The Board of Supervisors undertakes the supervision responsibility for comprehensive risk management, and is responsible for supervising and inspecting the duty performance of the Board of Directors and senior management in respect of risk management and supervising relevant rectification. Senior management is responsible for conducting comprehensive risk management and implementing resolutions of the Board of Directors. The Risk Management Department, Credit Approval Department, Credit Management Department and other relevant functional departments are responsible for managing financial risks.

Branches and sub-branches are responsible for the comprehensive risk management of business departments at the same level and institutions at lower levels, and shall report their risk position to the Risk Management Department of the Head Office. The subsidiaries shall establish and improve their respective comprehensive risk management systems and carry out comprehensive risk management-related work in accordance with relevant regulatory guidelines and the requirements of this policy.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a borrower or counterparty will cause a financial loss to the Group by failing to discharge its obligation. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, bill acceptance, letters of guarantee and letters of credit.

2.1 Credit risk management

(1) Loans and advances to customers and off-balance sheet commitments

The Group identifies and monitors credit risk collectively based on industry, geography and customer type. Management periodically reviews various elements of the Group's credit risk management, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the security of the Group's position. The actions may include obtaining additional guarantees or collateral.

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the *Guideline for Loan Credit Risk Classification* (the "Guideline") issued by the former China Banking Regulatory Commission, which requires commercial banks to classify their corporate and personal loans into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. Off-balance sheet commitments with credit exposure are also assessed and categorised with reference to the Guideline. For operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions, where local regulations and requirements are different from the Guideline, credit assets are classified with prudently not lower than the Group's management requirements in consideration of local regulations and requirements.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(1) Loans and advances to customers and off-balance sheet commitments (Continued)

The five categories are defined as follows:

Pass: loans for which borrowers can honour the terms of the contracts, and there is no reason to doubt their ability to repay the principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back the principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

The Group strictly follows the regulatory requirements in five-category loan classifications management, and makes adjustments to these classifications as necessary according to customers' operational and financial position, together with other factors that may affect the repayment of the loans.

In accordance with the New Basel Capital Accord, the Group implemented a domestic corporate customer credit rating system based on the probability default ("PD") model. The domestic corporate customer PD model uses the principle of logistic regression to predict the PD for customers in the next 12 months. The risk rating of the customer is obtained through the relevant mapping relationship table according to the calculated PD value. The corporate customer credit ratings are classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grade D equates to defaulted customers while the others are assigned to non-defaulted customers. The Group performs centralised review on customer credit ratings on an annual basis in addition to making adjustments as necessary according to the customers' operational and financial conditions. The Group conducts back-testing of the rating model for domestic corporate customers, according to the customers' actual defaults each year, so that the model calculation results are closer to the objective facts.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(2) Due from, placements with and loans to banks and other financial institutions

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the internal and external credit rating of banks and financial institutions. During the business lifetime, the Group conducts comprehensive analysis, monitors and manages internal and external factors that may affect customers' ability to operate on on-going basis and capacity to bear risk, and takes corresponding control measures.

(3) Debt securities and derivatives

Credit risk within debt securities arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets.

The Group manages the credit risk within debt securities by monitoring the external credit rating, such as Standard & Poor's ratings or their equivalents, of the securities, the internal credit rating of the issuers of debt securities, and the credit quality of underlying assets of securitisation products (including review of default rates, prepayment rates), industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Group has established policies to manage the net open derivative positions by amounts and by maturity dates. At any time, the current credit exposure equals to the fair value of those derivatives where the fair value changes are favorable to the Group. Credit risk exposures for derivatives are included as part of the aggregated credit risk limit management for financial institutions and customers. Exposures may also be mitigated by obtaining collateral or other pledges of assets.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk in particular, to individual customers and to industries.

(1) Credit risk limits and controls

(i) Loans and advances and off-balance sheet commitments

In order to manage the exposure to credit risk, the Group has adopted credit policies and procedures that are reviewed and updated by the Credit Management Department and the Credit Approval Department at the Head Office. The credit approval processes for both corporate loans and personal loans can be broadly divided into three stages: (1) credit origination and assessment; (2) credit review and approval; and (3) fund disbursement and post-disbursement management.

Credit applications for corporate customers in the Chinese mainland must be approved by the delegated credit application approvers at the Head Office and tier 1 branch level in the Chinese mainland, except for (1) certain Credit Factory customers applications, low risk loans and advances approved by the delegated credit application approvers at tier 2 branch level, (2) loans automatically approved online. The exposure to any single borrower, including banks, is restricted by approved total credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland must be approved by delegated approvers at branch level in the Chinese mainland, except for loans automatically approved online.

The Head Office also oversees the risk management of the branches in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. In particular, any credit application at these branches exceeding the authorisation limits is required to be submitted to the Head Office for approval.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing aforementioned credit limit where appropriate.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(1) Credit risk limits and controls (Continued)

(ii) Debt securities and derivatives

The Group is also exposed to credit risk through debt securities investments and derivative trading activities. Credit limits are established based on type of instruments and the credit quality of counterparties, securities issuers and the securities, and the limits are actively monitored.

(2) Credit risk mitigation policies

(i) Collateral and guarantees

The Group has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is obtaining margin deposits, collateral and guarantees. The Group implements guidelines on the acceptability of specific classes of collateral and coverage rate upper limits. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to coverage rate upper limits based on type. Value of collateral is monitored on an ongoing basis.

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Whether or not other loans require collateral is dependent on the nature of the loan and the Group's credit management requirements.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet its obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under some agreements, the Group is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Group is obligated to return are disclosed in Note V.41.3.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(2) Credit risk mitigation policies (Continued)

(ii) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties. Master netting arrangements do not generally result in the offsetting of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default or other termination event occurs, all amounts with the customer under the master netting arrangement are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change within a short period, as it is affected by each transaction subject to the arrangement.

2.3 Measurement of ECL

The Group conducts assessments of ECL with reference to forward-looking information and uses a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards which include:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information

There were no significant changes in the estimated techniques and such assumptions during the reporting period.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(1) Segmentation of financial instruments based on credit risk characteristics for losses

Expected credit loss allowances involve segmentation of exposures on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this segmentation, there must be sufficient information for the segmentation to be statistically credible. In particular, the Group uses credit ratings, product types, client types, etc., for grouping personal loans and advances to calculate the losses measured on a collective basis.

(2) Criteria for determining significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments with shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to determine the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Credit risk is deemed to increase significantly when the forward-looking lifetime PD of an exposure increases by certain predetermined thresholds since its initial recognition. Specifically, such thresholds are met when such PD increases by a certain absolute level as well as by a relative percentage. Such thresholds vary based on the forward-looking lifetime PD at the time of initial recognition.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(2) Criteria for determining significant increases in credit risk (Continued)

Qualitative criteria

- Significant adverse changes in debtor's operations or financial status
- Migrated into the Special Mention category within the five-category loan classification
- Being included in the watch-list of the Group

Backstop criteria

- Borrowers' contractual payments (including principal or interest) are more than 30 days past due.

The Group has provided credit facilities for temporary deferral of principal repayments and interest payments to certain borrowers in accordance with the regulatory requirements of respective countries/regions. For those loans with deferred principal repayments and interest payments, the Group classified the credit risk based on the actual situation of the borrower and the judgement of the substantive risk of the business. However, the temporary deferral of principal or interest payment was not considered as an automatic trigger of a significant increase of credit risk.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(3) Definition of default and credit-impaired financial asset

The Group considers a financial instrument as defaulted when it is credit-impaired. The standard adopted by the Group in determining whether a financial asset is credit-impaired is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment occurred, the following key factors are considered:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider
- It is becoming probable that the borrower will enter into bankruptcy or other financial re-organisation
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses
- The borrower is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(4) Parameters for measuring ECL

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of the next 12 months or throughout the entire lifetime. The key parameters in ECL measurement include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral) and forward-looking information in order to establish the models for estimating PD, LGD and EAD in accordance with the requirement of IFRS 9.

Relevant definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or over the remaining lifetime;

- LGD refers to the Group's expectation of the extent of the loss resulting from the defaulted exposure. The LGD varies depending on the type of counterparty, the method and priority of the recourse, and the type of collateral;

- EAD is based on the amount that the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

For credit-impaired financial assets with individual amount that are relatively significant, the Group mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate (credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment loss or reversal. The estimation of future cash flows is critical for a credit-impaired loan for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the financial condition of individual borrowers, risk mitigation methods, industry trends, the future performance of individual borrowers and guarantors, and cash flows from the sale of collateral.

The Group regularly conducts re-examination, parameter update and model validation of the ECL models.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(5) Forward-looking information

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of ECL. In assessing the ECL as at 31 December 2022, the Group has taken into account the impact of changes in current economic environment to the ECL model, including: individual borrower's operating and financial conditions and degree of impact from the economic environment, environmental and climate change impact, and industry-specific risks.

The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Completion Index of Fixed Assets Investment, Producer Price Index, Home Price Index, Consumer Price Index etc. based on the statistical analysis of historical data.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this analysis, and according to the result, the Group predicts these economic indicators regularly for respective regions and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

The Group conducts statistical analysis using experts' judgement to determine multiple economic scenarios and their respective weightings. In addition to the baseline scenario, optimistic scenario and pessimistic scenario, the Group also considers situation under stress. As at 31 December 2022, the baseline scenario has the highest weighting with the remaining individual scenarios having a weighting of lower than 30%. The Group measures its credit loss allowance based on probability weighted ECL under different scenarios.

The Group updated relevant forward-looking parameters used in the models measuring ECL based on changes in macroeconomic environment during the period. Amongst these parameters, the range of core ones adopted by Chinese mainland in assessing its ECL as of 31 December 2022 under the baseline scenario, the optimistic scenario and the pessimistic scenario is as follows:

Indicator	**Range**
Growth Rate of China's GDP in 2023	4.0%-6.0%

The Group conducts sensitivity analysis on the weightings of multiple economic scenarios used in forward-looking measurement. As at 31 December 2022, when the weighting of optimistic scenario or pessimistic scenario increases by 10%, and the weighting of baseline scenario decreases by 10%, the respective decrease or increase in loan loss allowance will not exceed 5%.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2022	**2021**
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	750,357	585,298
Balances with central banks	2,313,859	2,228,726
Placements with and loans to banks and other financial institutions	1,174,097	1,257,413
Government certificates of indebtedness for bank notes issued	196,497	175,715
Derivative financial assets	152,033	95,799
Loans and advances to customers, net	17,117,566	15,322,484
Financial investments		
— financial assets at fair value through profit or loss	371,633	383,313
— financial assets at fair value through other comprehensive income	2,442,644	2,366,297
— financial assets at amortised cost	3,405,408	3,213,199
Other assets	128,674	133,453
Subtotal	28,052,768	25,761,697
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	1,189,069	1,086,152
Loan commitments and other credit commitments	4,968,870	4,135,002
Subtotal	6,157,939	5,221,154
Total	34,210,707	30,982,851

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2022 and 2021, without taking into account any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As at 31 December 2022, 50.04% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2021: 49.45%) and 18.10% represents investments in debt securities (31 December 2021: 19.13%).

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances

Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented below:

(1) Concentrations of risk for loans and advances to customers

(i) Analysis of loans and advances to customers by geographical area

Group	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Chinese mainland	14,500,783	82.83%	12,953,259	82.64%
Hong Kong (China), Macao (China), Taiwan (China)	1,937,844	11.07%	1,752,527	11.18%
Other countries and regions	1,068,722	6.10%	969,208	6.18%
Total	17,507,349	100.00%	15,674,994	100.00%

Chinese mainland	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Northern China	2,038,727	14.07%	1,811,146	13.99%
Northeastern China	583,632	4.02%	548,436	4.23%
Eastern China	5,905,293	40.72%	5,158,395	39.82%
Central and Southern China	4,087,906	28.19%	3,708,815	28.63%
Western China	1,885,225	13.00%	1,726,467	13.33%
Total	14,500,783	100.00%	12,953,259	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(ii) Analysis of loans and advances to customers by customer type

	Chinese mainland	Hong Kong (China), Macao (China), Taiwan (China)	Other countries and regions	Total
As at 31 December 2022				
Corporate loans and advances				
— Trade bills	1,318,237	81,885	113,743	1,513,865
— Other	7,500,347	1,198,699	885,912	9,584,958
Personal loans	5,682,199	657,260	69,067	6,408,526
Total	14,500,783	1,937,844	1,068,722	17,507,349
As at 31 December 2021				
Corporate loans and advances				
— Trade bills	1,021,482	94,900	139,539	1,255,921
— Other	6,469,397	1,087,192	768,734	8,325,323
Personal loans	5,462,380	570,435	60,935	6,093,750
Total	12,953,259	1,752,527	969,208	15,674,994

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry

Group	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,476,528	14.15%	2,043,199	13.04%
Manufacturing	2,177,432	12.44%	1,888,582	12.05%
Transportation, storage and postal services	1,898,333	10.84%	1,729,701	11.03%
Real estate	1,359,650	7.77%	1,212,336	7.73%
Production and supply of electricity, heating, gas and water	952,035	5.44%	836,651	5.34%
Financial services	851,117	4.86%	704,486	4.49%
Water, environment and public utility management	370,531	2.12%	302,591	1.93%
Construction	369,618	2.11%	296,668	1.89%
Mining	283,411	1.62%	268,158	1.71%
Public utilities	218,706	1.25%	170,548	1.09%
Other	141,462	0.80%	128,324	0.82%
Subtotal	11,098,823	63.40%	9,581,244	61.12%
Personal loans				
Mortgages	4,916,707	28.08%	4,826,412	30.79%
Credit cards	520,390	2.97%	507,107	3.24%
Other	971,429	5.55%	760,231	4.85%
Subtotal	6,408,526	36.60%	6,093,750	38.88%
Total	17,507,349	100.00%	15,674,994	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	1,974,498	13.62%	1,589,119	12.27%
Manufacturing	1,808,808	12.47%	1,549,639	11.96%
Transportation, storage and postal services	1,744,422	12.03%	1,578,645	12.19%
Real estate	773,828	5.34%	687,186	5.30%
Production and supply of electricity, heating, gas and water	738,758	5.09%	657,020	5.07%
Financial services	659,443	4.55%	500,380	3.86%
Water, environment and public utility management	361,108	2.49%	295,183	2.28%
Construction	328,921	2.27%	266,775	2.06%
Mining	167,351	1.15%	161,473	1.25%
Public utilities	206,004	1.42%	159,284	1.23%
Other	55,443	0.38%	46,175	0.36%
Subtotal	8,818,584	60.81%	7,490,879	57.83%
Personal loans				
Mortgages	4,338,946	29.93%	4,316,325	33.32%
Credit cards	508,755	3.51%	496,299	3.83%
Other	834,498	5.75%	649,756	5.02%
Subtotal	5,682,199	39.19%	5,462,380	42.17%
Total	14,500,783	100.00%	12,953,259	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iv) Analysis of loans and advances to customers by collateral type

Group	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Unsecured loans	5,970,296	34.11%	5,008,610	31.95%
Guaranteed loans	2,161,091	12.34%	1,863,868	11.89%
Collateralised and other secured loans	9,375,962	53.55%	8,802,516	56.16%
Total	17,507,349	100.00%	15,674,994	100.00%

Chinese mainland	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
Unsecured loans	4,644,358	32.03%	3,801,150	29.35%
Guaranteed loans	1,773,165	12.23%	1,487,175	11.48%
Collateralised and other secured loans	8,083,260	55.74%	7,664,934	59.17%
Total	14,500,783	100.00%	12,953,259	100.00%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status

(i) Impaired loans and advances by geographical area

Group	As at 31 December					
	2022			2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	202,404	87.36%	1.40%	193,030	92.45%	1.49%
Hong Kong (China), Macao (China), Taiwan (China)	15,572	6.73%	0.80%	6,084	2.91%	0.35%
Other countries and regions	13,701	5.91%	1.28%	9,678	4.64%	1.00%
Total	231,677	100.00%	1.32%	208,792	100.00%	1.33%

Chinese mainland	As at 31 December					
	2022			2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	37,895	18.72%	1.86%	38,825	20.11%	2.14%
Northeastern China	13,239	6.54%	2.27%	13,939	7.22%	2.54%
Eastern China	55,168	27.26%	0.93%	51,633	26.75%	1.00%
Central and Southern China	72,733	35.93%	1.78%	73,624	38.14%	1.99%
Western China	23,369	11.55%	1.24%	15,009	7.78%	0.87%
Total	202,404	100.00%	1.40%	193,030	100.00%	1.49%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(ii) Impaired loans and advances by customer type

Group	As at 31 December					
	2022			2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	190,190	82.09%	1.71%	179,526	85.98%	1.87%
Personal loans	41,487	17.91%	0.65%	29,266	14.02%	0.48%
Total	231,677	100.00%	1.32%	208,792	100.00%	1.33%

Chinese mainland	As at 31 December					
	2022			2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	162,326	80.20%	1.84%	164,796	85.37%	2.20%
Personal loans	40,078	19.80%	0.71%	28,234	14.63%	0.52%
Total	202,404	100.00%	1.40%	193,030	100.00%	1.49%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(iii) Impaired loans and advances by geographical area and industry

	As at 31 December					
	2022			2021		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	33,486	14.45%	1.70%	30,111	14.42%	1.89%
Manufacturing	34,275	14.79%	1.89%	55,341	26.50%	3.57%
Transportation, storage and postal services	10,959	4.73%	0.63%	18,073	8.66%	1.14%
Real estate	55,966	24.16%	7.23%	34,694	16.62%	5.05%
Production and supply of electricity, heating, gas and water	13,119	5.66%	1.78%	13,173	6.31%	2.00%
Financial services	20	0.01%	0.00%	201	0.10%	0.04%
Water, environment and public utility management	1,947	0.84%	0.54%	2,257	1.08%	0.76%
Construction	2,838	1.22%	0.86%	3,406	1.63%	1.28%
Mining	4,802	2.07%	2.87%	4,717	2.26%	2.92%
Public utilities	3,539	1.54%	1.72%	2,215	1.06%	1.39%
Other	1,375	0.59%	2.48%	608	0.29%	1.32%
Subtotal	162,326	70.06%	1.84%	164,796	78.93%	2.20%
Personal loans						
Mortgages	20,386	8.80%	0.47%	11,628	5.57%	0.27%
Credit cards	10,302	4.45%	2.02%	10,163	4.87%	2.05%
Other	9,390	4.05%	1.13%	6,443	3.08%	0.99%
Subtotal	40,078	17.30%	0.71%	28,234	13.52%	0.52%
Total for Chinese mainland	202,404	87.36%	1.40%	193,030	92.45%	1.49%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	29,273	12.64%	0.97%	15,762	7.55%	0.58%
Total	231,677	100.00%	1.32%	208,792	100.00%	1.33%

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(iv) Impaired loans and advances and related allowance by geographical area

	Impaired loans	Allowance for impairment losses	Net
As at 31 December 2022			
Chinese mainland	202,404	(158,209)	44,195
Hong Kong (China), Macao (China), Taiwan (China)	15,572	(8,544)	7,028
Other countries and regions	13,701	(5,746)	7,955
Total	231,677	(172,499)	59,178
As at 31 December 2021			
Chinese mainland	193,030	(162,182)	30,848
Hong Kong (China), Macao (China), Taiwan (China)	6,084	(3,708)	2,376
Other countries and regions	9,678	(4,010)	5,668
Total	208,792	(169,900)	38,892

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(v) Within the impaired corporate loans and advances, the portions covered and not covered by collateral held are as follows:

	Group		Chinese mainland	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Portion covered	115,300	104,680	102,514	96,423
Portion not covered	74,890	74,846	59,812	68,373
Total	190,190	179,526	162,326	164,796
Fair value of collateral held	40,927	33,975	35,439	30,157

Collateral of impaired corporate loans and advances includes land, buildings, equipment and others. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted for recent experience in disposal of collateral as well as the market conditions.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(3) Loans and advances rescheduled

Rescheduled loans refer to loans in which the Group has adjusted the repayment terms of the loan contract for which the borrower is in financial difficulty or unable to repay. The Group reschedules a non-performing loan only if the borrower has good prospects.

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the rescheduled loans fall due or if the borrowers are unable to demonstrate their repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 31 December 2022 and 2021.

As at 31 December 2022 and 2021, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were not material.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days

Group

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 days to 3 years	Past due over 3 years	Total
As at 31 December 2022					
Unsecured loans	12,627	13,898	5,720	1,215	33,460
Guaranteed loans	3,949	4,366	30,296	809	39,420
Collateralised and other secured loans	52,131	33,661	26,963	6,466	119,221
Total	68,707	51,925	62,979	8,490	192,101
As at 31 December 2021					
Unsecured loans	10,607	12,893	2,939	1,181	27,620
Guaranteed loans	2,532	32,096	5,105	833	40,566
Collateralised and other secured loans	30,875	26,302	38,614	3,760	99,551
Total	44,014	71,291	46,658	5,774	167,737

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days (Continued)

Chinese mainland

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 days to 3 years	Past due over 3 years	Total
As at 31 December 2022					
Unsecured loans	10,638	11,753	3,219	975	26,585
Guaranteed loans	2,327	3,134	29,085	689	35,235
Collateralised and other secured loans	41,855	30,101	25,520	6,017	103,493
Total	54,820	44,988	57,824	7,681	165,313
As at 31 December 2021					
Unsecured loans	8,585	11,541	1,936	1,024	23,086
Guaranteed loans	2,321	31,540	4,319	741	38,921
Collateralised and other secured loans	27,379	25,027	37,013	3,589	93,008
Total	38,285	68,108	43,268	5,354	155,015

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2022	**2021**
Chinese mainland	165,313	155,015
Hong Kong (China), Macao (China), Taiwan (China)	20,781	7,851
Other countries and regions	6,007	4,871
Subtotal	192,101	167,737
Percentage	1.10%	1.07%
Less: total loans and advances to customers which have been overdue for less than 3 months	(68,707)	(44,014)
Total loans and advances to customers which have been overdue for more than 3 months	123,394	123,723

(5) Loans and advances three-staging classification

Loans and advances to customers by five-category loan classification and three-staging classification are analysed as follows:

	As at 31 December 2022			
	12-month ECL	**Lifetime ECL**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
Pass	16,988,540	48,271	–	17,036,811
Special-mention	–	235,360	–	235,360
Substandard	–	–	103,710	103,710
Doubtful	–	–	60,561	60,561
Loss	–	–	66,833	66,833
Total	16,988,540	283,631	231,104	17,503,275

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(5) Loans and advances three-staging classification (Continued)

	As at 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Pass	15,207,789	44,401	–	15,252,190
Special-mention	–	210,813	–	210,813
Substandard	–	–	61,184	61,184
Doubtful	–	–	60,718	60,718
Loss	–	–	86,284	86,284
Total	15,207,789	255,214	208,186	15,671,189

As at 31 December 2022 and 2021, loans and advances by five-category loan classification and three-staging classification did not include loans and advances to customers measured at fair value through profit or loss.

(6) Credit commitments

As at 31 December 2022 and 2021, credit risk exposures of credit commitments were mainly classified under Stage 1 and categorised as "Pass" in the five-category classifications.

2.6 Due from and placements with and loans to banks and other financial institutions

Banks and other financial institutions comprise those institutions in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

The Group monitors the credit risk of counterparties by collecting and analysing counterparty information and establishing credit limits taking into account the nature, size and credit rating of counterparties.

As at 31 December 2022, the majority of the balances of due from and placements with and loans to banks and other financial institutions were banks and other financial institutions in the Chinese mainland (Note V.13 and Note V.15), the majority of the internal credit ratings of these banks and other financial institutions were above A.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities

The Group adopted a credit rating approach to manage the credit risk of the debt securities by referring to both internal and external credit rating. The carrying amounts (accrued interest excluded) of the debt investments analysed by external credit ratings at the financial reporting dates are as follows:

	Unrated	A to AAA	Lower than A	Total
As at 31 December 2022				
Issuers in Chinese mainland				
— Government	16,625	3,365,977	–	3,382,602
— Public sectors and quasi-governments	156,707	11,475	–	168,182
— Policy banks	–	609,877	–	609,877
— Financial institutions	42,258	199,334	170,374	411,966
— Corporate	113,121	90,034	46,618	249,773
— China Orient	152,433	–	–	152,433
Subtotal	481,144	4,276,697	216,992	4,974,833
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	75,521	594,889	15,374	685,784
— Public sectors and quasi-governments	58,632	65,581	424	124,637
— Financial institutions	5,407	149,617	52,933	207,957
— Corporate	11,386	84,216	37,179	132,781
Subtotal	150,946	894,303	105,910	1,151,159
Total	632,090	5,171,000	322,902	6,125,992
As at 31 December 2021				
Issuers in Chinese mainland				
— Government	5,677	3,177,655	–	3,183,332
— Public sectors and quasi-governments	162,546	2,195	–	164,741
— Policy banks	–	532,783	–	532,783
— Financial institutions	100,964	230,803	173,810	505,577
— Corporate	113,771	108,844	46,730	269,345
— China Orient	152,433	–	–	152,433
Subtotal	535,391	4,052,280	220,540	4,808,211
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	69,390	562,376	14,455	646,221
— Public sectors and quasi-governments	47,621	52,336	115	100,072
— Financial institutions	13,744	97,887	47,109	158,740
— Corporate	17,275	90,712	39,222	147,209
Subtotal	148,030	803,311	100,901	1,052,242
Total	683,421	4,855,591	321,441	5,860,453

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities (Continued)

The carrying amounts (accrued interest excluded) of debt investments analysed by external credit ratings and expected credit losses are as follows:

	As at 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	590,862	117	1,052	592,031
A to AAA	4,936,931	–	–	4,936,931
Lower than A	237,514	5,327	–	242,841
Total	5,765,307	5,444	1,052	5,771,803

	As at 31 December 2021			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	641,510	41	500	642,051
A to AAA	4,641,482	–	–	4,641,482
Lower than A	223,072	775	–	223,847
Total	5,506,064	816	500	5,507,380

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.8 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Assets Measurements Rules for Counterparty Default Risks of Derivatives* and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for the CCR of derivatives are as follows:

	As at 31 December	
	2022	**2021**
Risk-weighted assets for default risk		
Currency derivatives	72,520	63,151
Interest rate derivatives	4,371	8,683
Equity derivatives	979	553
Commodity derivatives and other	6,576	13,657
	84,446	86,044
Risk-weighted assets for CVA	65,373	62,415
Risk-weighted assets for CCPs	6,418	2,335
Total	156,237	150,794

2.9 Repossessed assets

The Group obtained assets by taking possession of collateral held as securities. Detailed information of such repossessed assets of the Group is disclosed in Note V.23.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk

3.1 Overview

The Group is exposed to market risks from on-balance and off-balance businesses, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book.

The Board of Directors shall assume the ultimate responsibility for market risk management, including determination of overall risk appetite; approval of market risk management policies, procedures, strategies and limits of the Group; and overseeing the implementation of risk management strategies and policies by the senior management. The senior management is responsible for developing and implementing the market risk limit mechanism, risk management policies, procedures and processes; assuming and managing the Group's market risk within the risk appetite determined by the Board of Directors; as well as coordinating the compatibility of aggregate risks to business return targets.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for the monitoring and reporting of market risk within their respective business lines.

3.2 Market risk measurement techniques and limits

(1) Trading book

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOCI. The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore, statistical probability of 1% that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

The accuracy and reliability of the VaR model is verified by daily back-testing of the VaR results in the trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

The table below shows the VaR of the trading book by type of risk during the years ended 31 December 2022 and 2021:

Unit: USD million

	Year ended 31 December					
	2022			2021		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	13.84	27.08	6.80	17.84	24.53	11.24
Foreign exchange risk	35.49	72.70	11.30	32.99	42.56	9.75
Volatility risk	1.11	3.18	0.52	3.02	11.41	0.30
Commodity risk	1.63	7.17	0.17	3.66	10.77	0.57
Total of the Bank's trading VaR	39.99	75.79	13.75	42.22	52.57	19.49

The reporting of risk in relation to bullion is included in foreign exchange risk above.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Year ended 31 December					
	2022			2021		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	4.02	8.10	1.99	2.12	7.42	0.80
Foreign exchange risk	3.03	5.12	1.87	3.24	6.51	1.70
Equity risk	0.25	0.57	0.03	0.15	0.44	0.03
Commodity risk	0.56	1.57	0.00	0.90	4.52	0.00
Total BOCHK (Holdings)'s trading VaR	4.82	7.87	2.79	3.95	7.07	2.44
BOCI's trading VaR (i)						
Equity derivatives unit	0.74	1.63	0.17	0.57	2.19	0.09
Fixed income unit	1.00	1.77	0.55	0.72	1.33	0.47
Global commodity unit	0.23	0.47	0.12	0.21	0.50	0.17
Total BOCI's trading VaR	1.96	3.16	0.99	1.51	3.58	0.90

(i) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs was not added up to the total VaR as there was a diversification effect due to correlation amongst the risk factors.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. The Group is exposed to interest rate risk and fluctuations in market interest rates that will impact the Group's financial position.

The Group assesses IRRBB primarily through an interest rate repricing gap analysis. Interest rate repricing gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis and takes the impact of the off-balance sheet business into consideration when calculating the indications of sensitivity of earnings to changing interest rates. The interest rate gap analysis is set out in Note VI.3.3 and also covers the trading book.

Sensitivity analysis on net interest income

Sensitivity analysis on net interest income assumes that yield curves change in parallel while the structure of assets and liabilities remains unchanged, and does not take into consideration changes in customer behaviour, basis risk, etc. The Group made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book (Continued)

Sensitivity analysis on net interest income (Continued)

The table below illustrates the potential impact of a 25 basis points interest rate move on the net interest income of the Group. The actual situation may be different from the assumptions used and it is possible that actual outcomes could differ from the estimated impact on net interest income of the Group.

	(Decrease)/increase in net interest income	
	As at 31 December	
	2022	**2021**
+ 25 basis points	(3,270)	(4,351)
– 25 basis points	3,270	4,351

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products. Had the impact of yield curves movement on interest expenses related to demand deposits been excluded, the net interest income for the next twelve months from the reporting date would have increased or decreased by RMB19,708 million (2021: RMB17,877 million) for 25 basis points upward or downward parallel movements, respectively.

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VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis

The tables below summarise the Group's exposure to interest rate risk. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 31 December 2022						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	607,128	85,237	53,197	2,807	–	66,694	815,063
Balances with central banks	2,002,856	3,659	334	1,338	–	305,672	2,313,859
Placements with and loans to banks and other financial institutions	588,242	172,515	366,365	41,308	–	5,667	1,174,097
Derivative financial assets	–	–	–	–	–	152,033	152,033
Loans and advances to customers, net	4,396,266	3,039,766	8,718,297	558,857	233,591	170,789	17,117,566
Financial investments							
— financial assets at fair value through profit or loss	12,220	47,686	123,141	105,580	67,642	215,691	571,960
— financial assets at fair value through other comprehensive income	161,488	225,341	370,746	1,112,596	568,318	29,886	2,468,375
— financial assets at amortised cost	75,871	291,839	424,239	1,211,180	1,399,557	2,722	3,405,408
Other	1,624	–	–	–	–	893,872	895,496
Total assets	7,845,695	3,866,043	10,056,319	3,033,666	2,269,108	1,843,026	28,913,857
Liabilities							
Due to banks and other financial institutions	1,433,130	172,894	582,163	13,739	–	38,397	2,240,323
Due to central banks	212,008	68,973	623,756	4,470	–	6,651	915,858
Placements from banks and other financial institutions	335,141	56,409	73,391	–	–	1,394	466,335
Derivative financial liabilities	–	–	–	–	–	135,838	135,838
Due to customers	10,932,242	1,721,468	3,648,223	3,396,894	823	502,175	20,201,825
Bonds issued	30,933	297,804	567,345	557,037	79,111	8,705	1,540,935
Other	24,108	14,559	23,599	29,899	6,420	746,587	845,172
Total liabilities	12,967,562	2,332,107	5,518,477	4,002,039	86,354	1,439,747	26,346,286
Total interest repricing gap	(5,121,867)	1,533,936	4,537,842	(968,373)	2,182,754	403,279	2,567,571

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VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis (Continued)

	As at 31 December 2021						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	370,446	66,997	141,347	4,187	–	61,839	644,816
Balances with central banks	1,994,874	5,249	582	630	–	227,391	2,228,726
Placements with and loans to banks and other financial institutions	758,329	164,425	283,939	47,392	–	3,328	1,257,413
Derivative financial assets	–	–	–	–	–	95,799	95,799
Loans and advances to customers, net	4,036,896	2,760,256	7,587,288	516,235	254,856	166,953	15,322,484
Financial investments							
— financial assets at fair value through profit or loss	26,362	28,697	93,136	50,591	167,964	194,892	561,642
— financial assets at fair value through other comprehensive income	161,329	308,986	351,443	1,023,935	510,635	33,502	2,389,830
— financial assets at amortised cost	203,421	42,429	380,675	1,313,316	1,270,988	2,370	3,213,199
Other	2,244	–	–	–	–	1,006,255	1,008,499
Total assets	7,553,901	3,377,039	8,838,410	2,956,286	2,204,443	1,792,329	26,722,408
Liabilities							
Due to banks and other financial institutions	1,767,330	256,822	570,038	14,176	258	74,115	2,682,739
Due to central banks	181,247	246,985	509,817	10,833	–	6,675	955,557
Placements from banks and other financial institutions	279,785	55,441	71,048	–	–	1,493	407,767
Derivative financial liabilities	–	–	–	–	–	89,151	89,151
Due to customers	10,253,710	1,451,583	2,941,491	2,978,127	32,521	485,455	18,142,887
Bonds issued	44,526	264,056	548,592	455,746	69,250	6,508	1,388,678
Other	6,067	4,728	8,187	34,226	5,838	646,030	705,076
Total liabilities	12,532,665	2,279,615	4,649,173	3,493,108	107,867	1,309,427	24,371,855
Total interest repricing gap	(4,978,764)	1,097,424	4,189,237	(536,822)	2,096,576	482,902	2,350,553

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches.

The Group manages its exposure to currency exchange risk through the management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR (Note VI.3.2). Meanwhile, the Group performs currency risk sensitivity analysis to estimate the effect of potential exchange rate changes of foreign currencies against RMB on profit before income tax and equity.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before income tax and equity. A negative amount in the table reflects a potential net reduction in profit before income tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

		Effect on profit before income tax		Effect on equity*	
Currency	**Change in currency rate**	**As at 31 December 2022**	**As at 31 December 2021**	**As at 31 December 2022**	**As at 31 December 2021**
USD	+1%	207	424	708	726
HKD	+1%	220	(89)	2,400	2,289

* Effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before income tax and equity of the 1% appreciation of USD and HKD, there will be an opposite effect with the same amounts if the currencies depreciate by the same percentage.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2022 and 2021. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in the net off-balance sheet position using notional amounts.

	As at 31 December 2022							
	RMB	**USD**	**HKD**	**EURO**	**JPY**	**GBP**	**Other**	**Total**
Assets								
Cash and due from banks and other financial institutions	477,597	207,623	22,075	65,273	11,106	7,622	23,767	815,063
Balances with central banks	1,737,083	296,306	30,073	99,011	22,904	55,090	73,392	2,313,859
Placements with and loans to banks and other financial institutions	734,047	342,698	27,930	12,478	313	609	56,022	1,174,097
Derivative financial assets	61,922	50,154	5,487	3,947	4,363	12,612	13,548	152,033
Loans and advances to customers, net	13,947,417	1,152,685	1,232,483	274,598	12,765	103,135	394,483	17,117,566
Financial investments								
— financial assets at fair value through profit or loss	403,716	66,266	70,695	30,753	471	27	32	571,960
— financial assets at fair value through other comprehensive income	1,656,567	402,385	189,746	25,557	82,002	3,273	108,845	2,468,375
— financial assets at amortised cost	2,945,826	374,473	35,103	10,614	2,101	2,627	34,664	3,405,408
Other	326,625	169,061	244,718	1,726	1,322	1,274	150,770	895,496
Total assets	22,290,800	3,061,651	1,858,310	523,957	137,347	186,269	855,523	28,913,857
Liabilities								
Due to banks and other financial institutions	1,532,330	438,382	35,698	38,597	20,304	14,547	160,465	2,240,323
Due to central banks	836,061	42,280	18,293	13,503	–	–	5,721	915,858
Placements from banks and other financial institutions	244,813	176,616	13,449	20,864	733	6,774	3,086	466,335
Derivative financial liabilities	57,399	41,587	5,193	2,451	4,230	12,137	12,841	135,838
Due to customers	15,879,434	2,028,393	1,360,104	279,291	74,585	68,771	511,247	20,201,825
Bonds issued	1,287,690	219,528	2,584	24,498	417	2,435	3,783	1,540,935
Other	357,735	110,950	337,427	3,074	607	8,038	27,341	845,172
Total liabilities	20,195,462	3,057,736	1,772,748	382,278	100,876	112,702	724,484	26,346,286
Net on-balance sheet position	2,095,338	3,915	85,562	141,679	36,471	73,567	131,039	2,567,571
Net off-balance sheet position	97,664	52,426	187,224	(132,610)	(37,279)	(69,976)	(84,133)	13,316
Credit commitments	4,678,365	870,947	248,335	169,853	8,139	53,986	128,314	6,157,939

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VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

	As at 31 December 2021							
	RMB	**USD**	**HKD**	**EURO**	**JPY**	**GBP**	**Other**	**Total**
Assets								
Cash and due from banks and other financial institutions	329,908	206,607	25,262	35,395	8,371	12,453	26,820	644,816
Balances with central banks	1,495,927	441,169	37,244	99,077	26,565	83,179	45,565	2,228,726
Placements with and loans to banks and other financial institutions	691,140	475,833	24,126	16,139	341	910	48,924	1,257,413
Derivative financial assets	46,853	23,782	2,533	2,594	3,017	6,908	10,112	95,799
Loans and advances to customers, net	12,418,293	1,219,684	1,060,054	213,634	9,455	69,951	331,413	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	431,627	61,017	64,443	3,405	874	31	245	561,642
— financial assets at fair value through other comprehensive income	1,451,346	492,925	183,066	29,173	140,349	3,842	89,129	2,389,830
— financial assets at amortised cost	2,893,923	247,294	12,571	9,631	5,291	3,406	41,083	3,213,199
Other	311,401	174,209	220,831	2,728	1,091	2,188	296,051	1,008,499
Total assets	20,070,418	3,342,520	1,630,130	411,776	195,354	182,868	889,342	26,722,408
Liabilities								
Due to banks and other financial institutions	1,614,433	649,129	48,540	34,472	12,083	27,625	296,457	2,682,739
Due to central banks	880,695	36,232	19,606	13,329	–	86	5,609	955,557
Placements from banks and other financial institutions	151,620	220,939	11,267	14,686	4,987	2,066	2,202	407,767
Derivative financial liabilities	48,915	20,620	2,054	2,433	344	7,286	7,499	89,151
Due to customers	14,148,220	1,765,005	1,311,343	304,900	49,367	77,964	486,088	18,142,887
Bonds issued	1,135,020	205,952	3,833	28,889	–	3,486	11,498	1,388,678
Other	297,041	111,860	265,626	2,191	345	588	27,425	705,076
Total liabilities	18,275,944	3,009,737	1,662,269	400,900	67,126	119,101	836,778	24,371,855
Net on-balance sheet position	1,794,474	332,783	(32,139)	10,876	128,228	63,767	52,564	2,350,553
Net off-balance sheet position	161,015	(214,771)	264,127	1,674	(124,423)	(61,853)	(10,169)	15,600
Credit commitments	3,835,534	820,586	244,161	148,553	8,275	54,606	109,439	5,221,154

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk

Liquidity risk refers to the risk that a commercial bank fails to acquire adequate funds in a timely manner and at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

4.1 Liquidity risk management policy and process

The Bank continues to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

The Group considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Group establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of funding sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and bond issuance, and improves the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include “Cash and due from banks and other financial institutions”, “Balances with central banks”, “Placements with and loans to banks and other financial institutions”, “Loans and advances to customers, net”, etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, "Loans and advances to customers, net" are considered overdue only if principal payments are overdue. In addition, for loans and advances to customers that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity.

	As at 31 December 2022							
	Overdue/ Undated	**On demand**	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Assets								
Cash and due from banks and other financial institutions	–	331,760	342,056	85,238	53,202	2,807	–	815,063
Balances with central banks	1,558,207	705,042	41,961	3,561	3,750	1,338	–	2,313,859
Placements with and loans to banks and other financial institutions	1,021	–	558,600	166,308	379,767	64,289	4,112	1,174,097
Derivative financial assets	–	12,946	23,843	25,807	35,944	38,330	15,163	152,033
Loans and advances to customers, net	56,168	287,928	645,162	977,912	3,798,742	4,939,631	6,412,023	17,117,566
Financial investments								
— financial assets at fair value through profit or loss	215,486	–	10,241	43,470	102,860	56,404	143,499	571,960
— financial assets at fair value through other comprehensive income	26,327	–	130,154	209,291	371,045	1,148,619	582,939	2,468,375
— financial assets at amortised cost	1,700	–	60,187	137,799	412,363	1,379,513	1,413,846	3,405,408
Other	361,810	348,345	20,464	12,745	25,232	90,248	36,652	895,496
Total assets	2,220,719	1,686,021	1,832,668	1,662,131	5,182,905	7,721,179	8,608,234	28,913,857
Liabilities								
Due to banks and other financial institutions	–	1,386,565	95,609	172,592	561,760	23,797	–	2,240,323
Due to central banks	–	85,516	128,656	70,089	627,119	4,478	–	915,858
Placements from banks and other financial institutions	–	–	325,381	53,022	86,377	1,404	151	466,335
Derivative financial liabilities	–	8,784	20,740	26,685	34,904	33,494	11,231	135,838
Due to customers	–	9,319,736	1,848,444	1,748,246	3,758,947	3,525,575	877	20,201,825
Bonds issued	–	–	14,993	279,100	593,878	573,853	79,111	1,540,935
Other	1,241	388,504	56,757	21,304	148,293	131,184	97,889	845,172
Total liabilities	1,241	11,189,105	2,490,580	2,371,038	5,811,278	4,293,785	189,259	26,346,286
Net liquidity gap	2,219,478	(9,503,084)	(657,912)	(708,907)	(628,373)	3,427,394	8,418,975	2,567,571

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FOR THE YEAR ENDED 31 DECEMBER 2022
(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis (Continued)

	As at 31 December 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	269,794	162,489	66,998	141,348	4,187	–	644,816
Balances with central banks	1,488,390	717,908	15,952	5,258	273	945	–	2,228,726
Placements with and loans to banks and other financial institutions	863	–	721,152	159,065	309,098	67,235	–	1,257,413
Derivative financial assets	–	9,765	12,558	15,998	27,189	24,500	5,789	95,799
Loans and advances to customers, net	36,911	236,595	648,963	968,575	3,176,279	4,236,421	6,018,740	15,322,484
Financial investments								
— financial assets at fair value through profit or loss	195,025	–	26,323	27,647	90,475	52,874	169,298	561,642
— financial assets at fair value through other comprehensive income	24,515	–	118,945	288,848	369,793	1,057,866	529,863	2,389,830
— financial assets at amortised cost	2,794	–	32,492	44,163	382,282	1,466,314	1,285,154	3,213,199
Other	362,964	479,476	24,765	10,745	19,233	78,603	32,713	1,008,499
Total assets	2,111,462	1,713,538	1,763,639	1,587,297	4,515,970	6,988,945	8,041,557	26,722,408
Liabilities								
Due to banks and other financial institutions	–	1,755,054	86,387	256,824	570,040	14,176	258	2,682,739
Due to central banks	–	60,448	110,267	247,523	515,964	21,355	–	955,557
Placements from banks and other financial institutions	–	–	274,022	58,425	72,598	2,566	156	407,767
Derivative financial liabilities	–	6,235	10,648	13,846	27,073	25,003	6,346	89,151
Due to customers	–	9,147,933	1,575,342	1,446,767	2,946,788	2,993,520	32,537	18,142,887
Bonds issued	–	–	26,122	237,121	572,062	483,716	69,657	1,388,678
Other	–	330,167	45,234	12,783	111,628	117,853	87,411	705,076
Total liabilities	–	11,299,837	2,128,022	2,273,289	4,816,153	3,658,189	196,365	24,371,855
Net liquidity gap	2,111,462	(9,586,299)	(364,383)	(685,992)	(300,183)	3,330,756	7,845,192	2,350,553

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities

The tables below present the cash flows of the Group of non-derivative financial assets and financial liabilities and derivative financial instruments that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value (i.e. discounted cash flows basis). The Group also manages its inherent short-term liquidity risk based on expected undiscounted cash flows.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2022							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	331,760	343,275	86,116	54,919	3,089	–	819,159
Balances with central banks	1,558,207	705,042	41,992	3,584	3,824	1,581	–	2,314,230
Placements with and loans to banks and other financial institutions	1,021	–	560,614	169,805	386,840	68,541	5,625	1,192,446
Loans and advances to customers, net	56,390	287,954	688,482	1,073,859	4,241,431	6,608,867	9,282,371	22,239,354
Financial investments								
— financial assets at fair value through profit or loss	215,488	–	11,168	44,808	113,945	107,107	259,152	751,668
— financial assets at fair value through other comprehensive income	26,448	–	135,086	214,296	423,673	1,326,818	716,080	2,842,401
— financial assets at amortised cost	1,703	–	75,747	162,814	546,988	1,838,502	2,114,617	4,740,371
Other financial assets	964	206,162	15,406	1,700	4,974	2,055	23,065	254,326
Total financial assets	1,860,221	1,530,918	1,871,770	1,756,982	5,776,594	9,956,560	12,400,910	35,153,955
Due to banks and other financial institutions	–	1,386,565	96,885	175,220	573,869	25,250	–	2,257,789
Due to central banks	–	85,516	130,836	71,130	631,857	4,664	–	924,003
Placements from banks and other financial institutions	–	–	325,510	53,464	88,177	1,450	151	468,752
Due to customers	–	9,319,736	1,880,097	1,800,562	3,928,882	3,876,599	1,014	20,806,890
Bonds issued	–	–	15,145	280,378	611,686	624,994	89,196	1,621,399
Other financial liabilities	–	322,866	36,852	15,753	26,161	35,783	31,456	468,871
Total financial liabilities	–	11,114,683	2,485,325	2,396,507	5,860,632	4,568,740	121,817	26,547,704
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	4,193	88	892	2,123	3,989	1,313	12,598
Derivative financial instruments settled on a gross basis								
Total inflow	–	185,262	2,079,647	1,535,715	2,542,386	575,782	40,780	6,959,572
Total outflow	–	(185,744)	(2,075,645)	(1,532,343)	(2,539,729)	(574,949)	(41,094)	(6,949,504)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2021							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	269,794	163,262	67,535	143,290	4,814	–	648,695
Balances with central banks	1,488,390	717,908	15,954	5,266	314	1,075	–	2,228,907
Placements with and loans to banks and other financial institutions	863	–	728,832	160,886	309,219	67,470	–	1,267,270
Loans and advances to customers, net	37,022	249,018	685,412	1,067,915	3,574,376	5,738,229	8,802,462	20,154,434
Financial investments								
— financial assets at fair value through profit or loss	195,072	–	26,549	28,825	98,009	81,079	201,142	630,676
— financial assets at fair value through other comprehensive income	24,516	–	121,764	295,793	409,798	1,182,096	599,007	2,632,974
— financial assets at amortised cost	2,803	–	37,819	59,141	453,319	1,719,551	1,557,672	3,830,305
Other financial assets	10,572	189,707	18,298	2,545	5,473	4,461	20,076	251,132
Total financial assets	1,759,238	1,426,427	1,797,890	1,687,906	4,993,798	8,798,775	11,180,359	31,644,393
Due to banks and other financial institutions	–	1,755,054	87,253	261,047	583,450	14,696	270	2,701,770
Due to central banks	–	60,448	112,678	254,341	530,432	22,088	–	979,987
Placements from banks and other financial institutions	–	–	274,120	58,791	73,199	2,581	210	408,901
Due to customers	–	9,148,053	1,594,013	1,484,679	3,085,322	3,332,459	39,180	18,683,706
Bonds issued	–	–	26,607	238,108	590,211	532,098	79,913	1,466,937
Other financial liabilities	–	265,184	26,363	5,686	6,511	31,728	20,892	356,364
Total financial liabilities	–	11,228,739	2,121,034	2,302,652	4,869,125	3,935,650	140,465	24,597,665
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	3,564	(161)	(1,006)	(1,913)	(1,959)	176	(1,299)
Derivative financial instruments settled on a gross basis								
Total inflow	–	159,680	2,441,453	1,426,255	2,339,707	375,388	28,969	6,771,452
Total outflow	–	(159,592)	(2,439,349)	(1,421,922)	(2,337,871)	(373,166)	(28,726)	(6,760,626)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.4 Off-balance sheet items

The Group's off-balance sheet items are summarised in the table below at the remaining period to the contractual maturity date. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2022				
Loan commitments [(1)]	2,393,974	1,122,610	376,135	3,892,719
Guarantees, acceptances and other financial facilities	1,662,958	337,247	265,015	2,265,220
Subtotal	4,056,932	1,459,857	641,150	6,157,939
Capital commitments	17,485	46,312	24,970	88,767
Total	4,074,417	1,506,169	666,120	6,246,706
As at 31 December 2021				
Loan commitments [(1)]	2,141,055	791,299	328,580	3,260,934
Guarantees, acceptances and other financial facilities	1,343,107	382,853	234,260	1,960,220
Subtotal	3,484,162	1,174,152	562,840	5,221,154
Capital commitments	18,041	20,597	8	38,646
Total	3,502,203	1,194,749	562,848	5,259,800

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.41.7.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value

5.1 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges, debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.

- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are all observable and obtainable from the open market.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. As at 31 December 2022, the Group's main unobservable inputs and ratio ranges included liquidity discounts 4.00%-45.64%, discount rates 6.00%-13.53% and expected dividend RMB0.04 per share-RMB0.84 per share. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, and valuations by external valuation agencies. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	12,333	–	12,333
Derivative financial assets	8,331	143,702	–	152,033
Loans and advances to customers at fair value	–	586,513	743	587,256
Financial assets at fair value through profit or loss				
— Debt securities	34,612	319,247	3,461	357,320
— Equity instruments	24,460	3,120	84,637	112,217
— Fund investments and other	27,308	12,893	62,222	102,423
Financial assets at fair value through other comprehensive income				
— Debt securities	319,870	2,121,304	–	2,441,174
— Equity instruments and other	6,972	9,234	10,995	27,201
Investment properties	–	1,809	21,502	23,311
Liabilities measured at fair value				
Due to customers at fair value	–	(36,701)	–	(36,701)
Bonds issued at fair value	–	(2,080)	–	(2,080)
Financial liabilities held for trading	(436)	(53,432)	–	(53,868)
Derivative financial liabilities	(8,136)	(127,702)	–	(135,838)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Derivative financial assets	2,373	93,426	–	95,799
Loans and advances to customers at fair value	–	355,600	–	355,600
Financial assets at fair value through profit or loss				
— Debt securities	8,904	321,437	26,121	356,462
— Equity instruments	25,618	2,350	74,300	102,268
— Fund investments and other	29,208	27,573	46,131	102,912
Financial assets at fair value through other comprehensive income				
— Debt securities	385,049	1,977,034	995	2,363,078
— Equity instruments and other	7,774	10,323	8,655	26,752
Investment properties	–	1,240	18,314	19,554
Liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(162)	–	(162)
Due to customers at fair value	–	(31,311)	–	(31,311)
Bonds issued at fair value	–	(315)	(2)	(317)
Financial liabilities held for trading	(1,945)	(10,513)	–	(12,458)
Derivative financial liabilities	(1,961)	(87,190)	–	(89,151)

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 items

	Loans and advances to customers at fair value	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties	Bonds issued at fair value
		Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other		
As at 1 January 2022	–	26,121	74,300	46,131	995	8,655	18,314	(2)
Total gains and losses								
— profit/(loss)	–	787	570	7,090	–	–	(803)	–
— other comprehensive income	–	–	–	–	–	4,790	–	–
Sales	–	(1,854)	(5,731)	(11,794)	–	(2,631)	(58)	–
Purchases	–	93	15,847	20,400	–	21	2,908	–
Settlements	–	–	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–	–
Transfers in/(out) of Level 3, net	743	(21,747)	(362)	–	(1,087)	–	154	2
Other changes	–	61	13	395	92	160	987	–
As at 31 December 2022	743	3,461	84,637	62,222	–	10,995	21,502	–
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2022	–	839	669	7,095	–	–	(803)	–

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties	Bonds issued at fair value
	Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other		
As at 1 January 2021	20,881	67,554	42,958	1,373	4,731	20,624	–
Total gains and losses							
— profit/(loss)	413	493	2,954	–	–	(200)	–
— other comprehensive income	–	–	–	(57)	37	–	–
Sales	(355)	(4,576)	(7,489)	(283)	–	(1,324)	–
Purchases	5,202	15,029	7,920	–	3,944	479	–
Settlements	–	–	–	–	–	–	–
Issues	–	–	–	–	–	–	(2)
Transfers (out)/in of Level 3, net	–	(4,200)	–	–	–	296	–
Other changes	(20)	–	(212)	(38)	(57)	(1,561)	–
As at 31 December 2021	26,121	74,300	46,131	995	8,655	18,314	(2)
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2021	413	330	2,686	–	–	(159)	–

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Total gains or losses for the years ended 31 December 2022 and 2021 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 31 December 2022 and 2021 are presented in "Net trading gains", "Net gains on transfers of financial asset" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

Gains or losses on Level 3 assets and liabilities included in the income statement for the year comprise:

	Year ended 31 December					
	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	(156)	7,800	7,644	390	3,270	3,660

There were no significant transfers for the assets and liabilities measured at fair value between Level 1 and Level 2 during the years ended 31 December 2022 and 2021.

As at 31 December 2022, a 10% increase in the significant unobservable inputs applied in the valuation technique would result in an increase in fair value of RMB3,054 million (31 December 2021: RMB1,909 million) for expected dividend; and a decrease in fair value of RMB4,952 million (31 December 2021: RMB2,667 million) for liquidity discounts and discount rates.

5.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities not presented at fair value in the statement of financial position mainly represent "Balances with central banks", "Due from banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Due to central banks", "Bank notes in circulation", "Due to banks and other financial institutions", "Placements with and loans to banks and other financial institutions measured at amortised cost", "Loans and advances to customers measured at amortised cost", "Financial investments measured at amortised cost", "Placements from banks and other financial institutions at amortised cost", "Due to customers at amortised cost" and "Bonds issued at amortised cost".

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

The tables below summarise the carrying amounts and fair values of "Debt securities at amortised cost" and "Bonds issued" not presented at fair value at the financial reporting date.

	As at 31 December			
	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost (1)	3,394,857	3,420,770	3,206,895	3,262,525
Financial liabilities				
Bonds issued (2)	1,538,855	1,527,751	1,388,361	1,395,242

(1) Debt securities at amortised cost

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-transferable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on the stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates and expected future default rates. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

The tables below summarise the fair values of three levels of "Debt securities at amortised cost" (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value on the statement of financial reporting date.

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	172,193	3,050,451	2,705	3,225,349
Financial liabilities				
Bonds issued	–	1,527,751	–	1,527,751

	As at 31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	99,809	2,963,747	3,557	3,067,113
Financial liabilities				
Bonds issued	–	1,395,242	–	1,395,242

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the statement of financial position as at 31 December 2022 and 2021 was insignificant. Fair value is measured using a discounted cash flow model.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital so as to meet regulatory requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, capital and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. With the approval of the CBIRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including directly issued qualifying tier 2 capital instruments and related premium, excess loan loss provisions and eligible portion of minority interests.

Goodwill, other intangible assets (excluding land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 capital to derive at the regulatory capital.

(Amount in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio [(1)] calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations:

	As at 31 December	
	2022	**2021**
Common equity tier 1 capital adequacy ratio	11.84%	11.30%
Tier 1 capital adequacy ratio	14.11%	13.32%
Capital adequacy ratio	17.52%	16.53%
Composition of the Group's capital base		
Common equity tier 1 capital	2,019,934	1,870,301
Common shares	294,388	294,388
Capital reserve	134,358	133,951
Surplus reserve	233,847	212,602
General reserve	337,276	303,084
Undistributed profits	979,627	888,419
Eligible portion of minority interests	37,168	33,669
Other [(2)]	3,270	4,188
Regulatory deductions	(28,592)	(26,415)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (excluding land use rights)	(18,416)	(16,393)
Direct or indirect investments in own shares	–	–
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,950)	(9,785)
Net common equity tier 1 capital	1,991,342	1,843,886
Additional tier 1 capital	381,648	329,845
Preference shares and related premium	119,550	119,550
Additional capital instruments and related premium	249,955	199,955
Eligible portion of minority interests	12,143	10,340
Net tier 1 capital	2,372,990	2,173,731
Tier 2 capital	573,481	525,108
Directly issued qualifying tier 2 capital instruments and related premium	398,223	387,746
Excess loan loss provisions	165,099	128,114
Eligible portion of minority interests	10,159	9,248
Net capital	2,946,471	2,698,839
Risk-weighted assets	16,818,275	16,323,713

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited ("BOCG Investment"), Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") were excluded from the scope of regulatory consolidation in accordance with the requirements of the CBIRC.

(2) This mainly represented exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

7 Insurance risk

Insurance contracts are mainly sold in the Chinese mainland and Hong Kong (China) denominated in RMB and HKD. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. This risk is inherently random and, therefore, unpredictable. The Group manages its portfolio of insurance risks through its underwriting strategy and policies, portfolio management techniques, adequate reinsurance arrangements and proactive claims handling and processing. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims and benefits are greater than those estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, the Group conducted mortality rate studies and policy lapse studies in order to determine the appropriate assumptions.

(Amount in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the years ended 31 December 2022 and 2021 or total equity as at 31 December 2022 and 2021 presented in the Group's consolidated financial statements prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 31 December	
	2022	**2021**
RMB current assets to RMB current liabilities	48.98%	49.63%
Foreign currency current assets to foreign currency current liabilities	72.61%	69.90%

The liquidity ratios are calculated in accordance with the relevant provisions of the CBIRC.

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks*, the Group disclosed the information of liquidity coverage ratio ("LCR")(1) as follows.

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, the minimum regulatory requirement of LCR is 100%.

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis(2). In the fourth quarter of 2022, the Group measured 92-day LCR on this basis, with average ratio(3) standing at 133.54%, representing an increase of 5.64 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

	2022			
	Quarter ended 31 December	**Quarter ended 30 September**	**Quarter ended 30 June**	**Quarter ended 31 March**
Average value of LCR	133.54%	127.90%	132.59%	132.30%

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values[(3)] of consolidated LCR individual line items in the fourth quarter of 2022 are as follows:

No.		Total unweighted value	Total weighted value
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)		4,801,851
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:	9,696,458	696,678
3	Stable deposits	5,317,769	258,809
4	Less stable deposits	4,378,689	437,869
5	Unsecured wholesale funding, of which:	10,815,848	3,955,771
6	Operational deposits (excluding those generated from correspondent banking activities)	5,963,539	1,463,388
7	Non-operational deposits (all counterparties)	4,820,212	2,460,286
8	Unsecured debts	32,097	32,097
9	Secured funding		1,607
10	Additional requirements, of which:	3,558,753	2,215,392
11	Outflows related to derivative exposures and other collateral requirements	2,081,200	2,081,200
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,477,553	134,192
14	Other contractual funding obligations	80,740	80,740
15	Other contingent funding obligations	4,007,490	124,446
16	**Total cash outflows**		7,074,634
	Cash inflows		
17	Secured lending (including reverse repos and securities borrowing)	282,510	251,243
18	Inflows from fully performing exposures	1,688,988	1,034,516
19	Other cash inflows	2,285,596	2,188,787
20	**Total cash inflows**	4,257,094	3,474,546
			Total adjusted value
21	**Total HQLA**		4,801,851
22	**Total net cash outflows**		3,600,088
23	**Liquidity coverage ratio**		133.54%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

(1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBIRC.

(2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.

Net stable funding ratio

In accordance with the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR")(1) as follows:

Regulatory requirements of net stable funding ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, the minimum regulatory requirement of NSFR is 100%.

The Group's net stable funding ratio

As stipulated by the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks* issued by the CBIRC, banks approved to implement the advanced approaches of capital measurement by the CBIRC in accordance with *Capital Rules for Commercial Banks (Provisional)* shall disclose the information of net stable funding ratio for the preceding two consecutive quarters at least semi-annually.

As at 31 December 2022, the Group's NSFR was 122.47% on a consolidated basis(2), representing an increase of 0.28 percentage point over the previous quarter. As at 30 September 2022, the Group's NSFR was 122.19%, representing a decrease of 0.93 percentage point over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

	2022			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Ending value of NSFR(3)	122.47%	122.19%	123.12%	122.32%

(1) NSFR is introduced to ensure commercial banks have sufficient stable funding, in order to meet the demand for stable funding of all various types of assets and off-balance sheet exposures.

(2) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) NSFR are the ending values of each quarter.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2022 are as follows:

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
	Available Stable Funding (ASF) Item					
1	Capital	2,409,189	–	–	398,223	2,807,412
2	Regulatory capital	2,409,189	–	–	398,223	2,807,412
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	4,740,487	5,802,651	122,771	6,990	9,887,426
5	Stable deposits	2,374,491	3,222,956	24,913	1,590	5,342,832
6	Less stable deposits	2,365,996	2,579,695	97,858	5,400	4,544,594
7	Wholesale funding	5,908,820	6,529,126	1,340,120	505,112	6,248,874
8	Operational deposits	5,442,040	161,874	–	–	2,801,957
9	Other wholesale funding	466,780	6,367,252	1,340,120	505,112	3,446,917
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	100,755	237,220	6,107	452,395	309,606
12	NSFR derivatives liabilities				145,842	
13	All other liabilities and equity not included in the above categories	100,755	237,220	6,107	306,553	309,606
14	**Total ASF**					19,253,318
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets					875,634
16	Deposits held at other financial institutions for operational purposes	206,203	5,417	–	–	105,810
17	Loans and securities	112,214	5,282,019	2,682,651	11,689,392	13,234,712
18	Loans to financial institutions secured by Level 1 assets	–	110,227	–	–	11,023
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	67,436	1,527,002	479,005	159,702	638,369

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2022 are as follows (Continued):

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	3,177,992	1,893,972	6,359,373	7,847,590
21	With a risk weight of less than or equal to 35%	–	220,159	21,287	40,216	62,248
22	Residential mortgages of which:	–	99,550	100,920	4,651,187	3,985,671
23	With a risk weight of less than or equal to 35%	–	6,829	7,001	340,366	228,154
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	44,778	367,248	208,754	519,130	752,059
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	628,364	102,925	11,406	577,473	1,160,561
27	Physical traded commodities, including gold	135,589				115,251
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				841	715
29	NSFR derivatives assets				162,621	16,779
30	NSFR derivatives liabilities with additional requirements				29,168*	29,168
31	All other assets not included in the above categories	492,775	102,925	11,406	414,011	998,648
32	Off-balance sheet items				8,439,516	343,821
33	**Total RSF**					15,720,538
34	**NSFR**					122.47%

* Reported derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No.26 "Other assets".

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2022 are as follows:

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
Available Stable Funding (ASF) Item						
1	Capital	2,363,180	–	–	390,647	2,753,827
2	Regulatory capital	2,363,180	–	–	372,647	2,735,827
3	Other capital instruments	–	–	–	18,000	18,000
4	Retail deposits and deposits from small business customers	4,605,846	5,566,880	115,110	7,292	9,536,862
5	Stable deposits	2,276,868	3,112,005	21,487	1,572	5,141,414
6	Less stable deposits	2,328,978	2,454,875	93,623	5,720	4,395,448
7	Wholesale funding	6,221,259	6,705,339	926,577	491,213	6,326,094
8	Operational deposits	5,727,504	186,106	–	–	2,956,805
9	Other wholesale funding	493,755	6,519,233	926,577	491,213	3,369,289
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	103,842	218,248	5,191	548,851	298,116
12	NSFR derivatives liabilities				253,331	
13	All other liabilities and equity not included in the above categories	103,842	218,248	5,191	295,520	298,116
14	**Total ASF**					18,914,899
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					734,805
16	Deposits held at other financial institutions for operational purposes	164,176	1,216	–	–	82,696
17	Loans and securities	74,730	5,212,751	2,802,856	11,450,750	13,048,907
18	Loans to financial institutions secured by Level 1 assets	–	39,120	–	–	3,912
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	31,447	1,590,694	492,825	82,578	572,311

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2022 are as follows (Continued):

No.	Items	Unweighted value: No maturity	Unweighted value: <6 months	Unweighted value: 6-12 months	Unweighted value: ≥1 year	Weighted value
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	3,160,571	1,991,647	6,206,455	7,760,886
21	With a risk weight of less than or equal to 35%	–	211,690	16,147	35,896	55,724
22	Residential mortgages of which:	–	99,185	100,377	4,655,566	3,988,934
23	With a risk weight of less than or equal to 35%	–	7,176	7,242	340,391	228,464
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	43,283	323,181	218,007	506,151	722,864
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	710,432	89,818	22,476	715,340	1,269,779
27	Physical traded commodities, including gold	229,756				195,292
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				576	490
29	NSFR derivatives assets				289,898	36,567
30	NSFR derivatives liabilities with additional requirements				50,666*	50,666
31	All other assets not included in the above categories	480,676	89,818	22,476	424,866	986,764
32	Off-balance sheet items				8,402,123	343,466
33	**Total RSF**					15,479,653
34	**NSFR**					122.19%

* Reported derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No.26 "Other assets".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBIRC.

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
As at 31 December 2022				
Spot assets	4,086,934	1,927,676	2,074,038	8,088,648
Spot liabilities	(4,158,434)	(2,082,410)	(1,787,717)	(8,028,561)
Forward purchases	4,984,777	709,067	1,587,271	7,281,115
Forward sales	(4,872,408)	(531,717)	(1,915,953)	(7,320,078)
Net options position*	(20,178)	(609)	(1,617)	(22,404)
Net long/(short) position	20,691	22,007	(43,978)	(1,280)
Structural position	70,835	240,000	96,770	407,605
As at 31 December 2021				
Spot assets	4,217,661	1,693,178	1,954,742	7,865,581
Spot liabilities	(3,957,140)	(1,956,893)	(1,781,566)	(7,695,599)
Forward purchases	4,431,956	740,015	1,322,061	6,494,032
Forward sales	(4,650,892)	(485,197)	(1,516,624)	(6,652,713)
Net options position*	853	(32)	(2,194)	(1,373)
Net long/(short) position	42,438	(8,929)	(23,581)	9,928
Structural position	72,622	228,897	87,567	389,086

* The net option position is calculated in accordance with the relevant provisions of the CBIRC.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include “Balances with central banks”, “Due from and placements with and loans to banks and other financial institutions”, “Loans and advances to customers” and “Financial investments”, etc.

International claims have been disclosed by major countries or geographical areas. 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.

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2022				
Asia Pacific				
Chinese mainland	858,724	314,878	644,060	1,817,662
Hong Kong (China)	78,291	10,723	456,192	545,206
Other Asia Pacific locations	115,966	135,479	458,446	709,891
Subtotal	1,052,981	461,080	1,558,698	3,072,759
North and South America	161,488	310,442	281,486	753,416
Europe and other	140,058	131,521	296,940	568,519
Total	1,354,527	903,043	2,137,124	4,394,694

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2021				
Asia Pacific				
Chinese mainland	926,064	256,068	729,546	1,911,678
Hong Kong (China)	76,221	4,889	460,784	541,894
Other Asia Pacific locations	118,247	181,367	413,635	713,249
Subtotal	1,120,532	442,324	1,603,965	3,166,821
North and South America	116,742	240,651	278,585	635,978
Europe and other	238,323	86,339	303,990	628,652
Total	1,475,597	769,314	2,186,540	4,431,451

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of "Loans and advances to customers" and "Placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

4.1 Total amount of overdue loans and advances to customers

	As at 31 December	
	2022	**2021**
Total loans and advances to customers which have been overdue		
within 3 months	68,707	44,014
between 3 and 6 months	24,965	20,298
between 6 and 12 months	26,960	50,993
over 12 months	71,469	52,432
Total	192,101	167,737
Percentage		
within 3 months	0.39%	0.28%
between 3 and 6 months	0.15%	0.13%
between 6 and 12 months	0.15%	0.33%
over 12 months	0.41%	0.33%
Total	1.10%	1.07%

4.2 Total amount of overdue placements with and loans to banks and other financial institutions

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 31 December 2022 and 2021 is not considered material.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows[(1)]:

	2022			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Net tier 1 capital	2,372,990	2,326,289	2,262,948	2,219,921
Adjusted on- and off-balance sheet exposures	31,001,982	30,606,909	29,870,557	29,222,154
Leverage ratio	7.65%	7.60%	7.58%	7.60%

No.	**Items**	**As at 31 December 2022**
1	Total consolidated assets	28,913,857
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(488,867)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	155,538
5	Adjustments for securities financing transactions	138,024
6	Adjustments for off-balance sheet exposures	2,312,022
7	Other adjustments	(28,592)
8	Adjusted on- and off-balance sheet exposures	31,001,982

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2022
1	On-balance sheet assets (excluding derivatives and securities financing transactions (SFTs))	27,945,454
2	Less: Tier 1 capital deductions	(28,592)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	27,916,862
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	151,716
5	Add-on amounts for potential future exposure associated with all derivative transactions	155,538
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Deductible amounts for written credit derivatives	–
11	**Total derivative exposures**	307,254
12	Accounting balance for securities financing transaction assets	327,820
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	138,024
15	Agent transaction exposures	–
16	**Balance of assets in securities financing transactions**	465,844
17	Off-balance sheet items	6,717,386
18	Less: Adjustments for conversion to credit equivalent amounts	(4,405,364)
19	**Adjusted off-balance sheet exposures**	2,312,022
20	Net tier 1 capital	2,372,990
21	Adjusted on- and off-balance sheet exposures	31,001,982
22	**Leverage ratio**	7.65%

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Global systemic importance assessment indicators of commercial banks

The Group calculated the global systemically important banks assessment indicators by using the *Notice on Issuing the Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* (Yin Jian Fa [2014] No.1) as a reference basis, and based on the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The indicators are disclosed as follows:

No.	Indicators[1]	2022
1	Adjusted on-balance and off-balance sheet assets	31,293,745
2	Intra-financial system assets	2,665,468
3	Intra-financial system liabilities	2,515,040
4	Securities and other financing instruments	4,868,973
5	Payments settled via payment systems or correspondent banks	717,337,933
6	Assets under custody	11,939,024
7	Underwritten transactions in debt and equity markets	1,537,181
8	Trading volume of fixed income	3,527,046
9	Trading volume of equities and other securities	563,835
10	Notional amount of over-the-counter derivatives	11,400,956
11	Trading and available for sale securities	1,116,785
12	Level 3 assets	88,238
13	Cross-jurisdictional claims	4,677,474
14	Cross-jurisdictional liabilities	4,201,725

(1) The indicators above are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks*, which are unaudited and prepared on a different basis compared with the financial and regulatory scope of consolidation.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

7 Domestic systemic importance assessment indicators of commercial banks for 2021

The Group calculated the domestic systemic importance assessment indicators pursuant to the *Notice on Filling in Data for Evaluating Systemically Important Banks* and by referring to the *Evaluation Measures for Systemically Important Banks* (Yin Fa [2020] No. 289). The indicators are disclosed as follows:

No.	Indicators(1)	2021
1	Adjusted on-balance and off-balance sheet assets	28,425,377
2	Intra-financial system assets	3,263,597
3	Intra-financial system liabilities	3,751,767
4	Securities and other financing instruments	1,773,215
5	Payments settled via payment systems or correspondent banks	665,682,257
6	Assets under custody	11,777,333
7	Agency and commission business	6,179,468
8	Number of corporate customers (Unit: ten thousand)	540
9	Number of personal customers (Unit: ten thousand)	34,786
10	Number of domestic operating institutions (Unit: one)	10,385
11	Derivatives	12,569,189
12	Securities measured at fair value	1,086,588
13	Assets of non-banking affiliates	613,978
14	Balance of non-principal-guaranteed wealth management products issued by the Bank	405,006
15	Balance of wealth management products issued by wealth management subsidiary	1,305,743
16	Cross-jurisdictional claims and liabilities	8,217,788

(1) The indicators above are unaudited data and prepared on a different basis compared with the financial scope of consolidation and adopted a different assessment methodology from global systemically important banks.

Reference for Shareholders

Financial Calendar for 2023

2022 Annual Results	To be announced on 30 March 2023
2022 Annual Report	To be printed and dispatched to H-Share Holders in late April 2023
2023 Interim Results	To be announced no later than 30 August 2023

Dividends on Ordinary Shares

The Board of Directors has recommended a final dividend on ordinary shares for 2022 of RMB2.32 per 10 shares (before tax), subject to the approval of shareholders at the 2022 Annual General Meeting.

Securities Information

Listing and Trading

The Bank's ordinary shares were listed on the Hong Kong Stock Exchange and the SSE on 1 June and 5 July 2006 respectively.

The Domestic Preference Shares (Third Tranche) were traded on the Comprehensive Business Platform of the SSE on 17 July 2019. The Domestic Preference Shares (Fourth Tranche) were traded on the Comprehensive Business Platform of the SSE on 17 September 2019. The Offshore Preference Shares (Second Tranche) were listed on the Hong Kong Stock Exchange on 5 March 2020.

Ordinary Shares

Issued shares:	294,387,791,241	shares
Including:		
A Share:	210,765,514,846	shares
H Share:	83,622,276,395	shares

Preference Shares

Issued shares:	1,197,865,300	shares
Including:		
Domestic Preference Share:	1,000,000,000	shares
Offshore Preference Share:	197,865,300	shares

Market Capitalisation

As at the last trading day of 2022 (30 December), the Bank's market capitalisation was RMB878.159 billion (based on the closing price of A Shares and H Shares on 30 December 2022, and the exchange rate of HKD100 = RMB89.327 as published by the SAFE on 30 December 2022).

Securities Price

	Closing price on 30 December 2022	Highest trading price in the year	Lowest trading price in the year
A Share	RMB3.16	RMB3.35	RMB2.99

	Closing price on 30 December 2022	Highest trading price in the year	Lowest trading price in the year
H Share	HKD2.84	HKD3.20	HKD2.51

Securities Code

A Share

Stock Name	中國銀行
Shanghai Stock Exchange	601988
Reuters	601988.SS
Bloomberg	601988 CH

H Share

Stock Name	Bank of China
Hong Kong Stock Exchange	3988
Reuters	3988.HK
Bloomberg	3988 HK

Domestic Preference Share (Third Tranche)

Stock Name	中行優3
Shanghai Stock Exchange	360033
Bloomberg	AZ8714182

Domestic Preference Share (Fourth Tranche)

Stock Name	中行優4
Shanghai Stock Exchange	360035
Bloomberg	ZQ0362264

Offshore Preference Share (Second Tranche)

Stock Name	BOC 20USDPREF
Hong Kong Stock Exchange	4619
Reuters	4619.HK
Bloomberg	BG2289661

Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the following address:

A Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong, China
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

Credit Rating (Long Term, Foreign Currency)

S&P Global Ratings:	A
Moody's Investors Service:	A1
Fitch Ratings:	A

Investor Enquiry

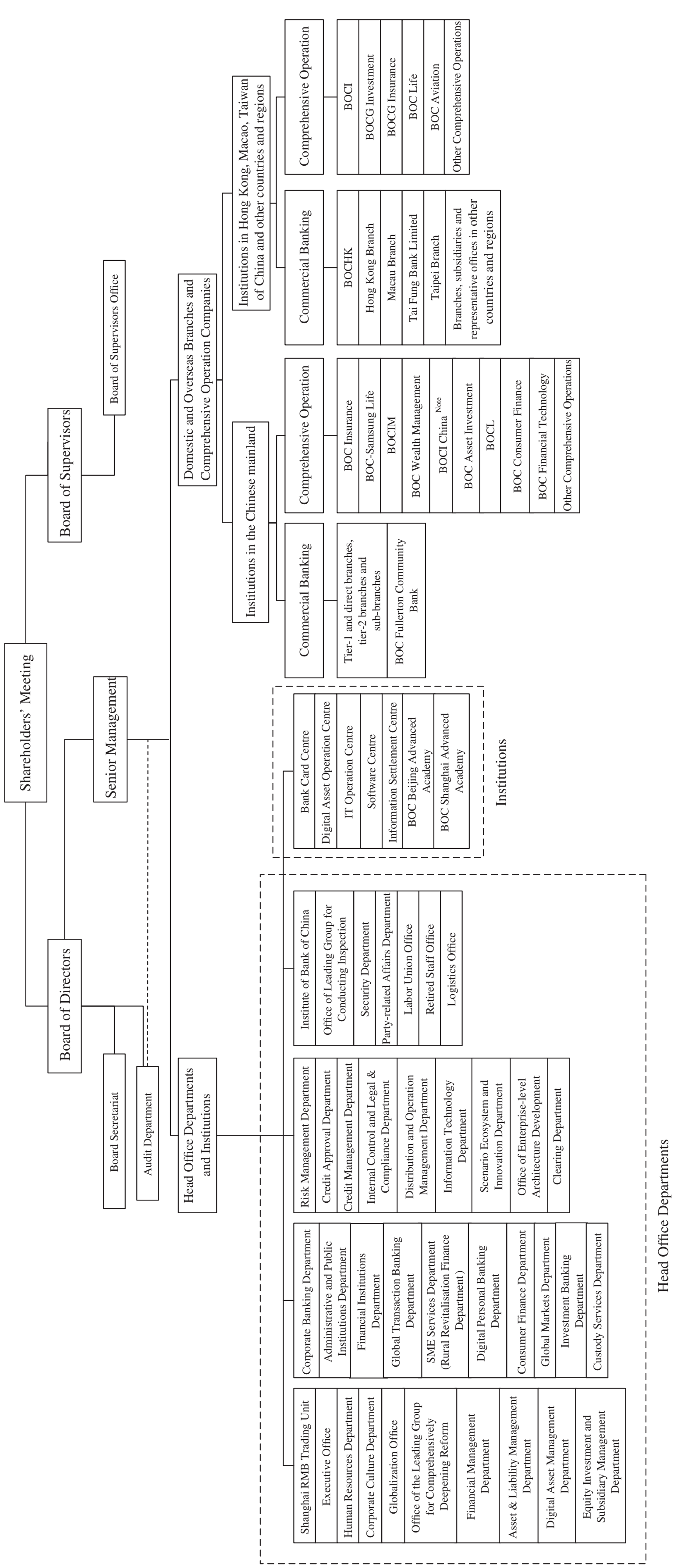
Investor Relations Team, Board Secretariat, Bank of China Limited
8/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

Other Information

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China) to request the annual report prepared under IFRS or visit the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of the annual report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or access the document on the Bank's website, please call the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotlines at (86) 10-6659 2638.

Organisational Chart



Note: The Bank holds 33.42% of the equity interest of BOCI China through its wholly-owned subsidiary BOCI.

List of Major Branches and Subsidiaries

MAJOR BRANCHES AND SUBSIDIARIES IN THE CHINESE MAINLAND

HEAD OFFICE

NO. 1 FUXINGMEN NEI DAJIE,
BEIJING,
CHINA
SWIFT: BKCHCNBJ
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

BEIJING BRANCH

A, C, E KAIHENG CENTER,
NO. 2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT,
BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85121491
FAX: (86) 010-85121739
POST CODE: 100010

TIANJIN BRANCH

NO. 8 YOUYI NORTH ROAD,
HEXI DISTRICT,
TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108002
FAX: (86) 022-23312805
POST CODE: 300204

HEBEI BRANCH

NO. 28 ZIQIANG ROAD,
SHIJIAZHUANG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

SHANXI BRANCH

NO. 186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN,
SHANXI PROV.,
CHINA
SWIFT: BKCHCNBJ680
TEL: (86) 0351-8266224
FAX: (86) 0351-8266021
POST CODE: 030006

INNER MONGOLIA BRANCH

NO. 85-8 XINHUA DONGJIE,
XINCHENG DISTRICT,
HUHHOT,
INNER MONGOLIA
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690066
FAX: (86) 0471-4690001
POST CODE: 010010

LIAONING BRANCH

NO. 253 SHIFU ROAD,
SHENHE DISTRICT,
SHENYANG,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 024-22810916
FAX: (86) 024-22857333
POST CODE: 110013

JILIN BRANCH

NO. 699 XI AN DA LU,
CHANGCHUN,
JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

HEILONGJIANG BRANCH

NO. 19 HONGJUN STREET,
NANGANG DISTRICT,
HARBIN,
HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53626740
FAX: (86) 0451-53624147
POST CODE: 150001

SHANGHAI BRANCH

NO. 200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

JIANGSU BRANCH

NO. 148 ZHONG SHAN NAN LU,
NANJING,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TELEX: 34116BOCJSCN
TEL: (86) 025-84207888
FAX: (86) 025-84200407
POST CODE: 210005

ZHEJIANG BRANCH

NO. 321 FENGQI ROAD,
HANGZHOU,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

ANHUI BRANCH

NO. 1688, YUNGU ROAD,
BINHU NEW DISTRICT,
HEFEI,
ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230091

FUJIAN BRANCH

BOC BLDG., NO. 136 WUSI ROAD,
FUZHOU,
FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

JIANGXI BRANCH

NO. 10, LVYIN ROAD,
HONGGUTAN NEW DISTRICT,
NANCHANG,
JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

SHANDONG BRANCH

A TOWER SHUANGJIN BUILDING,
NO.10817 JINGSHI ROAD,
LIXIA DISTRICT,
JINAN,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0531-58282001
FAX: (86) 0531-58282001
POST CODE: 250014

HENAN BRANCH

NO. 3-1 BUSINESS OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU,
HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

NO. 219 XINHUA ROAD,
JIANGHAN DISTRICT,
WUHAN,
HUBEI PROV.,
CHINA
SWIFT: BKCHCNBJ600
TEL: (86) 027-85569726
FAX: (86) 027-85562955
POST CODE: 430022

HUNAN BRANCH

NO. 593 MID. FURONG ROAD
(1 DUAN),
CHANGSHA,
HUNAN PROV.,
CHINA
SWIFT: BKCHCNBJ970
TEL: (86) 0731-82580703
FAX: (86) 0731-82580707
POST CODE: 410005

GUANGDONG BRANCH

1-19TH FLOOR NO. 197 &
1-11TH FLOOR, 15-19TH FLOOR
NO. 199 DONGFENG XI ROAD
YUEXIU DISTRICT,
GUANGZHOU,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ400
TEL: (86) 020-83338080
FAX: (86) 020-83344066
POST CODE: 510180

GUANGXI BRANCH

NO. 39 GUCHENG ROAD,
NANNING,
GUANGXI ZHUANG
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879602
FAX: (86) 0771-2813844
POST CODE: 530022

HAINAN BRANCH

NO. 29, 31 DATONG ROAD,
LONGHUA DISTRICT,
HAIKOU,
HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66778001
FAX: (86) 0898-66562040
POST CODE: 570102

SICHUAN BRANCH

NO. 35 MID. RENMIN ROAD
(2 DUAN),
CHENGDU,
SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
POST CODE: 610031

GUIZHOU BRANCH

BOC BLDG., NO. 347 RUIJIN
SOUTH ROAD,
GUIYANG,
GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85822419
FAX: (86) 0851-85863981
POST CODE: 550002

YUNNAN BRANCH

NO. 515 BEIJING ROAD,
KUNMING,
YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63191216
FAX: (86) 0871-63175573
POST CODE: 650051

TIBET BRANCH

NO. 113 JINZHU XI LU,
LHASA,
TIBET AUTONOMOUS
REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

SHAANXI BRANCH

NO. 18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT,
XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

GANSU BRANCH

NO. 525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT,
LANZHOU,
GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

QINGHAI BRANCH

NO. 61 WUSI WEST ROAD,
CHENGXI DISTRICT,
XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-4721110
FAX: (86) 0971-8174971
POST CODE: 810000

NINGXIA BRANCH

NO. 39 XINCHANG EAST ROAD,
JINFENG DISTRICT,
YINCHUAN,
NINGXIA HUI
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681505
FAX: (86) 0951-5681509
POST CODE: 750002

XINJIANG BRANCH

NO. 1 DONGFENG ROAD,
URUMQI,
XINJIANG UYGUR
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

CHONGQING BRANCH

NO. 218 ZHONG SHAN YI ROAD,
YUZHONG DISTRICT,
CHONGQING,
CHINA
SWIFT: BKCHCNBJ59A
TEL: (86) 023-63889234
FAX: (86) 023-63889217
POST CODE: 400013

SHENZHEN BRANCH

INTERNATIONAL FINANCE
BUILDING,
NO. 2022 JIANSHE ROAD,
LUOHU DISTRICT,
SHENZHEN,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ45A
TEL: (86) 0755-22331155
FAX: (86) 0755-22331051
POST CODE: 518001

SUZHOU BRANCH

NO. 128 WANGDUN ROAD,
SUZHOU INDUSTRIAL PARK,
SUZHOU,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ95B
TEL: (86) 0512-67555898
FAX: (86) 0512-65112719
POST CODE: 215028

NINGBO BRANCH

3-18/F, 48-49/F, NO. 318 HEYUAN
ROAD AND NO. 255 DINGTAI
ROAD,
NINGBO,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-55555099
POST CODE: 315100

QINGDAO BRANCH

NO. 59 HONGKONG
MIDDLE ROAD,
QINGDAO,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ50A
TEL: (86) 0532-85979700
FAX: (86) 0532-67755601
POST CODE: 266071

DALIAN BRANCH

NO. 9 ZHONGSHAN SQUARE,
ZHONGSHAN DISTRICT,
DALIAN,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ81A
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

XIAMEN BRANCH

BOC BLDG.,
NO. 40 NORTH HUBIN ROAD,
XIAMEN,
CHINA
SWIFT: BKCHCNBJ73A
TEL: (86) 0592-5317519
FAX: (86) 0592-5095130
POST CODE: 361012

HEBEI XIONGAN BRANCH

NO. 149 LUOSA STREET,
RONGCHENG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0312-5988023
FAX: (86) 0312-5557047
POST CODE: 071700

BANK OF CHINA INSURANCE CO., LTD.

9-11/F
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-83260001
FAX: (86) 010-83260006
POST CODE: 100032
WEBSITE: WWW.BOCINS.COM

BANK OF CHINA INVESTMENT MANAGEMENT CO., LTD.

45/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38834999
FAX: (86) 021-68873488
POST CODE: 200120
WEBSITE: www.bocim.com

BANK OF CHINA CONSUMER FINANCE CO., LTD.

1409#, BOC BUILDING
NO. 200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-63291680
FAX: (86) 021-63291604
POST CODE: 200120
WEBSITE: www.boccfc.cn

BOC INTERNATIONAL (CHINA) CO., LTD.

39/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-20328000
FAX: (86) 021-58883554
POST CODE: 200120
EMAIL:
admindiv.china@bocichina.com
WEBSITE:
WWW.BOCICHINA.COM

BOC FULLERTON COMMUNITY BANK CO., LTD.

9/F,
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-57765000
FAX: (86) 010-57765550
POST CODE: 100032
WEBSITE:
www.bocfullertonbank.com

BOC-SAMSUNG LIFE INS. CO., LTD.

20/F ROOM 07-08, 22/23/24F,
AIR CHINA CENTURY PLAZA
NO. 40, XIAOYUN ROAD,
CHAOYANG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83262688
FAX: (86) 010-83262777
POST CODE: 100027
WEBSITE: www.boc-samsunglife.cn

BOC FINANCIAL ASSET INVESTMENT CO., LTD.

8/F, NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-83262479
FAX: (86) 010-83262478
POST CODE: 100032
EMAIL: bocfi@bocfi.com

BOC WEALTH MANAGEMENT CO., LTD.

8F/11F/12F, JINJIA BUILDING,
NO. 6 JINRONG ST,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83937333
FAX: (86) 010-83937555
POST CODE: 100033
WEBSITE: https://www.bocwm.cn

BOC FINANCIAL TECHNOLOGY CO., LTD.

NO. 288 KAYUAN 2ND ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38973764
FAX: (86) 021-38973713
POST CODE: 201201
WEBSITE: www.fintechboc.com

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The Board of Directors of
Bank of China Limited

Beijing, PRC
30 March 2023

As at the date of this announcement, the directors of the Bank are: Liu Jin, Lin Jingzhen, Xiao Lihong, Wang Xiaoya*, Zhang Jiangang*, Chen Jianbo*, Huang Binghua*, Jiang Guohua#, Martin Cheung Kong Liao#, Chui Sai Peng Jose#, Jean-Louis Ekra#, E Weinan# and Giovanni Tria#.*

* *Non-executive Directors*
\# *Independent Non-executive Directors*