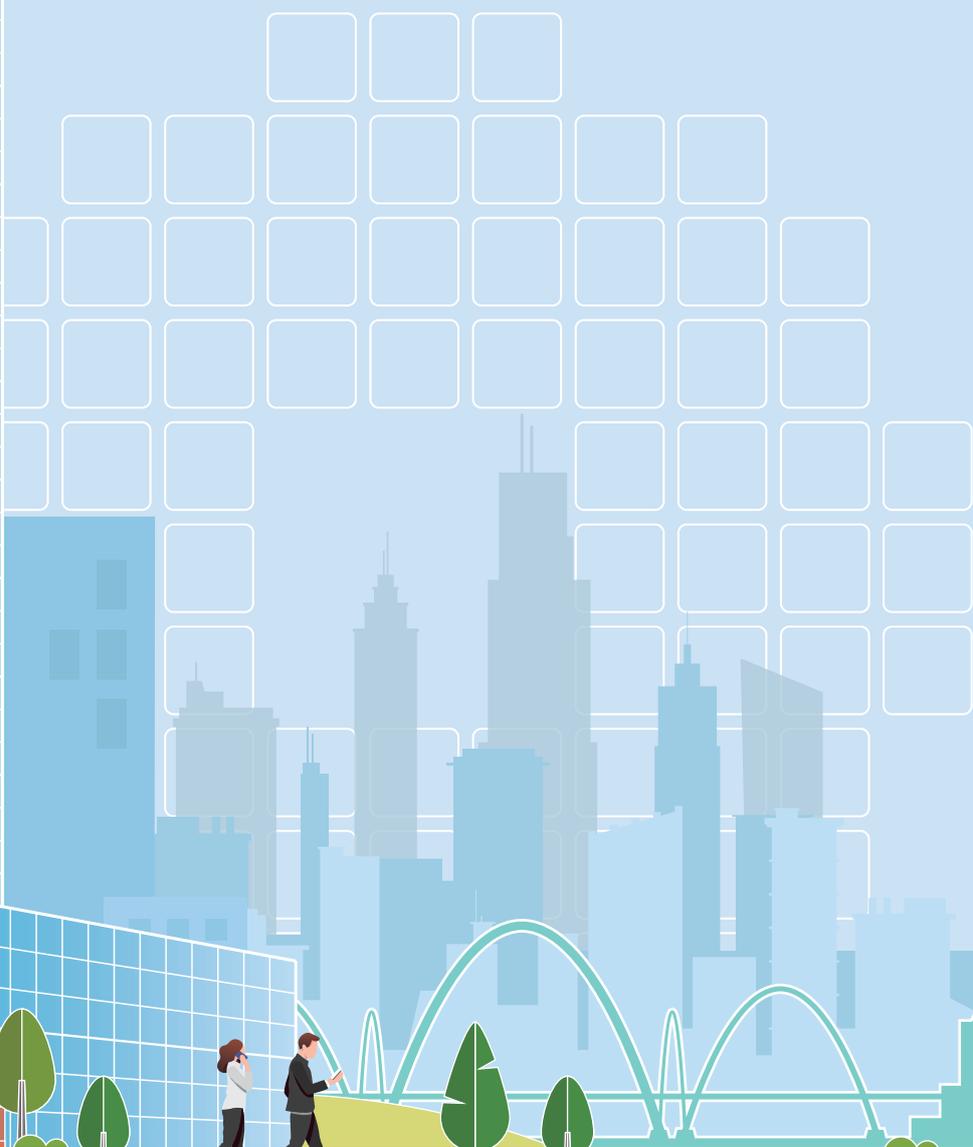
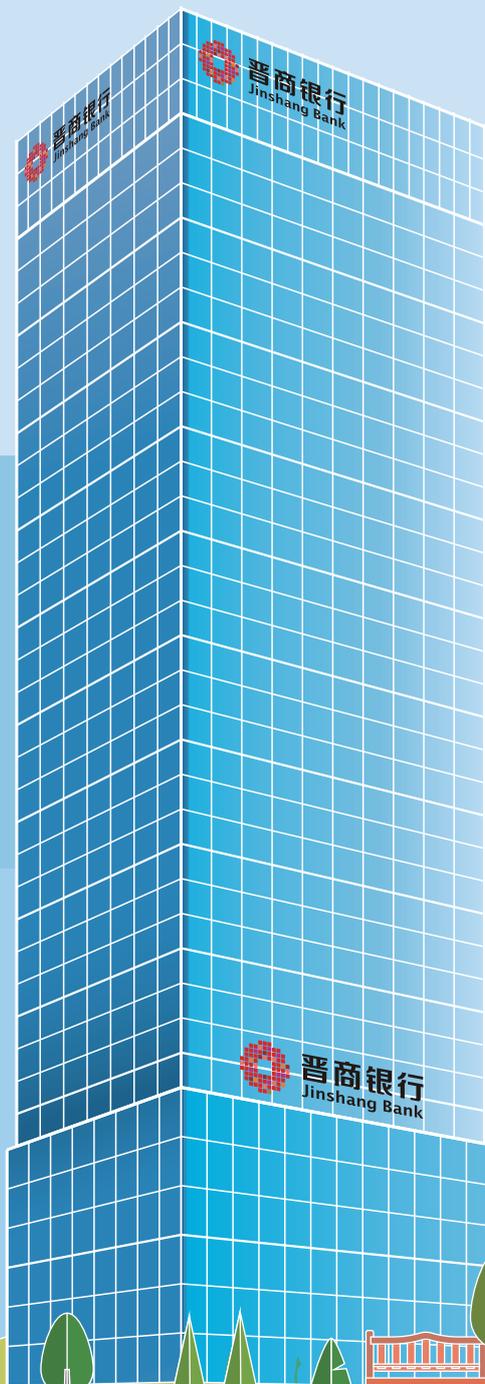


**晋商银行**  
Jinshang Bank

**晋商银行股份有限公司**  
**JINSHANG BANK CO., LTD.**

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

Stock Code: 2558



2022

Annual Report

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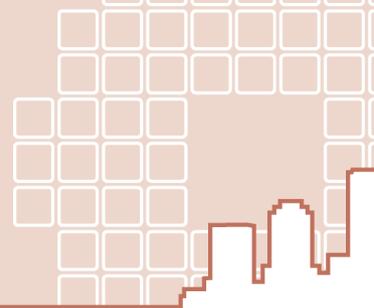


# Definitions

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

<b>“Articles of Association”</b>	the articles of association of the Bank, as amended, supplemented or otherwise modified from time to time
<b>“Bank” or “our Bank”</b>	Jinshang Bank Co., Ltd. (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiaries
<b>“Board” or “Board of Directors”</b>	the Board of Directors of the Bank
<b>“Board of Supervisors”</b>	the Board of Supervisors of the Bank
<b>“CBIRC”</b>	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
<b>“China” or “PRC”</b>	the People’s Republic of China
<b>“PRC Company Law”</b>	the Company Law of the PRC
<b>“Director(s)”</b>	the director(s) of the Bank
<b>“Domestic Shares”</b>	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
<b>“Group”, “we” or “us”</b>	the Bank together with its subsidiaries, and, if the context requires, includes its predecessors, branches and sub-branches
<b>“H Shares”</b>	the ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
<b>“HK Dollars” or “HKD” or “Hong Kong dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Listing Rules” or “Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“IFRS”</b>	International Financial Reporting Standards issued by the International Accounting Standards Board
<b>“Subsidiary(ies)”</b>	has the meaning ascribed to it under Section 2 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

# Definitions



<b>“PBoC” or “the central bank”</b>	the People’s Bank of China (中國人民銀行)
<b>“Qingxu Jinshang Village and Township Bank”</b>	Qingxu Jinshang Village and Township Bank Co., Ltd., a joint stock company established on January 19, 2012 in the PRC with limited liability, in which the Bank holds 51% of shares
<b>“Reporting Period”</b>	the year ended December 31, 2022
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Shareholder(s)”</b>	the holder(s) of the Share(s) of the Bank
<b>“Share(s)”</b>	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
<b>“Supervisor(s)”</b>	the supervisor(s) of the Bank
<b>“%”</b>	per cent

# Corporate Information

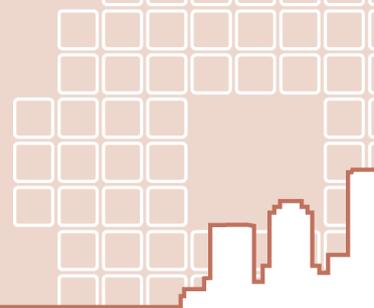
Legal Chinese Name	晉商銀行股份有限公司*
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang <sup>1</sup>
Authorized Representatives	HAO Qiang <sup>2</sup> , WONG Wai Chiu
Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Tel	0351-7812583
Fax	0351-6819503
E-mail	dongban@jshbank.com
Website	www.jshbank.com
Website of the Hong Kong Stock Exchange for publishing the H-share annual report	www.hkexnews.hk
Initial Registration Date	October 16, 1998
Unified Social Credit Code	911400007011347302
Financial License Institution Number	B0116H214010001

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

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

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

# Corporate Information



Listing Place of Shares	The Stock Exchange of Hong Kong Limited
Abbreviated Stock Name	JINSHANG BANK
Stock Code	2558
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
PRC Legal Advisor	King & Wood Mallesons 17th Floor, One ICC Shanghai ICC 999 Middle Huai Hai Road, Xuhui District, Shanghai, the PRC
Hong Kong Legal Advisor	Morgan, Lewis & Bockius Room 1902-09, 19th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Domestic Auditors	Ernst & Young Hua Ming LLP Level 17, Ernst & Young Tower, Oriental Plaza No. 1 East Changan Ave. Dongcheng District Beijing, the PRC
International Auditors	Ernst & Young <i>(Public Interest Entity Auditor registered under the Financial Reporting Council Ordinance)</i> 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong

# Corporate Information

## Board Committees

### Development and Strategy Committee

HAO Qiang (Chairperson), ZHANG Yunfei (Vice Chairperson),  
LI Shishan, DUAN Qingshan, HU Zhihong<sup>1</sup>

### Audit Committee

WANG Liyan (Chairperson), SAI Zhiyi (Vice Chairperson),  
LIU Chenhang, DUAN Qingshan, CHAN Ngai Sang Kenny<sup>2</sup>

### Risk Management Committee

SAI Zhiyi (Chairperson), DUAN Qingshan (Vice Chairperson),  
ZHANG Yunfei, WANG Jianjun, HU Zhihong<sup>1</sup>

### Related Party Transactions Control Committee

SAI Zhiyi (Chairperson), DUAN Qingshan (Vice Chairperson),  
ZHANG Yunfei, WANG Liyan

### Nomination, Remuneration and HR Committee

DUAN Qingshan (Chairperson), SAI Zhiyi (Vice Chairperson),  
HAO Qiang, MA Hongchao<sup>3</sup>, HU Zhihong<sup>1</sup>

### Consumer Rights Protection Committee

HU Zhihong<sup>1</sup> (Chairperson), WANG Liyan (Vice Chairperson),  
LI Yang, SAI Zhiyi

- 1 Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the duties of the chairperson of the Consumer Rights Protection Committee.
- 2 Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the duties of a member of the Audit Committee.
- 3 Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive Director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee.

# Summary of Five-Year Accounting Data and Financial Indicators

	For the year ended December 31,					
	2022	2021	Rate of change (%)	2020	2019 (Restate <sup>Note</sup> )	2018
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
<b>Results of operations</b>						
Interest income <sup>Note</sup>	10,728.8	10,358.5	3.6	9,429.4	8,755.2	8,345.0
Interest expense	(7,135.8)	(6,804.5)	4.9	(5,988.7)	(5,496.2)	(5,166.2)
<b>Net interest income</b> <sup>Note</sup>	<b>3,593.0</b>	<b>3,554.0</b>	<b>1.1</b>	<b>3,440.7</b>	<b>3,259.0</b>	<b>3,178.8</b>
Fee and commission income <sup>Note</sup>	937.2	937.6	0.0	890.7	696.4	490.3
Fee and commission expense	(203.2)	(172.2)	18.0	(178.2)	(85.8)	(66.6)
<b>Net fee and commission income</b> <sup>Note</sup>	<b>734.0</b>	<b>765.4</b>	<b>(4.1)</b>	<b>712.5</b>	<b>610.6</b>	<b>423.7</b>
Net trading gains/(losses)	(32.5)	301.5	(110.8)	(119.5)	435.4	231.8
Net gains arising from investment securities	917.6	757.8	21.1	819.8	746.2	887.4
Other operating income <sup>(a)</sup>	48.1	12.0	300.8	14.5	37.7	31.1
<b>Operating income</b>	<b>5,260.2</b>	<b>5,390.7</b>	<b>(2.4)</b>	<b>4,868.0</b>	<b>5,088.9</b>	<b>4,752.8</b>
Operating expense	(2,186.7)	(2,070.5)	5.6	(1,824.3)	(1,836.8)	(1,750.8)
Impairment losses on credit	(1,237.9)	(1,652.9)	(25.1)	(1,452.9)	(1,665.5)	(1,535.5)
Share of profits of associate	20.7	24.5	(15.5)	21.5	20.9	33.2
<b>Profit before tax</b>	<b>1,856.3</b>	<b>1,691.8</b>	<b>9.7</b>	<b>1,612.3</b>	<b>1,607.5</b>	<b>1,499.7</b>
Income tax expense	(20.9)	(12.4)	68.5	(41.4)	(125.1)	(186.1)
<b>Net profit</b>	<b>1,835.4</b>	<b>1,679.4</b>	<b>9.3</b>	<b>1,570.9</b>	<b>1,482.4</b>	<b>1,313.6</b>
<b>Net profit attributable to:</b>						
Equity holders of the Bank	1,838.4	1,685.6	9.1	1,566.7	1,483.6	1,310.3
Non-controlling interests	(3.0)	(6.2)	(51.6)	4.2	(1.2)	3.3
<b>Earnings per share attributable to equity holders of the Bank (presented in RMB per share)</b>						
– Basic	0.31	0.29	6.9	0.27	0.28	0.27
– Diluted	0.31	0.29	6.9	0.27	0.28	0.27

Note:

(a) Consists primarily of income from operating government grants and non-operating government grants.

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

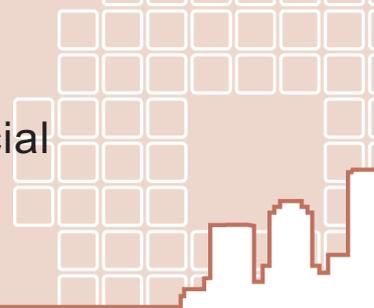
# Summary of Five-Year Accounting Data and Financial Indicators

	As of December 31,					
	2022	2021	Rate of change (%)	2020	2019	2018
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>					
<b>Key indicators for assets/liabilities</b>						
<b>Total assets</b>	<b>336,419.5</b>	303,291.5	10.9	270,943.6	247,571.2	227,247.8
Of which: net loans and advances to customers	<b>180,905.8</b>	151,007.4	19.8	131,836.5	111,712.6	98,118.1
<b>Total liabilities</b>	<b>313,065.9</b>	281,133.9	11.4	249,902.2	227,411.9	211,251.9
Of which: deposits from customers	<b>253,770.9</b>	199,207.2	27.4	176,781.7	155,322.2	144,896.8
<b>Total equity</b>	<b>23,353.6</b>	22,157.6	5.4	21,041.4	20,159.3	15,995.9
Of which: share capital	<b>5,838.7</b>	5,838.7	0.0	5,838.7	5,838.7	4,868.0
Equity attributable to equity holders of the Bank	<b>23,335.1</b>	22,136.0	5.4	21,013.6	20,135.2	15,969.9

	For the year ended December 31,					
	2022	2021	Change	2020	2019 (Restate <sup>Note</sup> )	2018
<b>Profitability indicators (%)</b>						
Return on average total assets <sup>(1)</sup>	<b>0.57</b>	0.58	(0.01)	0.61	0.62	0.61
Return on average equity <sup>(2)</sup>	<b>8.07</b>	7.77	0.30	7.63	8.20	8.70
Net interest spread <sup>(3) Note</sup>	<b>1.40</b>	1.47	(0.07)	1.59	1.69	1.68
Net interest margin <sup>(4) Note</sup>	<b>1.32</b>	1.43	(0.11)	1.54	1.62	1.70
Net fee and commission income to operating income	<b>13.95</b>	14.20	(0.25)	14.64	12.00	8.91
Cost-to-income ratio <sup>(5)</sup>	<b>39.93</b>	36.84	3.09	36.01	34.79	35.75

*Note:* From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

# Summary of Five-Year Accounting Data and Financial Indicators



	As of December 31,					
	2022	2021	Change	2020	2019	2018
<b>Asset quality indicators (%)</b>						
NPL ratio <sup>(6)</sup>	<b>1.80</b>	1.84	(0.04)	1.84	1.86	1.87
Allowance coverage ratio <sup>(7)</sup>	<b>177.04</b>	184.77	(7.73)	194.06	199.92	212.68
Allowance to gross loan ratio <sup>(8)</sup>	<b>3.19</b>	3.39	(0.20)	3.58	3.71	3.97

	As of December 31,					
	2022	2021	Change	2020	2019	2018
<b>Capital adequacy indicators (%) <sup>(9)</sup></b>						
Core tier-one capital adequacy ratio <sup>(10)</sup>	<b>10.50</b>	10.10	0.40	10.72	11.47	10.63
Tier-one capital adequacy ratio <sup>(11)</sup>	<b>10.50</b>	10.10	0.40	10.72	11.47	10.63
Capital adequacy ratio <sup>(12)</sup>	<b>12.40</b>	12.02	0.38	11.72	13.60	12.99
Total equity to total assets ratio	<b>6.94</b>	7.31	(0.37)	7.77	8.14	7.04
<b>Other indicators (%)</b>						
Loan-to-deposit ratio <sup>(13)</sup>	<b>74.89</b>	78.18	(3.29)	78.49	75.49	70.99
Liquidity coverage ratio <sup>(14)</sup>	<b>208.87</b>	322.30	(113.43)	327.19	252.85	226.64
Liquidity ratio <sup>(15)</sup>	<b>70.88</b>	122.42	(51.54)	102.62	90.01	83.91

	As of December 31,				
	2022	2021	2020	2019	2018
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
<b>Net stable funding ratio <sup>(16)</sup></b>					
Total available stable funding	<b>208,056.1</b>	183,776.0	164,644.8	147,133.4	133,954.3
Total required stable funding	<b>162,134.6</b>	132,859.6	116,608.1	107,250.6	102,688.0
Net stable funding ratio (%)	<b>128.32</b>	138.32	141.19	137.19	130.45

# Summary of Five-Year Accounting Data and Financial Indicators

## Notes:

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.
- (6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the “gross loans and advances” referred to in this report exclude interest accrued.
- (7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.
- (9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional).
- (10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (13) Calculated by dividing total loans and advances to customers by total deposits from customers (excluding interest accrued).
- (14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.
- (16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on the Proportion of Net Stable Capital by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) 《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11號)) promulgated by the CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%.

# Management Discussion and Analysis

## 1 Review of the Economic, Financial and Policy Environment

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

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

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

# Management Discussion and Analysis

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

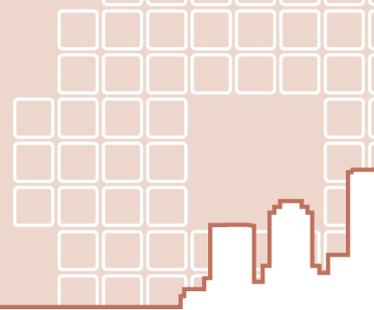
## 2 Business Overview and Development Strategies

Centering on the strategic vision of “pursuing safe development, and building an excellent listed bank in the region”, based on our market positioning of “serving the local economy, serving micro and small and medium enterprises, and serving urban and rural residents” and our business positioning of “strengthening corporate business, refining retail operations, optimizing businesses for micro and small enterprises, specializing in the financial markets”, and aligned with the two core tasks of development and safety, the Bank continues to strengthen and improve stable and sound development. As a customer-centric, market-oriented bank, we strive to render excellent services to customers, create the best returns for shareholders and promote economic development and social progress, taking risk control as the common thread and safety, liquidity, and efficiency as the operational principles.

**Firstly, we realized steady development and our operation indicators were improved well.**

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

# Management Discussion and Analysis



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

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

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

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

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

# Management Discussion and Analysis

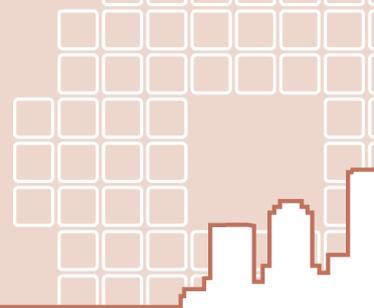
## 3 Income Statement Analysis

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

Note:

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

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



## 3.1 Net interest income, net interest spread and net interest margin

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

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

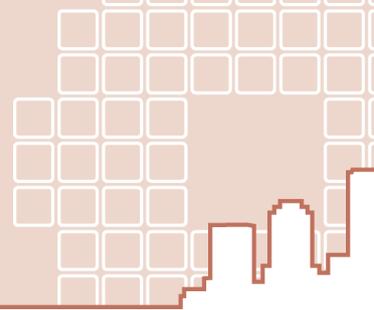
The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the years ended December 31, 2021 and 2022.

# Management Discussion and Analysis

	For the year ended December 31,					
	2022			2021		
	Average balance	Interest income/expense	Average yield/cost (%) <sup>(1)</sup>	Average balance	Interest income/expense	Average yield/cost (%) <sup>(1)</sup>
	<i>(in millions of RMB, except percentages)</i>					
<b>Interest-earning assets</b>						
Loans and advances to customers	171,930.8	7,919.7	4.61	147,887.6	7,164.6	4.84
Financial investments <sup>(2)</sup>	61,299.9	2,072.9	3.38	60,638.8	2,304.8	3.80
Placements with banks and other financial institutions	4,163.0	102.7	2.47	3,586.9	99.8	2.78
Financial assets held under resale agreement	16,573.6	378.0	2.28	18,479.4	497.1	2.69
Deposits with the central bank <sup>(3)</sup>	15,294.9	210.8	1.38	17,136.0	238.2	1.39
Deposits with banks and other financial institutions	1,965.0	44.7	2.27	1,660.9	54.0	3.25
<b>Total interest-earning assets</b>	<b>271,227.2</b>	<b>10,728.8</b>	<b>3.96</b>	<b>249,389.6</b>	<b>10,358.5</b>	<b>4.15</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	219,125.3	5,687.1	2.60	180,865.8	4,658.1	2.58
Deposits from banks and other financial institutions	793.3	15.5	1.95	1,653.0	62.2	3.76
Placements from banks and other financial institutions	298.9	5.1	1.71	810.9	23.8	2.94
Financial assets sold under repurchase agreements	16,761.1	294.0	1.75	15,237.2	324.5	2.13
Debt securities issued <sup>(4)</sup>	38,682.3	1,072.5	2.77	53,538.5	1,686.6	3.15
Borrowing from the central bank	3,008.9	61.6	2.05	2,206.2	49.3	2.23
<b>Total interest-bearing liabilities</b>	<b>278,669.8</b>	<b>7,135.8</b>	<b>2.56</b>	<b>254,311.6</b>	<b>6,804.5</b>	<b>2.68</b>
<b>Net interest income</b>		<b>3,593.0</b>			<b>3,554.0</b>	
<b>Net interest spread <sup>(5)</sup></b>			<b>1.40</b>			<b>1.47</b>
<b>Net interest margin <sup>(6)</sup></b>			<b>1.32</b>			<b>1.43</b>

*Notes:*

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.
- (3) Consists primarily of statutory deposit reserves and surplus deposit reserves.
- (4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets.



## 3.2 Interest income

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

### **Interest income from loans and advances to customers**

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

### **Interest income from financial investments**

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

### **Interest income from placements with banks and other financial institutions**

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

# Management Discussion and Analysis

## **Interest income from financial assets held under resale agreements**

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

## **Interest income from deposits with the central bank**

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

## **Interest income from deposits with banks and other financial institutions**

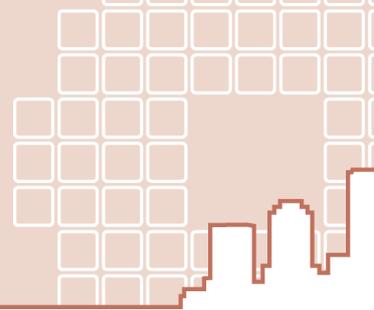
For the year ended December 31, 2022, interest income from deposits with banks and other financial institutions decreased by 17.2% to RMB44.7 million from RMB54.0 million for the year ended December 31, 2021, primarily due to a decrease in the average yield of deposits with banks and other financial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

## **3.3 Interest expense**

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

## **Interest expense on deposits from customers**

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



## **Interest expense on deposits from banks and other financial institutions**

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

## **Interest expense on placements from banks and other financial institutions**

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

## **Interest expense on financial assets sold under repurchase agreements**

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

## **Interest expense on debt securities issued**

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

# Management Discussion and Analysis

## Interest expense on borrowing from the central bank

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

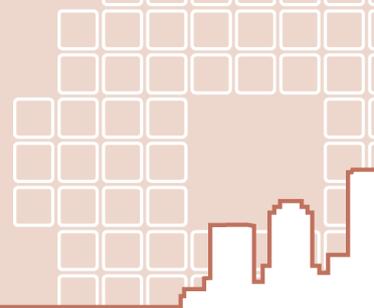
## 3.4 Net fee and commission income

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

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

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

# Management Discussion and Analysis



## 3.5 Net trading gains

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

## 3.6 Net gains arising from investment securities

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

## 3.7 Operating expenses

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

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

Notes:

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

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

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

# Management Discussion and Analysis

## Staff costs

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

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

## Rental and property management expenses

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

## Depreciation and Amortization

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

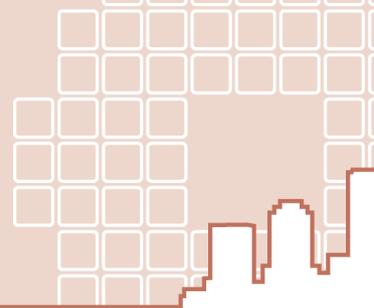
## Taxes and surcharges

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

## Other general and administrative expenses

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

# Management Discussion and Analysis



## 3.8 Impairment losses on credit

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

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

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

## 3.9 Income tax

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

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

Note:

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

# Management Discussion and Analysis

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

## 4 Financial Statement Analysis

### 4.1 Assets

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

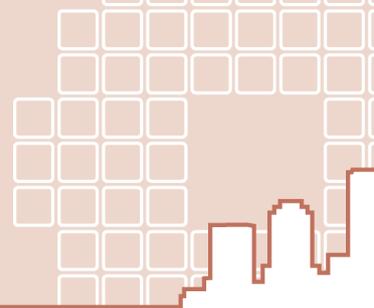
	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(in millions of RMB, except percentages)</i>			
Cash and deposits with the central bank	16,956.8	5.0	24,042.2	7.9
Deposits with banks and other financial institutions	1,797.4	0.5	1,914.9	0.6
Placements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

Note:

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

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

# Management Discussion and Analysis



## Loans and advances to customers

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

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

## Corporate loans

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

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

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

# Management Discussion and Analysis

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

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

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

Note:

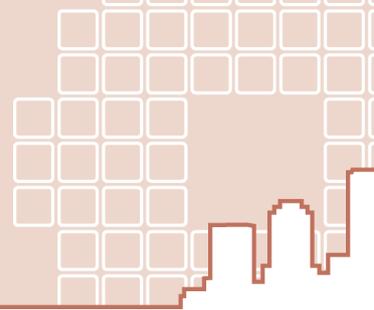
(1) Consist primarily of trade financing, merger and acquisition loans and syndicated loans.

## Personal loans

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

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

# Management Discussion and Analysis



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

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

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

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

## **Discounted bills**

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

## **Financial investments**

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

# Management Discussion and Analysis

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

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

## Debt securities investment

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

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

# Management Discussion and Analysis

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

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

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

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

## SPV investment

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

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

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

# Management Discussion and Analysis

## Other components of the Group's assets

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

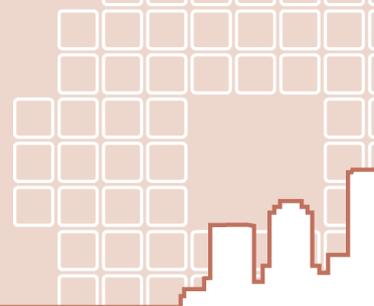
	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(in millions of RMB, except percentages)</i>			
Cash and deposits with the central bank	16,956.8	31.9	24,042.2	40.3
Deposits with banks and other financial institutions	1,797.4	3.4	1,914.9	3.2
Placements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

Note:

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

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

# Management Discussion and Analysis



## 4.2 Liabilities

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

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

Notes:

- (1) Consist of certificates of interbank deposits, financial bonds and tier-two capital debts.
- (2) Consist primarily of accrued staff cost, lease liabilities, estimated liabilities and other financial payables.

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

### Deposits from customers

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

# Management Discussion and Analysis

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

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

Note:

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

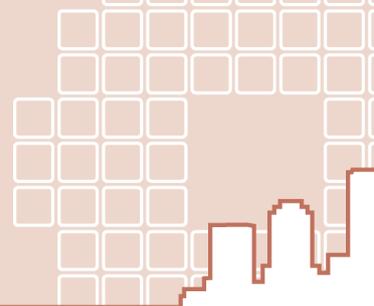
## Debt securities issued

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

## Financial assets sold under repurchase agreements

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

# Management Discussion and Analysis



## 4.3 Equity

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

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

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

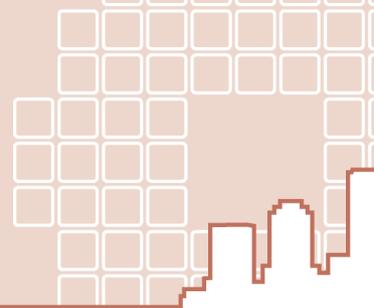
# Management Discussion and Analysis

## 5 Off-balance Sheet Items Analysis

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

	<b>As of December 31, 2022</b>	<b>As of December 31, 2021</b>
	<i>(in millions of RMB)</i>	
Loan commitments	<b>9,051.1</b>	14,765.0
Credit card commitments	<b>6,309.3</b>	6,557.8
Bank acceptances	<b>39,084.6</b>	43,989.9
Letters of credit	<b>8,157.0</b>	5,197.7
Letters of guarantee	<b>198.5</b>	201.8
Capital commitments	<b>66.9</b>	117.8
Others	<b>599.0</b>	600.0
<b>Total off-balance sheet commitments</b>	<b>63,466.4</b>	71,430.0

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



## 6 Asset Quality Analysis

### Distribution of loans by the five-category loan classification

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

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

Note:

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

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

# Management Discussion and Analysis

## Distribution of loans by collateral

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

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

Note:

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

## Distribution of corporate loans by industry

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

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

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

# Management Discussion and Analysis

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

## Distribution of non-performing corporate loans by industry

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

# Management Discussion and Analysis

## Distribution of NPLs by product type

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

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

### Notes:

- (1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.
- (2) Consist primarily of advances for bank acceptances.

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

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

# Management Discussion and Analysis

## Distribution of NPLs by geographical region

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

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

Note:

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

## Borrowers concentration

### Loans to the ten largest single borrowers

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

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

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

Note:

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

# Management Discussion and Analysis

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

## Loan aging schedule

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

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

Note:

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

## Changes to allowance for impairment losses

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

# Management Discussion and Analysis

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

Notes:

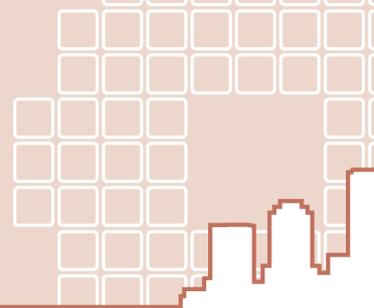
- (1) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.
- (2) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,920.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB17.8 million.
- (3) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.

## 7 Reporting by Geographical Segments

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

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

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



## 8 Capital Adequacy Ratio and Leverage Ratio Analysis

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

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

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

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

# Management Discussion and Analysis

## 9 Risk Management

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

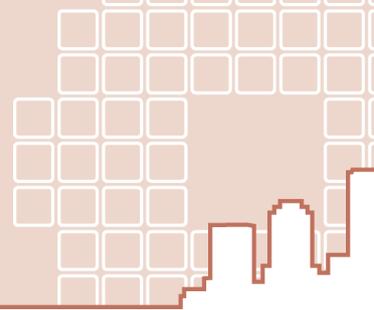
### Credit risk

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

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

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

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



## Management of large-scale risk exposure

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

## Market risk

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

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

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

## Liquidity risk

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

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

# Management Discussion and Analysis

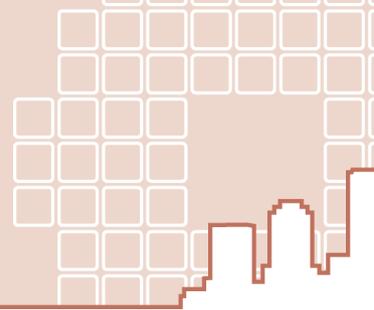
In 2022, the Bank closely monitored the changes in the market interest rates, strengthened the monitoring and management of the regular liquidity risks, and reasonably adapted liquidity risk management according to the external market environment by strengthening its fund position management during the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

## Operational risk

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

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

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



## Information technology risk

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

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

## Reputational risk

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

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

## Strategic risk

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

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

# Management Discussion and Analysis

## 10 Business Review

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

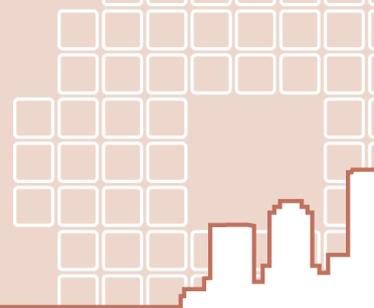
For corporate banking business, the Bank focuses on serving the governmental and institutional customers as well as high-quality enterprises in the industries, continuously improves the level of corporate customers management by measures such as intensifying the cooperation between governments and the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

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

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

Note:

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



## Corporate banking

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

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

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

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

## Retail banking

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

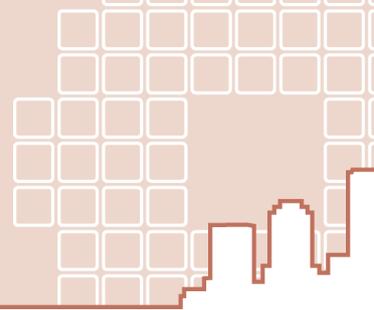
# Management Discussion and Analysis

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

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

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

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



## Financial markets business

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

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

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

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

## Interbank market transactions

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

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

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

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

# Management Discussion and Analysis

## Investment management

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

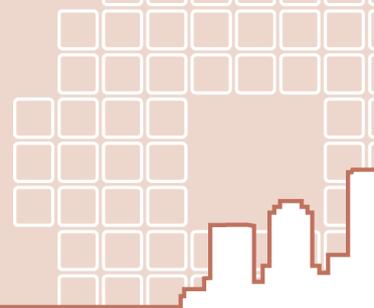
As of December 31, 2022, the balance of debt securities investment was RMB56,713.0 million, representing an increase of 37.1% from December 31, 2021, primarily because of an appropriate increase of allocation in quality liquidity assets after comprehensive consideration of the needs for liquidity management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

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

## Wealth management

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

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



## Debt securities distribution

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

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

## Small and micro enterprise

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

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

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

# Changes in Share Capital and Information of Shareholders

## I. CHANGES IN SHARE CAPITAL

As of December 31, 2022, the Bank issued a total of 5,838,650,000 shares, including 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

	December 31, 2021		Changes during the Reporting Period	December 31, 2022	
	Number of shares	Percentage to total share capital		Number of shares	Percentage to total share capital
Domestic state-owned shares	1,181,251,686	20.23%	-	1,181,251,686	20.23%
Domestic state-owned legal person shares	2,016,932,342	34.54%	-	2,016,932,342	34.54%
Domestic social legal person shares	1,591,087,280	27.25%	+2,396,990	1,593,484,270	27.29%
Domestic natural person shares	78,728,692	1.35%	-2,396,990	76,331,702	1.31%
H Shares	970,650,000	16.62%	-	970,650,000	16.62%
<b>Total shares</b>	<b>5,838,650,000</b>	<b>100.00%</b>	<b>-</b>	<b>5,838,650,000</b>	<b>100.00%</b>

*Note:* The difference between the figures in the table and the aggregate figures is due to rounding.

## II. INFORMATION OF SHAREHOLDERS

### 1. Total Number of Domestic Shareholders

As at December 31, 2022, the total number of domestic shareholders of the Bank was 6,923.

### 2. Top 10 holders of Domestic Shares

As at December 31, 2022, the Bank's top 10 holders of Domestic Shares are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage to total share capital at the end of the Reporting Period (%)	Shares pledged or frozen	Share status	Quantity
1	Shanxi Finance Bureau (山西省財政廳)	State-owned shares	715,109,200	12.25%	Normal	-	
2	Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	State-owned legal person shares	600,000,000	10.28%	Normal	-	
3	Taiyuan Municipal Finance Bureau (太原市財政局)	State-owned shares	466,142,486	7.98%	Normal	-	
4	Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司) ("Changzhi Nanye")	Social legal person shares	450,657,435	7.72%	Normal	-	
5	Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	State-owned legal person shares	359,091,687	6.15%	Normal	-	

## Changes in Share Capital and Information of Shareholders

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage to total share capital at the end of the Reporting Period (%)	Shares pledged or frozen	Share status	Quantity
6	Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) ("Shanxi International Electricity")	State-owned legal person shares	300,000,000	5.14%	Normal	-	-
7	Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	State-owned legal person shares	291,339,054	4.99%	Normal	-	-
8	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司) ("Changzhi Huashengyuan")	Social legal person shares	234,569,820	4.02%	Normal	-	-
9	Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司)	State-owned legal person shares	200,000,000	3.43%	Normal	-	-
10	Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) <sup>(2)</sup>	State-owned legal person shares	200,000,000	3.43%	Normal	-	-
Total			3,816,909,682	65.39% <sup>(1)</sup>	-	-	-

*Notes:*

- (1) The difference between the figures in the table and the aggregate figures is due to rounding.
- (2) Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) was formerly known as Shanxi Jincheng Anthracite Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司).

# Changes in Share Capital and Information of Shareholders

## 3. Interests and short positions under the SFO in Hong Kong

As at December 31, 2022, according to the register maintained by the Bank pursuant to Section 336 of the SFO, and to the best knowledge of the Bank, the following persons (other than the Directors, Supervisors and chief executive of the Bank) will have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital of the Bank carrying rights to vote in all circumstances at the general meetings of any other members of the Bank:

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司) ("SSCO") <sup>(1)</sup>	Interest in controlled corporations	Domestic Shares	1,212,220,564		20.76%	24.90%
Shanxi Finance Bureau (山西省財政廳)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
China Huaneng Group Co., Ltd. (中國華能集團有限公司) <sup>(2)</sup> ("China Huaneng Group")	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	466,142,486		7.98%	9.58%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.55%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.55%
Changzhi Nanye <sup>(3)</sup>	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest of persons acting-in-concert	Domestic Shares	234,569,820		4.02%	4.82%
Mr. LI Jianming <sup>(3)</sup>	Interest in controlled corporations/ Interest of persons acting-in-concert	Domestic Shares	685,227,255		11.74%	14.08%
Ms. WANG Yanli <sup>(3)</sup>	Interest in controlled corporations/ Interest of persons acting-in-concert	Domestic Shares	685,227,255		11.74%	14.08%
Changzhi Huashengyuan <sup>(3)</sup>	Beneficial owner	Domestic Shares	234,569,820		4.02%	4.82%
	Interest of persons acting-in-concert	Domestic Shares	450,657,435		7.72%	9.26%

# Changes in Share Capital and Information of Shareholders

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司) <sup>(1)</sup>	Interest in controlled corporations	Domestic Shares	359,091,687		6.15%	7.38%
Shanxi Lu'an Mining (Group) Co., Ltd. <sup>(1)</sup>	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holding Group Co., Ltd. (晉能控股集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	500,000,000		8.56%	10.27%
Jinneng Holding Power Group Co., Ltd. (晉能控股電力集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi International Electricity <sup>(1)(4)</sup>	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi Coking Coal Group Co., Ltd. <sup>(1)</sup>	Beneficial owner	Domestic Shares	291,339,054		4.99%	5.98%
	Interest in controlled corporations	Domestic Shares	5,789,823		0.10%	0.12%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) <sup>(6)</sup>	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%
Harvest Fund Management Co., Ltd. (嘉實基金管理有限公司) <sup>(6)</sup>	Investment manager	H Shares	102,297,000		1.75%	10.54%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
Guotai Junan Securities Co., Ltd. <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Holdings Limited <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Holdings Limited <sup>(6)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%

## Changes in Share Capital and Information of Shareholders

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) <sup>(1)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) <sup>(1)</sup>	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) <sup>(1)</sup>	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%
GF Asset Management – Xumao Single Investment Asset Management Plan (廣發資管 – 旭茂投資單一資產管理計劃)	Trustee	H Shares	57,830,000		0.99%	5.96%

### Notes:

- (1) Shanxi State-owned Capital Operation Co., Ltd. was formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.

SSCO indirectly held 1,212,220,564 Domestic Shares, representing 20.76% equity interest in our Bank. SSCO's shareholding in our Bank was held through certain subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) (a wholly-owned subsidiary of Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司), 90% equity interest of which is held by SSCO) with 6.15% equity interest in our Bank; (ii) SSCO held 90% equity interest in Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) with 4.99% equity interest in our Bank and Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司), a wholly-owned subsidiary of Shanxi Coking Coal Group Co., Ltd., held 0.10% equity interest in the Bank; (iii) Shanxi International Electricity with 5.14% equity interest in our Bank; (iv) Jinneng Holding Equipment Manufacturing Group Co., Ltd. with 3.43% equity interest in our Bank; and (v) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) (a wholly-owned subsidiary of Shanxi Cultural Tourism Investment Holding Group Co., Ltd. (山西省文化旅遊投資控股集團有限公司), 90% equity interest of which is held by SSCO) with 0.96% equity interest in our Bank.

- (2) China Huaneng Group indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital Services Co., Ltd., in which China Huaneng Group held 61.22% equity interest. By virtue of SFO, China Huaneng Group is deemed to be interested in the Domestic Shares held by Huaneng Capital Services Co., Ltd.

## Changes in Share Capital and Information of Shareholders

- (3) Mr. LI Jianming held 90% equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan.

Changzhi Nanye and Changzhi Huashengyuan are persons acting-in-concert according to their respective confirmation. Therefore, Mr. LI Jianming, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan will be deemed to be interested in 685,227,255 Domestic Shares, representing approximately 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Jianming and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

- (4) SSCO held 100% equity interest in Jinneng Holding Group Co., Ltd. (晉能控股集團有限公司). Jinneng Holding Power Group Co., Ltd., a subsidiary of Jinneng Holding Group Co., Ltd. with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in our Bank through its wholly-owned subsidiary, Shanxi International Electricity. By virtue of SFO, Jinneng Holding Group Co., Ltd. and Jinneng Holding Power Group Co., Ltd. are deemed to be interested in the Domestic Shares held by Shanxi International Electricity.

Jinneng Holding Group Co., Ltd. indirectly held 200,000,000 Domestic Shares, representing 3.43% equity interest in our Bank, through its 70% equity interest in Jinneng Holding Equipment Manufacturing Group Co., Ltd. By virtue of SFO, Jinneng Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Jinneng Holding Equipment Manufacturing Group Co., Ltd.

- (5) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its 40%-owned company, Harvest Fund Management Co., Ltd. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.

- (6) Guotai Junan Securities Co., Ltd. was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited with 68.10% equity interest indirectly, Guotai Junan (Hong Kong) Limited (a wholly-owned subsidiary) and Guotai Junan Financial Products Limited indirectly. By virtue of SFO, Guotai Junan Securities Co., Ltd., Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.

Saved as disclosed above, as of the end of the Reporting Period, there were no other persons (other than the Directors, Supervisors and chief executive of the Bank) or companies who had interests or short positions in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Bank pursuant to section 336 of the SFO.

# Changes in Share Capital and Information of Shareholders

## III. SUBSTANTIAL SHAREHOLDERS DURING THE REPORTING PERIOD

According to the Interim Measures for the Equity Management of Commercial Banks issued by the CBIRC, substantial shareholders of a commercial bank refer to shareholders holding or controlling 5% or more of shares or voting right of the commercial bank, or holding less than 5% of total capital or total shares of the commercial bank but having significant impact on the operational management of the commercial bank. The significant impact mentioned above includes, but is not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBIRC or its local offices.

### 1. Shareholders Holding 5% or More of the Bank's Share Capital

Shanxi Finance Bureau is a government authority legal person, and the ultimate beneficiary is the Shanxi Finance Bureau, without person acting-in-concert.

The controlling shareholder of Huaneng Capital Services Co., Ltd. is China Huaneng Group; the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council, and the ultimate beneficiary is Huaneng Capital Services Co., Ltd., without person acting-in-concert.

Taiyuan Municipal Finance Bureau is a government authority legal person, and the ultimate beneficiary is the Taiyuan Municipal Finance Bureau, without person acting-in-concert.

The controlling shareholder of Changzhi Nanye is LI Jianming; the actual controller is LI Jianming, and the ultimate beneficiary is Changzhi Nanye, being persons acting-in-concert with Changzhi Huashengyuan.

Shanxi Lu'an Mining (Group) Co., Ltd. is wholly-owned by Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司); the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi Lu'an Mining (Group) Co., Ltd., without person acting-in-concert.

Shanxi International Electricity is wholly-owned by Jinneng Holding Power Group Co., Ltd.; the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi International Electricity, without person acting-in-concert.

For shareholders holding 5% or more of the Bank's share capital, please also see II. Information of Shareholders above.

# Changes in Share Capital and Information of Shareholders

## 2. Other Substantial Shareholders

In addition to the Shanxi Finance Bureau, Huaneng Capital Services Co., Ltd., Taiyuan Municipal Finance Bureau, Changzhi Nanye, Shanxi Lu'an Mining (Group) Co., Ltd. and Shanxi International Electricity disclosed above, Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司), Jinneng Holding Equipment Manufacturing Group Co., Ltd. holds less than 5% of the Bank's shares but dispatches directors or supervisors to the Bank; Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) in aggregate holds more than 5% of the Bank's shares, directly and through its wholly-owned subsidiary, Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司); and Changzhi Huashengyuan and Changzhi Nanye, being persons acting-in-concert, in aggregate hold more than 5% of the Bank's shares.

The controlling shareholder of Jinneng Holding Equipment Manufacturing Group Co., Ltd. is Jinneng Holding Group Co., Ltd. The actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Jinneng Holding Equipment Manufacturing Group Co., Ltd., without person acting-in-concert.

## IV. SHAREHOLDERS' NOMINATION OF DIRECTORS AND SUPERVISORS

- (1) Shanxi Finance Bureau nominated LI Shishan as a Director of the Bank;
- (2) Huaneng Capital Services Co., Ltd. nominated MA Hongchao as a Director of the Bank;
- (3) Taiyuan Municipal Finance Bureau nominated LIU Chenhang as a Director of the Bank;
- (4) Changzhi Nanye nominated LI Yang as a Director of the Bank;
- (5) Shanxi Lu'an Mining (Group) Co., Ltd. nominated WANG Jianjun as a Director of the Bank;
- (6) Shanxi International Electricity Group Limited Company nominated WANG Weiping as a Supervisor of the Bank;
- (7) Shanxi Coking Coal Group Co., Ltd. nominated XU Jin as a Supervisor of the Bank; and
- (8) Jinneng Holding Equipment Manufacturing Group Co., Ltd. nominated PANG Zhengyu as a Supervisor of the Bank.

## V. PURCHASE, SALE AND REDEMPTION OF ANY OF THE BANK'S LISTED SECURITIES

During the Reporting Period and up to the date of this annual report, the Bank or any of its subsidiaries did not purchase, sell or redeem any of the Bank's listed securities.

# Directors, Supervisors, Senior Management and Employees

## I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Directors

Our Board of Directors consists of twelve Directors, including two executive Directors, five non-executive Directors and five independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with PRC laws and regulations. The following table sets forth certain information regarding our Directors.

Name	Age	Position(s)	Date of appointment <sup>(1)</sup>
Ms. HAO Qiang (郝強)	50	Executive Director, chairwoman	July 16, 2021
Mr. ZHANG Yunfei (張雲飛)	52	Executive Director, vice chairman	August 30, 2021
Mr. LI Shishan (李世山)	58	Non-executive Director	June 21, 2017
Mr. MA Hongchao (馬洪潮)	52	Non-executive Director, vice chairman	December 22, 2022 <sup>(2)</sup>
Mr. LIU Chenhong (劉晨行)	58	Non-executive Director	December 30, 2019
Mr. LI Yang (李楊)	36	Non-executive Director	September 20, 2022
Mr. WANG Jianjun (王建軍)	47	Non-executive Director	August 8, 2018
Mr. WANG Liyan (王立彥)	66	Independent non-executive Director	September 14, 2018
Mr. DUAN Qingshan (段青山)	65	Independent non-executive Director	August 26, 2022
Mr. SAI Zhiyi (賽志毅)	54	Independent non-executive Director	August 7, 2018
Ms. HU Zhihong (胡稚弘)	63	Independent non-executive Director	December 22, 2022 <sup>(2)</sup>
Mr. CHAN Ngai Sang Kenny (陳毅生)	58	Independent non-executive Director	December 22, 2022 <sup>(2)</sup>

*Notes:*

- (1) The date of appointment as a Director stated here represents the date on which the relevant Director obtained the qualification approval from the CBIRC Shanxi Office.
- (2) The date of appointment as a Director for Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny stated here represents the date on which each of them was elected as a Director at the relevant Shareholders' general meeting of our Bank. Their qualifications of directorship are subject to the approval by the CBIRC Shanxi Office.

# Directors, Supervisors, Senior Management and Employees

## 2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of nine Supervisors, including three employee Supervisors, three Shareholder Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Name	Age	Position(s)	Date of appointment
Mr. XIE Liying (解立鷹)	55	Employee Supervisor Chairman of the Board of Supervisors	July 24, 2009 (as a Supervisor) December 8, 2016 (as the chairman of the Board of Supervisors)
Mr. WANG Weiping (王衛平)	52	Shareholder Supervisor	December 22, 2022
Ms. XU Jin (徐瑾)	46	Shareholder Supervisor	December 22, 2022
Mr. PANG Zhengyu (龐征宇)	40	Shareholder Supervisor	December 22, 2022
Mr. WEN Qingquan (溫清泉)	49	Employee Supervisor	May 13, 2019
Mr. SU Hua (蘇華)	45	Employee Supervisor	December 16, 2022
Mr. ZHUO Zeyuan (卓澤淵)	60	External Supervisor	December 22, 2022
Mr. WU Jun (吳軍)	69	External Supervisor	May 4, 2018
Mr. BAI Guangwei (擺光煒)	57	External Supervisor	December 22, 2022

# Directors, Supervisors, Senior Management and Employees

## 3. Senior Management

Name	Age	Position(s)	Date of appointment <sup>(1)</sup>
Mr. ZHANG Yunfei (張雲飛)	52	President	September 30, 2022
Mr. ZHAO Jiquan (趙基全)	49	Vice president	October 29, 2021
Mr. LI Yanbin (李燕斌)	44	Vice president	June 14, 2022
Mr. WANG Yibin (王義斌)	52	Vice president	June 14, 2022
Mr. WEN Gensheng (溫根生)	57	Chief human resources officer	December 8, 2016 <sup>(2)</sup>
Mr. LI Weiqiang (李為強)	58	Secretary to the Board of Directors	December 9, 2019
Mr. SHANGGUAN Yujiang (上官玉將)	50	Assistant to the president	December 9, 2019
Ms. LI Wenli (李文莉)	53	Chief audit officer	March 26, 2021 <sup>(3)</sup>

### Notes:

- (1) Unless otherwise stated, the date of appointment stated here represents the date on which the relevant senior management members obtained the qualification approval from the CBIRC Shanxi Office.
- (2) Mr. WEN Gensheng is our chief human resources officer whose qualification does not need to obtain the qualification approval from the CBIRC Shanxi Office. The date stated here represents the date of appointment by the Board of Directors.
- (3) The date stated here represents the date of appointment to the Board of Directors of Ms. LI Wenli, which is subject to the qualification approval by the CBIRC Shanxi Office.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Between the Reporting Period and the date of this annual report, the following changes have been made to the Directors, Supervisors and senior management of the Bank.

### Changes in Directors

On August 26, 2022, Mr. DUAN Qingshan obtained the approval for his qualification as an independent Director from the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR" issued by the Bank on August 29, 2022.

On September 20, 2022, Mr. LI Yang obtained the approval for his qualification as a Director from the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR" issued by the Bank on September 21, 2022.

# Directors, Supervisors, Senior Management and Employees

On November 30, 2022, the Board considered and approved the proposed re-election or election of Ms. HAO Qiang (郝強), Mr. ZHANG Yunfei (張雲飛) as executive Directors of the Bank, Mr. LI Shishan (李世山), Mr. MA Hongchao (馬洪潮), Mr. LIU Chenhang (劉晨行), Mr. LI Yang (李楊) and Mr. WANG Jianjun (王建軍) as non-executive Directors of the Bank, and Mr. WANG Liyan (王立彥), Mr. DUAN Qingshan (段青山), Mr. SAI Zhiyi (賽志毅), Ms. HU Zhihong (胡稚弘) and Mr. CHAN Ngai Sang Kenny (陳毅生) as independent non-executive Directors of the Bank. Such re-election or election was approved by the shareholders of the Bank at the extraordinary general meeting on December 22, 2022, and upon the election by the Board of Directors, Ms. HAO Qiang was elected as the Chairman, Mr. ZHANG Yunfei and Mr. MA Hongchao were elected as the vice Chairmen. For details, please refer to the announcement entitled “(1) PROPOSAL FOR RE-ELECTION AND ELECTION OF DIRECTORS AND (2) PROPOSAL FOR RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS” issued by the Bank on November 30, 2022, the Shareholders’ Circular entitled “(1) PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS FOR THE SIXTH SESSION OF THE BOARD; (2) PROPOSED RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS FOR THE SIXTH SESSION OF THE BOARD OF SUPERVISORS; (3) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING ASSETS (CREDIT AND NON-CREDIT) AND BAD DEBTS FOR 2023 AND (4) NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING” issued by the Bank on December 2, 2022 and the announcement entitled “(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION” issued by the Bank on December 22, 2022. Among them, Mr. MA Hongchao’s qualifications as a director and vice chairman, and the qualifications of Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny are still subject to the approvals of the CBIRC Shanxi Office. In accordance with the relevant PRC laws and regulations and the Articles of Association of the Bank, Mr. XIANG Lijun, Mr. JIN Haiteng, Mr. SUN Shihu and Mr. YE Xiang will continue to perform their duties as non-executive Directors or independent non-executive Directors until the qualifications of Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as directors are approved by the CBIRC Shanxi Office. Before the approval of Mr. MA Hongchao’s qualification as a non-executive director by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee. Before the approval of Ms. HU Zhihong’s qualification as an independent non-executive Director by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the duties of Chairperson of the Consumer Rights Protection Committee. Before the approval of Mr. CHAN Ngai Sang Kenny’s qualification as an independent non-executive Director by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the duties of member of the Audit Committee.

# Directors, Supervisors, Senior Management and Employees

## Changes in Supervisors

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

Mr. XIE Liying, Mr. WEN Qingquan and Mr. SU Hua have been re-elected or elected as employee Supervisors at the employee representative meeting of the Bank held on December 7, 2022, and took office from the date of the extraordinary general meeting on December 22, 2022, upon which, the 6th session of Board of Supervisors of the Bank was officially established. For details, please refer to the announcement entitled “CHANGE OF EMPLOYEE SUPERVISORS” issued by the Bank on December 16, 2022; and the announcement entitled “(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION” issued by the Bank on December 22, 2022.

Mr. BI Guoyu, Mr. XIA Guisuo, Mr. LIU Shoubao, Mr. LIU Min and Mr. GUO Zhenrong have ceased to act as Supervisors of the Bank due to the fulfillment of their term of office since December 22, 2022.

## Changes in Senior Management

On January 14, 2022, Mr. LI Yanbin and Mr. WANG Yibin were appointed by the Board as vice presidents, whose qualification of such appointment has been approved by the CBIRC Shanxi Office on June 14, 2022.

# Directors, Supervisors, Senior Management and Employees

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

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

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

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

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

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

## III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Directors

#### **Executive Director and chairwoman of the Board, HAO Qiang**

**Ms. HAO Qiang (郝強)**, aged 50, has been an executive Director and the chairwoman of the Board since July 16, 2021. She currently serves as the chairperson of the Development and Strategy Committee of the Board, a member of the Nomination, Remuneration and HR Committee of the Board, and the party committee secretary of the Bank.

Ms. Hao has over 28 years of experience in banking industry. She joined our Bank in September 2008 and worked at the preparatory team of our Bank from September 2008 to May 2009. Afterwards, Ms. Hao served as the general manager of the credit review department (授信審查部) of our Bank from May 2009 to May 2013, as the principal (負責人) and then the president of Jinyang sub-branch of our Bank from May 2013 to January 2015, as the assistant to the president of our Bank and the general manager of the corporate finance department (公司金融部) from January 2015 to November 2017, during which period she was also the general manager of the investment banking department (投資銀行部) of our Bank from April 2015 to January 2017, as the secretary to the Board of Directors from June 2017 to April 2019, and as the vice president of our Bank from November 2017 to April 2021. Prior to joining our Bank, Ms. Hao successively worked at the Taiyuan branch and then the Shanxi branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) (“ICBC”) (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from December 1993 to September 2008.

Ms. Hao obtained a bachelor’s degree in English from Shanxi Normal University (山西師範大學) in Shanxi Province, the PRC, in June 1993. She completed the on-the-job postgraduate study in finance of Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 2003. Ms. Hao completed the EMBA core courses training program of ICBC and obtained the training certificate in November 2005.

## **Executive Director and vice chairman, ZHANG Yunfei**

**Mr. ZHANG Yunfei (張雲飛)**, aged 52, has been an executive Director and the vice chairman of the Board since August 30, 2021 and the president of the Bank since September 30, 2022. He is currently the vice chairperson of the Board's Development and Strategy Committee, a member of the Board's Risk Management Committee and Related Parties Transactions Control Committee, and the deputy party committee secretary of the Bank.

Mr. Zhang has more than 28 years of experience in banking industry. He joined our Bank in September 2009 and worked at our Bank's risk management department from September 2009 to January 2014 and served as the general manager of the risk management department of our Bank from May 2013 to January 2014, served as the chief risk officer of the Bank from May 2011 to April 2021, and served as the Bank's deputy party committee secretary and vice president from August 2021 to September 2022, taking up duties and responsibilities of the president of the Bank. Prior to joining our Bank, Mr. Zhang successively worked at the Taiyuan branch, Changzhi branch and Shanxi branch of ICBC from September 1994 to September 2009.

Mr. Zhang obtained a bachelor's degree in international trade from Shanxi Economics Management College (山西經濟管理學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in July 1994. Mr. Zhang is a middle level economist granted by ICBC in July 1999 and was recognized as a senior economist in February 2023. For the details of the warning received by Mr. Zhang from the CBIRC Shanxi Office as our chief risk officer in March 2018, please refer to the 2020 annual report of the Bank.

## **Non-executive Director, LI Shishan**

**Mr. LI Shishan (李世山)**, aged 58, has been a non-executive Director since June 2017. He is currently a member of the Development and Strategy Committee of the Board.

Mr. Li has more than 37 years of experience in economic management. Mr. Li worked in Shanxi Finance Bureau for over 30 years from November 1984 to August 2016. He has been employed by Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司) and its subsidiary Shanxi Equity Exchange Center Co., Ltd. (山西股權交易中心有限公司) and was nominated by Shanxi Financial Investment Holding Group Co., Ltd. as a director of the Board in July 2016. He was the division director (處長) of economic development division I (經濟建設一處) from August 2015 to August 2016. He was the division director (處長) of the agricultural division from November 2009 to August 2015. Prior to that, Mr. Li worked in the information and internet center (信息網絡中心) from August 2005 to November 2009 as the director (主任). From August 2003 to August 2005, he served as the deputy division director (副處長) of the international matters division (國際處) and the deputy director (副主任) of the loan management office (貸款管理辦公室). Mr. Li was the deputy division director (副處長) of the external debts division (外債處) from August 2000 to August 2003. From April 1997 to August 2000, he was the deputy division director (副處長) of the foreign trade division (對外經濟貿易處). Prior to that, Mr. Li worked as a staff member, senior staff member (副主任科員), and then principal staff member (主任科員) in the industrial transportation division (工交處) of Shanxi Finance Bureau from November 1984 to April 1997.

Mr. Li graduated from Correspondence Institute of the Central Committee Party School of the Communist Party of China (中共中央黨校函授學院) through correspondence study in December 2000, majoring in politics and law. He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

# Directors, Supervisors, Senior Management and Employees

## **Non-executive Director and Vice Chairman, MA Hongchao**

**Mr. MA Hongchao (馬洪潮)**, aged 52, was elected as a non-executive Director on December 22, 2022. He is currently a member of the Nomination, Remuneration and HR Committee of the Board.

Mr. MA Hongchao (馬洪潮) has 21 years of experience in economic management. Mr. Ma served as a deputy general manager and a member of the party committee in Huaneng Capital Services Co., Ltd. (華能資本服務有限公司) since June 2020. Prior to that, Mr. Ma worked in China Huaneng Finance Co., Ltd. (中國華能財務有限責任公司) (“**Huaneng Finance**”) from June 2001 to June 2020. From June 2001 to October 2012, he successively served as an employee, accountant and assistant to the manager from June 2001 to January 2004, and as a deputy manager and manager in the department of general planning (綜合計劃部) of Huaneng Finance from January 2004 to October 2012. From October 2012 to August 2014, he worked as an assistant to the general manager of Huaneng Finance as well as the manager of the department of general planning of Huaneng Finance. From August 2014 to December 2016, Mr. Ma served as the deputy general manager and a member of the party group of Huaneng Finance. From December 2016 to August 2017, he was the deputy general manager and a member of the party committee of Huaneng Finance. From August 2017 to June 2020, he was the deputy general manager, a member of the party committee and general counsel of Huaneng Finance, during which period he also served as a member of the Standing Committee (市委常委) and the vice mayor of Yulin City (榆林市) of Shaanxi Province (suspended post) from April 2018 to June 2020, and as the party committee secretary, chairman and general manager (suspended post) of Shaanxi Yulin Energy Group Co., Ltd. (陝西榆林能源集團有限公司) from May 2019 to June 2020.

Mr. Ma obtained a doctor's degree in quantitative economy from Jilin University (吉林大學) in Jilin Province, the PRC, in June 2001. Mr. Ma is a chief senior accountant (正高級會計師) granted by China Huaneng Group Co., Ltd. (中國華能集團有限公司) in May 2020.

## **Non-executive Director, LIU Chenhang**

**Mr. LIU Chenhang (劉晨行)**, aged 58, has served as a non-executive Director since December 30, 2019. He is currently a member of the Audit Committee of the Board.

Mr. Liu has more than 37 years of experience in economic management. He has been serving as the general manager of Taiyuan Haixin Asset Management Co., Ltd. (太原市海信資產管理有限公司) since February 2018 and as a director of Taiyuan Haixin Public Rental Housing Real Estate Development Co., Ltd. (太原海信公租房置業發展有限公司) (currently known as Taiyuan Haixin Rental Housing Construction Management Co., Ltd. (太原市海信租賃住房建設管理有限公司)) since July 2018. Mr. Liu served as the deputy manager of Taiyuan Finance Assets Management Center (太原市財政資產管理中心) from February 2018 to December 2020, as the general manager of Taiyuan Linhaitong Technology and Innovation Corporate Management Co., Ltd. (太原林海通科創企業管理有限公司) from May 2018 to September 2019, and as the vice chairman of the board of directors of Taiyuan Shuilang Road Network Construction Co., Ltd. (太原水廊路網建設工程有限公司) from July 2018 to December 2019. Mr. Liu worked at Taiyuan Municipal Finance Bureau (太原市財政局) from August 1985 to February 2018 and served as a staff member of city construction section (城建科) from August 1985 to May 1995, as a deputy section chief (副科長) of other corporations section (其他企業科) from June 1995 to September 1998, as a deputy section chief (副科長) of city construction section from September 1998 to June 2002, as a deputy division director (副處長) of city construction division from June 2002 to March 2013, and as the office director (辦公室主任) of Taiyuan Municipal Finance Bureau from March 2013 to February 2018.

# Directors, Supervisors, Senior Management and Employees

Mr. Liu completed studies at junior college level (專科) through correspondence study and graduated from Central Institute of Finance and Banking (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC, in July 1992, majoring in finance. Mr. Liu graduated from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 1999, majoring in marketing (市場營銷). He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

## Non-Executive Director, LI Yang

**Mr. LI Yang (李楊)**, aged 36, has served as a non-executive Director since September 20, 2022. He is currently a member of the Consumer Rights Protection Committee of the Board.

Mr. Li has more than eleven years of experience in corporate management. He worked as a salesperson of the marketing department (市場部銷售) from December 2005 to December 2007, a financial analysis officer (財務分析專員) from December 2007 to March 2009, and as a vice director (副主任) of the office of the board of directors and the manager of the strategic investment department (戰略投資部經理) of Changzhi Nanye from March 2009 to April 2011. He subsequently served as the assistant to the chairman of the board of directors of Changzhi Nanye from March 2011 to July 2017. Mr. Li then served as an executive director of Changzhi Nanye from July 2017 to June 2020. Mr. Li has been the deputy general manager of China Coal Insurance Co., Ltd. (中煤財產保險股份有限公司) since February 2021, the vice chairman of China Coal Insurance Co., Ltd. since March 2021 and a director of Chang Jiang Shipping Group Phoenix Co., Ltd (長航鳳凰股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000520) since July 2020.

Mr. Li obtained a bachelor's degree in law from Shanxi University (山西大學) in Shanxi Province, the PRC, in July 2015. Mr. Li was previously the legal representative, managing director or supervisor of the companies shown in the table below before their respective revocation of business license or deregistration.

Name of the Company	Place of establishment	Position(s)	Status	Date of revocation of business license
Changzhi Nanye Mining Industry Co., Ltd. (長治市南燁礦業有限責任公司) ("Changzhi Nanye Mining Industry")	PRC	Legal representative and managing director	Business license revoked	April 25, 2008
Changzhi Huashengrong Mining Industry Co., Ltd. (長治市華晟榮礦業有限公司) ("Changzhi Huashengrong")	PRC	Supervisor	Dissolved and deregistered	June 30, 2012

Mr. Li confirmed that the business license of Changzhi Nanye Mining Industry was revoked due to its failure to undergo annual inspection under the relevant PRC regulations because of its unfamiliarity with the relevant laws and regulations. Mr. Li confirmed that he did not incur any debt and/or liabilities because of such revocation of business license, and that the revocation of business license did not have any negative effect on our Bank.

# Directors, Supervisors, Senior Management and Employees

Mr. Li confirmed that Changzhi Huashengrong was absorbed by Shanxi Huashengrong Coal Mine Co., Ltd. (山西華晟榮煤礦有限公司) in July 2010 and the debts and obligations of Changzhi Huashengrong were all transferred to Shanxi Huashengrong Coal Mine Co., Ltd. Mr. Li confirmed that after the absorption, Changzhi Huashengrong was deregistered and it was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

## **Non-Executive Director, WANG Jianjun**

**Mr. WANG Jianjun (王建軍)**, aged 47, has been a non-executive Director since August 2018. He is currently a member of the Risk Management Committee of the Board.

Mr. Wang has over 25 years of experience in accounting. He holds positions at several subsidiaries of Lu'an Mining (Group) Co., Ltd. (潞安礦業(集團)有限責任公司) (“**Lu'an Mining Group**”), including a director of Lu'an Group Finance Co., Ltd. (潞安集團財務有限公司) since August 2018, a director of Shanxi Lu'an Ruitai Investment Co., Ltd. (山西潞安瑞泰投資有限責任公司) since December 2017, and the head (部長) of the finance department (財務部) of Shanxi Lu'an Environmental-friendly Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 601699) since November 2017. From March 2015 to November 2017, Mr. Wang worked at Wangzhuang pit (王莊煤礦) of Lu'an Mining Group, as the section chief (科長) of the finance section (財務科) from March 2015 to February 2017, and as the chief accountant (總會計師) and a deputy division chief (副處長) from February 2017 to November 2017. He was the financial director (財務總監) of Shanxi Shouyang Luyang Ruilong Coal Industry Co., Ltd. (山西壽陽潞陽瑞龍煤業有限公司) from July 2012 to March 2015. Prior to that, Mr. Wang worked as the financial director of Shanxi Shouyang Luyang Changtai Coal Industry Co., Ltd. (山西壽陽潞陽昌泰煤業有限公司) from December 2009 to July 2012. He worked at the finance section (財務科) of Changcun pit (常村煤礦) of Lu'an Mining Group, as a staff member (科員) and then a deputy section chief (副科長) from May 1997 to December 2009.

Mr. Wang graduated from Harbin Normal University (哈爾濱師範大學) through correspondence study in Heilongjiang Province, the PRC, in July 2013, majoring in financial management (財務管理). Mr. Wang has been a member of the Chinese Institute of Certified Public Accountants since December 2009. Mr. Wang is a middle level accountant granted by the Ministry of Finance of the PRC in May 2002.

## **Independent non-executive Director, WANG Liyan**

**Mr. WANG Liyan (王立彥)**, aged 66, has been an independent non-executive Director since September 2018. He is currently the chairperson of the Board's Audit Committee, the vice chairperson of the Board's Consumer Rights Protection Committee, and a member of the Board's Related Parties Transactions Control Committee.

Mr. Wang has been working at Peking University for over 30 years since 1985 and consecutively served as a teaching assistant (助教), teacher (講師), associate professor and professor of accounting. Mr. Wang is a professor and Ph.D. supervisor of Accounting Faculty of Guanghua School of Management, Peking University. Mr. Wang is also the director of the Research Center for International Accounting and Finance of Peking University. Mr. Wang is the editor-in-chief of China Accounting Review (《中國會計評論》) and China Management Accounting (《中國管理會計》).

# Directors, Supervisors, Senior Management and Employees

Mr. Wang was and is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Beijing Dabeinong Technology Group Co., Ltd. (北京大北農科技集團股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002385)	PRC	Agricultural and sideline products processing industry	March 2020 to present
China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), listed on the Hong Kong Stock Exchange (stock code: 1432)	Cayman Islands	Dairy industry	June 2017 to present
Unigroup Guoxin Microelectronics Co., Ltd. (紫光國芯微電子股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002049)	PRC	Circuit chip design and development	March 2017 to present
Gettop Acoustic Co., Ltd. (共達電聲股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002655)	PRC	Audio engineering industry	April 2018 to April 2021
Huaxin Cement Co., Ltd. (華新水泥股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600801) and on the Hong Kong Stock Exchange (stock code: 6655)	PRC	Cement industry	April 2015 to April 2021

Mr. Wang obtained a doctor's degree in economics from Peking University in Beijing, the PRC, in July 1992. He has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 1994.

## Independent non-executive Director, DUAN Qingshan

**Mr. DUAN Qingshan (段青山)**, aged 65, has been an independent non-executive Director since August 26, 2022. He is currently the chairperson of the Board's Nomination, Remuneration and HR Committee, the vice chairperson of the Board's Risk Management Committee and Related Party Transactions Control Committee, and a member of the Board's Development and Strategy Committee and Audit Committee.

Mr. Duan has more than 48 years of experience in banking industry. He worked at the head office of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) ("**China Minsheng Bank**") (a company listed on the Shanghai Stock Exchange with stock code 600016, and on the Hong Kong Stock Exchange with stock code 1988) from November 2007 to February 2017, and served as the general manager of human resources department from November 2007 to September 2012, as the chief financial director (財務總監) from April 2010 to April 2012, and as the chairman of the board of supervisors from April 2012 to February 2017. Mr. Duan worked at Taiyuan branch, China Minsheng Bank from November 1996 to November 2007, as a vice president from November 1996 to August 2000, and as the president from August 2000 to November 2007. Mr. Duan served as a staff member (職員) from July 1974 to August 1987 and worked in the audit division (稽核處) from September 1987 to October 1996 at the Taiyuan branch of the People's Bank of China.

Mr. Duan obtained a master's degree in business administration from Wuhan University in Hubei Province, the PRC, in December 2006.

# Directors, Supervisors, Senior Management and Employees

## **Independent non-executive Director, SAI Zhiyi**

**Mr. SAI Zhiyi (賽志毅)**, aged 54, has been an independent non-executive Director since August 2018. He is currently the chairperson of the Board's Risk Management Committee and Related Party Transactions Control Committee, the vice chairperson of the Board's Audit Committee and Nomination, Remuneration and HR Committee, and a member of the Board's Consumer Rights Protection Committee.

Mr. Sai has nearly 30 years of experience in banking industry and corporate management. Mr. Sai has been the executive director of Shandong Hi-speed Group Co., Ltd. (山東高速集團有限公司) since July 2020, and the chairman of the board of directors of its subsidiary Shandong Hi-speed Company Limited (山東高速股份有限公司) ("**Shandong Hi-speed**", a company listed on the Shanghai Stock Exchange with stock code 600350) since July 2018.

Mr. Sai served as deputy general manager of Shandong Hi-speed Group Co., Ltd. from August 2017 to July 2020. Mr. Sai worked as the vice chairman of the board of directors and the general manager of Shandong Hi-speed from June 2017 to July 2018. Prior to that, Mr. Sai worked as the vice chairman of the board of directors and the president of Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) ("**Weihai Bank**", a company listed on the Hong Kong Stock Exchange with stock code 9677) from May 2011 to June 2017. He was the general manager of Shandong Re-guarantee Group Co., Ltd. (山東再擔保集團有限公司) from November 2009 to June 2011. Mr. Sai served as a vice president of Weihai Bank from January 2002 to October 2009. From December 1998 to January 2002, Mr. Sai served as the president of a sub-branch of Weihai Bank. From August 1997 to December 1998, he was the director (主任) of credit loan department (信貸部) of Weihai City Cooperative Bank Co., Ltd. (威海市城市合作銀行股份有限公司) (currently known as Weihai Bank). Mr. Sai worked for the Weihai branch of ICBC as an officer at deputy section level (副科級幹部) from February 1996 to August 1997. From November 1995 to February 1996, Mr. Sai served as the vice plant manager of Weihai Hua'ao Aluminum Windows Co., Ltd. (威海華澳鋁塑門窗有限公司). He worked at Weihai branch of ICBC and consecutively served as an accountant, an office clerk (辦事員) and an operation officer (業務主任) from January 1992 to November 1995.

Mr. Sai obtained a master's degree in management from Tongji University (同濟大學) in Shanghai, the PRC, in May 2004. He obtained a doctor's degree in management from Tongji University in Shanghai, the PRC, in June 2008. Mr. Sai is a senior economist granted by Department of Human Resources of Shandong Province (山東省人事廳) in March 2007.

## **Independent non-executive Director, HU Zhihong**

**Ms. HU Zhihong (胡稚弘)**, aged 63, was elected as an independent non-executive Director on December 22, 2022. She is currently the chairperson of the Board's Consumer Rights Protection Committee, and a member of the Development and Strategy Committee, the Risk Management Committee and the Nomination, Remuneration and HR Committee of the Board.

Ms. Hu has 37 years of experience in financial technology planning and innovation in the banking industry. Ms. Hu served as the senior information technology specialist (高級信息科技專家) from May 2011 to August 2019, as a researcher at the deputy general manager level (副總經理級調研員) from July 2007 to May 2011, as the assistant to the general manager from December 1999 to June 2007, and as a departmental general manager from June 1997 to December 1999 of the software development center (軟件開發中心) of ICBC. Ms. Hu was the section chief (科長) and the deputy chief engineer (副總工程師) of the computer center (電腦中心) of Changchun branch of ICBC from September 1991 to June 1997, and a deputy section chief (副科長) of the technology section (科技處) of Jilin branch of ICBC from September 1984 to September 1991. Before that, she worked in the electrical station (電子站) of Jilin Branch of the PBoC from October 1982 to September 1984.

Ms. Hu obtained a bachelor's degree in engineering from Jilin University (吉林大學) in Jilin Province, the PRC, in August 1982, a master's degree in computer science from Harbin Institute of Technology (哈爾濱工業大學) in Heilongjiang Province, the PRC, in November 2002. She is a senior engineer granted by the Senior Engineer Assessment Committee of the ICBC (中國工商銀行高級工程師評審委員會) in August 1997.

## **Independent non-executive Director, CHAN Ngai Sang Kenny**

**Mr. CHAN Ngai Sang Kenny (陳毅生)**, aged 58, a Hong Kong Chinese citizen, was elected as an independent non-executive Director on December 22, 2022. He is currently a member of the Audit Committee of the Board.

Mr. Chan has over 30 years of experience in accounting, taxation, auditing and corporate finance. He is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants (Practicing). In addition, Mr. Chan has served on several tribunals and committees of the Government of Hong Kong, which includes the Mandatory Provident Fund Schemes Appeal Board (強制性公積金計劃上訴委員會), and the Advisory Committee on "Enhancing Self-Reliance" Through District Partnership Programme, where he has served as a committee member, and the Organizing Committee of the Hong Kong Youth Cultural & Arts Competitions Committee (全港青年學藝比賽大會統籌委員會) and the Youth Development Programme Advisory Committee of Home Affairs Department (民政事務總署青年發展計劃諮詢小組), where he has served as the chairperson. Mr. Chan was an independent non-executive director of Kingland Group Holdings Limited (景聯集團控股有限公司, a company listed on the Hong Kong Stock Exchange with stock code 1751 formerly known as Sing On Holdings Limited) from November 2016 to May 2020. Currently, Mr. Chan is an independent non-executive director of the listed companies shown in the table below.

## Directors, Supervisors, Senior Management and Employees

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), listed on the Hong Kong Stock Exchange (stock code: 1216)	PRC	Banking industry	March 2017 to present
CMIC Ocean En-Tech Holding Co., Ltd. (華商國際海洋能源科技控股有限公司), listed on the Hong Kong Stock Exchange (stock code: 206)	Cayman Islands	Asset investment and operation management of offshore engineering platforms, design, manufacturing and service of related equipment and packages in the land and offshore oil and gas exploration and development, the offshore wind power installation and other industries, and other clean energy and technology investments	October 2005 to present
Minsheng Education Group Company Limited (民生教育集團有限公司), listed on the Hong Kong Stock Exchange (stock code: 1569)	Cayman Islands	Education industry	March 2017 to present
Hebei Construction Group Corporation Limited (河北建設集團股份有限公司), listed on the Hong Kong Stock Exchange (stock code: 1727)	PRC	Construction industry	December 2017 to present
Pak Tak International Limited (百德國際有限公司), listed on the Hong Kong Stock Exchange (stock code: 2668)	Bermuda	Supply chain business, leasing business, property investment, money lending business and securities investment	October 2019 to present

Mr. Chan has been a member of the New Zealand Institute of Chartered Accountants (currently known as Chartered Accountants Australia and New Zealand) since March 1998, the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since February 1992 and The Hong Kong Institute of Directors (香港董事學會) since October 2016. Mr. Chan received a bachelor's degree in commerce (accounting and finance) from the University of New South Wales in Australia in October 1988. Mr. Chan has been a member of The Taxation Institute of Hong Kong (香港稅務學會) since August 1998 and the Australian Society of Certified Practising Accountants (currently known as CPA Australia) since February 1989.

## 2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of nine Supervisors, including three employee Supervisors, three Shareholder Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The certain information about our Supervisors is set out as follows.

**Mr. XIE Liying (解立鷹)**, aged 55, has been an employee Supervisor since July 2009, the chairman of the Board of Supervisors since December 2016 and the full-time deputy secretary of the party committee and the chairman of the Board of Supervisors of the Bank since December 2020.

Mr. Xie has over 20 years of experience in administrative and corporate management. He has been the chief human resources officer (首席人力資源官) of our Bank from January 2014 to November 2016. He served as the general manager of the human resources department (人力資源部) of our Bank from May 2009 to January 2014. Mr. Xie was seconded to the preparatory team of our Bank from September 2008 to May 2009, when he worked as the deputy director (副主任) in the cadre report center (幹部舉報中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from April 2006 to May 2009. Mr. Xie was a principal staff member (主任科員) in the cadre (under direct management) section (省直幹部處) of the organization department of the Shanxi Provincial Party Committee from April 2003 to April 2006. Prior to that, he worked as director at the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from February 1998 to April 2003. Mr. Xie worked as the deputy director (副主任) and then the director (主任) of the office of the training center (培訓中心辦公室) of Shanxi Administration for Industry and Commerce (山西省工商行政管理局) from December 1994 to February 1998, during which period he was seconded to the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from October 1996 to February 1998.

Mr. Xie obtained a bachelor's degree in economics from Beijing College of Finance and Commerce (北京財貿學院) in Beijing, the PRC, in July 1989.

## Directors, Supervisors, Senior Management and Employees

**Mr. WANG Weiping (王衛平)**, aged 52, has been a Shareholder Supervisor of the Bank since December 2022.

Mr. Wang has 28 years of experience in economic management. Mr. Wang has served as the deputy chief accountant (副總會計師) and head of the financial asset department (財務資產部部長) of Jinneng Holding Power Group Co., Ltd.(晉能控股電力集團有限公司) since March 2021. Mr. Wang worked in Taiyuan No. 1 Construction Engineering Company (太原市第一建築工程公司) as a corporate accountant (公司會計) from May 1994 to July 1997. From July 1997 to October 1999, he worked as a project manager in Shanxi Gaoxin Accounting Firm (山西高新會計師事務所). He then worked in Shanxi Local Power Co., Ltd. (山西地方電力公司) from October 1999 to February 2002. He worked at Shanxi Financial Leasing Co., Ltd. (山西金融租賃公司) from February 2002 to February 2008, during which period he served as the deputy chief accountant (副總會計師) and manager of the accounting and finance department (計財部) from February 2002 to January 2004, and as assistant to the general manager from January 2004 to February 2008. He worked in Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) from February 2008 to December 2008. After that, he worked as a member of the party committee and chief accountant (總會計師) in Shanxi International Electricity Asset Management Company (山西國際電力資產管理公司) from December 2008 to October 2009. Mr. Wang was a member of the party committee and chief accountant of Shanxi Top Energy Co., Ltd. (山西通寶能源股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600780) from October 2009 to January 2011 and a member of the party committee and chief accountant of Shanxi International Electricity Property Co., Ltd. (山西國電置業有限公司) from January 2011 to July 2014. Mr. Wang served as the manager of finance department (財務部經理) of Jinneng Electricity Group Co., Ltd. (晉能電力集團有限公司) from July 2014 to March 2017. He then served as a member of the party committee and chief accountant (總會計師) of Jinneng Electricity Group Co., Ltd. from March 2017 to March 2021.

Mr. Wang obtained a bachelor's degree through correspondence study in accounting from Shanxi Radio and Television University (山西廣播電視大學) (currently known as Shanxi Open University (山西開放大學)) in Shanxi Province, the PRC, in June 2009. Mr. Wang is a senior accountant (高級會計師) granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in October 2010.

# Directors, Supervisors, Senior Management and Employees

**Ms. XU Jin (徐瑾)**, aged 46, was a Shareholder Supervisor of the Bank from December 2015 to June 2021, and has been a Shareholder Supervisor of the Bank since December 2022.

Ms. Xu has 22 years of experience in economic management. Ms. Xu has been working as the director (部長) of the capital operation department (資本運營部) of Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) (“**Shanxi Coking Coal**”) since November 2020. From November 2009 to November 2020, Ms. Xu consecutively served as the vice director (副主任), head of property management (資產管理主管) and deputy head (副部長) of the finance department (財務部), director (主任) of the preparatory office of finance shared center (財務共享中心籌備辦公室) and deputy director (副主任) of the financial work office (金融工作辦公室) of Shanxi Coking Coal. Before that, she successively served as a staff member (科員) and deputy chief staff member (副主任科員) in the capital settlement and management center (資金結算管理中心) of Shanxi Coking Coal from January 2006 to November 2009. Ms. Xu worked in the West Bureau Workers General Hospital (西局職工總醫院) from December 1999 to September 2003. She then worked in the finance division (財務處) in the headquarter of Xishan Coal Company (西山煤礦總公司) from October 2003 to January 2006.

Ms. Xu obtained a bachelor’s degree in engineering in June 2003 from Taiyuan University of Technology (太原理工大學) in Shanxi Province, the PRC. She obtained a bachelor’s degree in accounting from Taiyuan University of Technology in January 2008 through correspondence study in the evening university (夜大). Ms. Xu obtained a master’s degree in business administration in June 2011 from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC. Ms. Xu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since December 2006. She is also a holder of the certificate of senior level of accounting granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in April 2011.

**Mr. PANG Zhengyu (龐征宇)**, aged 40, has been a Shareholder Supervisor of the Bank since December 2022.

Mr. Pang has 15 years of experience in economic management. Mr. Pang has served as the deputy head of the planning and finance department (計劃財務部副部長) of Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) since June 2021. He worked in Shanxi Jincheng Anthracite Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) (currently known as Jinneng Holding Equipment Manufacturing Group Co., Ltd.) from September 2007 to December 2020, and consecutively served as the accountant, deputy section chief (副科長), and section chief (科長) of the property section, finance center (財務中心產權科). After that, Mr. Pang successively worked as the head of finance department (財務部主管) and head of the financial management office (財務管理室主管) in Jinneng Holding Equipment Manufacturing Group Co., Ltd. from December 2020 to June 2021.

Mr. Pang obtained a bachelor’s degree in accounting from Taiyuan University of Technology in Shanxi Province, the PRC, in July 2007. Mr. Pang further obtained a master’s degree in economics from Dongbei University of Finance & Economics (東北財經大學) in Liaoning Province, the PRC, in January 2014 after studying in the executive Master of Professional Accounting (MPACC) class from January 2011 to January 2014. Mr. Pang obtained the qualification as an accountant (會計師) from Ministry of Finance of the PRC (中華人民共和國財政部) in September 2018.

## Directors, Supervisors, Senior Management and Employees

**Mr. WEN Qingquan (溫清泉)**, aged 49, has been an employee Supervisor of the Bank since May 2019.

Mr. Wen has over ten years of experience in banking industry. Mr. Wen has been the general manager (總經理) of the Channel Management Department (渠道管理部) of our Bank since August 2021. Mr. Wen joined our Bank in March 2011. He worked as the director (主任) of the president's office (行長辦公室) of our Bank from February 2019 to August 2021, the deputy general manager (副總經理) of the HR department (人力資源部) of our Bank from May 2015 to February 2019, during which period he also served as the deputy director (副主任) of the assessment office (考核辦公室) of our Bank from November 2016 to February 2018 and then the general manager (總經理) of the assessment training department (考核培訓部) of our Bank from February 2018 to February 2019. Mr. Wen served as the assistant to the general manager (總經理助理) of the HR department (人力資源部) of our Bank from April 2011 to May 2015. Prior to joining our Bank, Mr. Wen worked at Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee (山西省委老幹部局) from November 2001 to March 2011 and served as a senior staff member (副主任科員) from November 2002 to October 2005, as a principal staff member (主任科員) from October 2005 to February 2009 and as an associate editor (副主編) and the vice president (副社長) of Shanxi Elderly Magazine (老年雜誌社) of Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee from February 2009 to March 2011. Mr. Wen worked at the party school of Heshun County Party Committee (和順縣委黨校) from August 1998 to October 2000 and then worked at the organization department of Heshun County Party Committee (和順縣委組織部) from October 2000 to November 2001.

Mr. Wen obtained a bachelor's degree in economics from Shanxi Agricultural University (山西農業大學) in Shanxi Province, the PRC, in July 1998.

**Mr. SU Hua (蘇華)**, aged 45, has served as the general manager of the legal compliance department (法律合規部) of the Bank's head office since November 2021, and has been an employee Supervisor of the Bank since December 2022.

Mr. Su has over 19 years of experience in audit, economics and economic management. He worked in the Taiyuan Audit Office of China National Audit Office (審計署太原特派辦) from July 2004 to September 2017, during which period he worked in section II for treasury auditing (財政審計二處) from July 2004 to July 2005 and was a senior staff member (副主任科員) of section II for treasury auditing from July 2005 to August 2005, a senior staff member of the financial auditing section (金融審計處) from August 2005 to September 2008, a principal staff member (主任科員) of the financial auditing section from September 2008 to December 2012, the deputy head (副處長) of the financial auditing section from December 2012 to February 2016, and the deputy head of the foreign funds utilization and application auditing section (外資運用審計處) from February 2016 to September 2017. After that, Mr. Su joined the Bank in September 2017 and worked as the deputy general manager of the auditing department (審計部) of the Bank's head office from September 2017 to July 2019. He also served as the vice director of the disciplinary inspection committee office (紀委辦) of the Bank's head office from October 2018 to April 2019 and as the vice director (in charge) from July 2019 to March 2020. Mr. Su served as a member of Shanxi Province Commission for Discipline Inspection and Supervisory Commission's disciplinary inspection and supervision group in the Bank (山西省紀委監委駐晉商銀行紀檢監察組紀檢監察員) from August 2019 to September 2021.

## Directors, Supervisors, Senior Management and Employees

Mr. Su obtained a bachelor's degree in statistics from Qingdao Construction and Engineering College (青島建築工程學院) (currently known as Qingdao University of Technology (青島理工大學)) in Shandong Province, the PRC in July 1999. He further obtained a master's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in July 2004. Mr. Su obtained the qualification of auditor (審計師) from Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in December 2008, and he further obtained the qualification of Certified Internal Auditor from the Institute of Internal Auditors in July 2020.

**Mr. ZHUO Zeyuan (卓澤淵)**, aged 60, has been an external Supervisor of the Bank since December 2022.

Mr. ZHUO Zeyuan joined Central Party School of the CPC (中央黨校) in August 2003. He became the vice director of the political science and law department (政法部副主任) in December 2003 and the principal of the graduate school (研究生院院長) in July 2008 at the Central Party School of the CPC. Mr. Zhuo has also been working as the deputy director (suspended post) of the office for judicial reform of the Supreme People's Court (最高人民法院司法體制改革辦公室副主任) since December 2012. Mr. Zhuo has been serving as the standing vice director (常務副主任) of the Central Party School of the CPC since January 2015, and the director of the political science and law department of the Central Party School of the CPC since November 2015. Mr. Zhuo served as the deputy head of the education division (副教育長) of Central Party School of the CPC (National Academy of Governance) (中央黨校(國家行政學院)) from August 2018 to July 2021, and he subsequently resigned as the deputy head of the education division and became a professor in the political science and law department in July 2021. Mr. Zhuo served as a teaching assistant in the faculty of law of the Southwest University of Political Science & Law (西南政法大學) ("SWUPL") from July 1984 to September 1987, and he then studied for a master's degree in SWUPL from September 1987 to July 1990. From July 1990 to August 2003, he worked in SWUPL and served consecutively as a teaching assistant, lecturer, associate professor, professor, member of the school's standing party committee and vice principal.

Mr. Zhuo obtained a bachelor's degree in law from SWUPL in Chongqing, the PRC, in July 1984, a master's degree in law from SWUPL in July 1990, and an on-job doctorate degree in law from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC, in July 2000.

## Directors, Supervisors, Senior Management and Employees

**Mr. WU Jun (吳軍)**, aged 69, has been an external Supervisor of the Bank since May 2018.

Mr. Wu worked at School of Banking & Finance (金融學院) of University of International Business and Economics (“SoBF”) for over 25 years since 1992 and once served as deputy professor, professor, Ph.D. supervisor and dean of SoBF.

Mr. Wu was and is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Positions	Term of Service
Southwest Securities International Securities Limited (西證國際證券股份有限公司) (listed on the Hong Kong Stock Exchange (stock code: 0812))	Bermuda	Financial services	Independent director	January 2015 to June 2020
Southwest Securities Co., Ltd. (西南證券股份有限公司) (listed on the Shanghai Stock Exchange (stock code: 600369))	PRC	Financial services	Independent director	March 2009 to March 2017
Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd. (浙江紹興瑞豐農村商業銀行股份有限公司) (listed on the Shanghai Stock Exchange (stock code: 601528))	PRC	Financial services	Independent director	March 2005 to March 2017
Shenzhen Shenxin Taifeng Group Co., Ltd. (深圳市深信泰豐(集團)股份有限公司) (listed on the Shenzhen Stock Exchange (stock code: 000034)) (the company was renamed as “Digital China Group Co., Ltd. (神州數碼集團股份有限公司)” in 2016)	PRC	Technology, telecommunications and aquaculture, etc.	Independent director	June 2008 to June 2014
Shijihengtong Technology Co., Ltd. (世紀恒通科技股份有限公司)	PRC	Technology services, etc.	Independent director	March 2019 to present
Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (listed on the Hong Kong Stock Exchange (stock code: 0416))	PRC	Financial services	Independent director	November 2019 to present
New China Asset Management Co., Ltd. (新華資產管理股份有限公司)	PRC	Insurance asset management	Independent director	March 2020 to present

Mr. Wu obtained a junior college (專科) degree in finance from the finance department, Yunnan Finance and Trade College in Yunnan Province, the PRC, in July 1981. He obtained a master’s degree in finance from the Finance Research Institute of Head Office of the People’s Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, the PRC, in July 1988. Mr. Wu obtained a doctor’s degree in finance from the Finance Research Institute of Head Office of the People’s Bank of China in May 1995.

# Directors, Supervisors, Senior Management and Employees

**Mr. BAI Guangwei (擺光煒)**, aged 57, has been an external Supervisor of the Bank since December 2022.

Mr. Bai has been the chairman of Shanghai Tian Quan Investment Management Co., Ltd. (上海天泉投資管理有限公司) since October 2014. Mr. Bai served consecutively as a staff member (科員) and the credit director of the operation division (營業部信貸負責人) of Shanxi branch of China Investment Bank (中國投資銀行) from July 1986 to December 1997, during which period he was seconded to the government of Shanxi Province from September 1992 to July 1993. He worked in Huaxia Bank Co., Ltd. (華夏銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600015) from January 1998 to July 2014, during which period he served consecutively as the general manager of the division for individuals (個人部) in Taiyuan branch, president of the Taoyuan South Road sub-branch under Taiyuan branch, vice president of Urumqi branch and vice president of Shanghai branch.

Mr. Bai obtained an EMBA degree from South China University of Technology (華南理工大學) in Guangdong Province, the PRC, in July 2008. Mr. Bai obtained the qualification as an economist (經濟師) from the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in October 2003.

## 3 Senior Management

**Mr. ZHANG Yunfei (張雲飛)**, aged 52, has been a president of the Bank since September 30, 2022.

For the biographical information of Mr. ZHANG Yunfei, see “III. Biographies of Directors, Supervisors and Senior Management – 1. Directors – Executive Director and vice chairman, ZHANG Yunfei”.

**Mr. ZHAO Jiquan (趙基全)**, aged 49, has been a vice president of the Bank since October 29, 2021.

Mr. Zhao has over 15 years of experience in banking industry. He served as general manager of the audit department of our Bank from April 2019 to July 2019 and as the chairman of Jinshang Consumer Finance Co., Ltd. from October 2019 to December 2021. Mr. Zhao joined our Bank in May 2009. Mr. Zhao worked as the candidate of the president (行長擬聘人選) and then the president of Linfen branch (臨汾分行) of our Bank from January 2014 to January 2015 and then as the president of Jinyang sub-branch (晉陽支行) of our Bank from January 2015 to April 2019. He worked at the audit department of our Bank from May 2009 to June 2010. He worked as the general manager of the internal control department (內控合規部) of our Bank from June 2010 to May 2013, during which period he also served as the general manager of the audit department of our Bank from November 2011 to May 2013. He served as the general manager of the credit review department of our Bank from May 2013 to January 2014 and as the assistant to the president of our Bank from November 2019 to April 2021. Prior to joining our Bank, Mr. Zhao worked at Shanxi Provincial Agricultural Credit Cooperative (山西省農村信用社聯合社) as a vice general manager (副總經理) of the due diligence department (稽核部) from November 2005 to May 2009. He worked as a principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi SASAC from May 2004 to November 2005 and during this period he also once served as the chief accountant (總會計師) of Shanxi Guorui Investment Co., Ltd. (山西國瑞投資有限公司). He consecutively served as a senior staff member (副主任科員) and principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi Enterprises Working Committee (山西省企業工作委員會) from November 2000 to April 2004. Mr. Zhao worked as a senior staff member (副主任科員) of the finance division (財務處) of Shanxi Province Textile Union (山西省紡織總會) from May 1998 to November 2000, and served as an officer (幹部) of the finance department (財務部) of Taiyuan Heavy Machinery Group Co., Ltd. (太原重型機械集團有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 600169) from July 1996 to May 1998.

## Directors, Supervisors, Senior Management and Employees

Mr. Zhao earned a master's degree in engineering from Shanxi University (山西大學) in Shanxi Province, the PRC in June 2012. He obtained a bachelor's degree in economics from Lanzhou University (蘭州大學) in Gansu Province, the PRC in June 1996. Mr. Zhao has been a non-practicing member of the Chinese Institute of Certified Public Accountants since December 2001. Mr. Zhao was certified as a senior accountant by the Shanxi Senior Accountants Technical Position Evaluation Committee (山西省高級會計師技術職務評審委員會) in December 2003 and was awarded the Certificate for Chinese Registered Financial Analysts (Level II) (中國註冊金融分析師(二級)證書) by the China Enterprise Confederation (中國企業聯合會) in September 2010.

**Mr. Li Yanbin (李燕斌)**, aged 44, has been a vice president of the Bank since June 14, 2022.

Mr. Li has more than 19 years of experience in economy. Mr. Li joined the Bank in December 2021 and has been the general manager of the asset custody department (preparatory) (資產託管部(籌)) of the Bank since January 2022. He also served as the general manager of the investment banking department (投資銀行部) of the Bank from January 2022 to March 2023. Prior to joining our Bank, he worked as the deputy director of the preparatory office of Huayuan Landport Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from December 2020 to January 2021. He worked as the head of financial management department of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from January 2021 to December 2021, during the period, he worked as the director, vice chairman and general manager of Huayuan Landport Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from January 2021 to July 2021 and worked as the deputy secretary of the Party committee, vice chairman and general manager of Huayuan Landport Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from July 2021 to December 2021. He worked as the director of asset management center of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from October 2020 to December 2021. He worked as director of capital operation department and Secretary of Youth League Committee of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from April 2020 to October 2020. He worked as director of the capital operation department and Secretary of the Youth League Committee of Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) from June 2016 to April 2020. Mr. Li worked as deputy head of capital operation department of Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) from August 2015 to June 2016 (presiding over the work). Mr. Li worked as deputy head of capital operation department of Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) from February 2013 to August 2015. Mr. Li worked as a director of Shanxi Enterprise Re Guarantee Co., Ltd. (山西企業再擔保有限公司) from September 2013 to December 2021, during the period, he worked as the chairman of the board of supervisors of Jinyulu Railway Transport Co., Ltd. (晉豫魯鐵路通道股份有限公司) from October 2019 to December 2021. Mr. Li joined Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) in September 2010. Prior to joining that company, Mr. Li worked as the chief of the credit section of the major customer department of Shanxi branch of Bank of Communications from August 2010 to September 2010; Mr. Li worked as the customer manager of the major customer department of Shanxi branch of Bank of Communications from June 2009 to August 2010; Mr. Li worked as the customer manager of Taiyuan 51 Road branch of Bank of Communications from January 2006 to June 2009; Mr. Li worked as the customer manager of Taiyuan Xinjian South Road branch of Bank of Communications from November 2005 to January 2006; Mr. Li worked as the general secretary of the office of Taiyuan Branch of Bank of Communications from March 2003 to November 2005; Mr. Li worked as the accountant of the business department of Taiyuan Branch of Bank of Communications from December 2002 to March 2003; Mr. Li worked as the accountant of Shangguanxiang Savings Office of Taiyuan Branch of Bank of Communications from August 2002 to December 2002.

## Directors, Supervisors, Senior Management and Employees

Mr. Li obtained a bachelor's degree in economics/management from Shanxi University of Finance and Economics (山西財經大學) in Shanxi, the PRC in July 2002. Mr. Li obtained a master's degree in economics from Shanxi University of Finance and Economics (山西財經大學) in June 2008. Mr. Li was qualified as senior economist in August 2019.

**Mr. WANG Yibin (王義斌)**, aged 52, has been a vice president of the Bank since June 14, 2022.

Mr. Wang has more than 28 years of experience in banking industry. He joined our Bank in May 2009. He has been the General Manager of the Bank's Retail Banking Division since April 2013 and during this period, has served as the General Manager of the Bank's Asset Management Department from July 2016 to July 2021, and worked as the General Manager of the Bank's Private Banking Division from April 2013 to January 2014. From February 2011 to April 2013, he was the General Manager of Personal Business Department and General Manager of Credit Card Department of the Bank. From November 2009 to February 2011, he served as Deputy General Manager of New Business Development Division of the Bank. From August 2009 to November 2009, he served as General Manager of Corporate Business Department No. 6 of the Bank. Prior to joining our Bank, he served as General Manager of Corporate Business Department of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) ("ICBC") Changzhi Branch from March 2008 to May 2009, worked as a president of ICBC Changzhi County Sub-branch from April 2006 to March 2008, he served as a vice president of ICBC Licheng County Sub-branch (presiding over the work) from February 2004 to April 2006. He worked as the manager of new business development center of ICBC Changzhi Branch from February 2003 to February 2004, he worked as a vice president of ICBC Changzhi country Sub-branch from September 2001 to February 2003, he served as manager of Chief Accountant of ICBC Huguan County Sub-branch from June 2000 to September 2001, Chief Accountant of ICBC Tunliu County Sub-branch from August 1998 to June 2000. From February 1997 to August 1998, he served as a section officer of the Planning & Finance Department of the ICBC Changzhi Branch, he worked as an officer and creditor of ICBC Changzhi Changbei Office from July 1994 to February 1997.

Mr. Wang graduated from Harbin Finance College in Heilongjiang Province, China in July 1994, majoring in accounting and statistics. Mr. Wang graduated from China Central Radio and Television University in November 2005 through correspondence studies, majoring in law. Mr. Wang passed the examination of Shanxi Provincial Personnel Department in June 2000 and obtained the title of economist.

## Directors, Supervisors, Senior Management and Employees

**Mr. WEN Gensheng (溫根生)**, aged 57, has been the chief human resources officer of the Bank since December 2016.

Mr. Wen has more than 20 years of experience in administrative management. Mr. Wen joined our Bank in November 2016. He worked as the general manager (總經理) of the human resources department (人力資源部) and the head (部長) of the organization department of the party committee (黨委組織部) since November 2016. Prior to joining our Bank, Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of the cadre section II (幹部二處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2015 to November 2016. Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of local cadre section (地方幹部處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from October 2010 to July 2015. Mr. Wen worked as a principal staff member (主任科員) and a deputy researcher (副調研員) of the organization guide section (組織指導處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2003 to October 2010. Mr. Wen worked as a principal staff member (主任科員) of fundamental politics section (基政處) and personnel education section (人事教育處) of Shanxi Civil Affairs Bureau (山西省民政廳) from January 1997 to July 2003.

Mr. Wen graduated from Taiyuan Normal College (太原師範專科學校) in Shanxi Province, the PRC, majoring in geography, in July 1985. Mr. Wen graduated from the Correspondence Institute of the Central Communist Party School of the CPC (中央黨校函授學院) through correspondence study in December 1996, majoring in economics management.

**Mr. LI Weiqiang (李為強)**, aged 58, has been working as secretary of the Board of Directors since December 2019 and as joint company secretary of the Bank since September 2020.

Mr. Li has more than 30 years of experience in banking industry. Mr. Li has successively served as the director of the party committee office (黨委辦公室), director (head) of the party committee office (publicity department of the party committee) (黨委辦公室(黨委宣傳部)) and the head of the work department of the party committee of the Bank from February 2019 to April 2023. Mr. Li served as the director (主任) of the Board's office (董事會辦公室) of our Bank since February 2019 to August 2021. Mr. Li served as the director (主任) of the president's office (行長辦公室) of our Bank from February 2012 to March 2019. He served as an employees' representative Supervisor from January 2016 to May 2019. From March 2011 to February 2012, he was also the director (主任) of the assessment office (考核辦公室) of our Bank. He served for ABC before joining our Bank. From January 2007 to July 2011, he was the director (處長) of credit management division (信貸管理處) in ABC Shanxi branch. From December 2003 to January 2007, Mr. Li was the deputy director and then the director of the party committee office (黨委辦公室) of ABC Shanxi branch. Mr. Li was a vice president (副行長) of ABC Yangquan sub-branch from October 1998 to December 2003. He was the office director of ABC Yangquan sub-branch from January 1997 to October 1998. Before that, he worked as a vice president of ABC Yangquan suburban district sub-branch from November 1995 to January 1997. Mr. Li served as the office staff member (辦公室科員) and then the deputy director (副主任) of ABC Yangquan branch from July 1988 to November 1995.

Mr. Li obtained a bachelor's degree from Hebei Finance College (河北財經學院) (currently known as Hebei University of Economics and Business (河北經貿大學) in Hebei Province, the PRC, in July 1988, majoring in rural finance (農村金融). He is a senior economist (高級經濟師) granted by ABC in December 2001.

# Directors, Supervisors, Senior Management and Employees

**Mr. SHANGGUAN Yujiang (上官玉將)**, aged 50, has been serving as assistant to the president of the Bank since December 2019.

Mr. Shangguan has about 25 years of experience in banking industry. He has been the secretary to the party committee of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) since December 2021. Mr. Shangguan was the president of Bingzhou branch (並州支行) of our Bank and the general manager of energy division of the Bank from January 2018 to July 2021 successively. During the period, he served as an employees' representative Supervisor of our Bank from June 2018 to May 2019. From September 2012 to January 2018, Mr. Shangguan worked at Changzhi branch (長治分行) of our Bank, as the leader of the preparatory team, a vice president and the president successively. Prior to joining our Bank, Mr. Shangguan worked for Beijing branch and Weigongcun branch, China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code 9668) from December 2007 to September 2012. He served as the president of Taixi sub-branch (太西支行) and rural area sub-branch (郊區支行), Changzhi City Commercial Bank Co., Ltd. (長治市商業銀行股份有限公司) from October 2006 to December 2007 successively. Mr. Shangguan worked for several Urban Credit Cooperatives in Changzhi City from August 1995 to October 2006.

Mr. Shangguan obtained a master's degree in business administration from Xiamen University (廈門大學) in Fujian Province, the PRC, in September 2018. He is a middle level economist granted by Ministry of Human Resources of the PRC (中華人民共和國人事部) in November 2000.

# Directors, Supervisors, Senior Management and Employees

**Ms. LI Wenli (李文莉)**, aged 53, was appointed as the chief audit officer by the Board of Directors since March 2021.

Ms. Li has over 30 years of experience in banking industry. She joined our Bank in February 2009 and has been the general manager of the audit department of our Bank since July 2019. She served as the secretary to the party committee of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) from October 2018 to July 2019. She served as the general manager of the audit department of our Bank from July 2014 to October 2018, as the general manager of the internal control department (內控合規部) of our Bank from January 2014 to January 2017, as the deputy general manager and the general manager of the financial market department of our Bank from September 2011 to January 2014 successively, and as the director of the clearing center (票據中心) of our Bank from June 2011 to September 2011. She consecutively served as the vice president of Jingangli sub-branch (金剛里支行) under Jinyang sub-branch (晉陽支行) and vice president of Jinyang sub-branch of our Bank from February 2009 to July 2011. She worked at Taiyuan City Commercial Bank Co., Ltd. from October 1998 to February 2009, and served as vice president and president of Xinghua Street sub-branch (興華街支行) from July 2000 to February 2009 successively.

Ms. Li graduated from master of business administration of Inner Mongolia University of Technology (內蒙古工業大學), and obtained a master's degree in business administration in June 2007. Ms. Li is a senior auditor granted by the Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in November 2019.

## IV. CONFIRMATION OF THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual independence confirmation letter from each of the independent non-executive Directors and believes that all independent non-executive Directors are independent according to the relevant guidelines contained in Rule 3.13 of the Hong Kong Listing Rules.

## V. INFORMATION ON REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the total amount of the remuneration of Directors and Supervisors during the Reporting Period, please refer to Note 9 to the financial statements. For the year ended December 31, 2022, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

For the year ended December 31, 2022, the remuneration of senior management by remuneration band is set out as follows:

Remuneration band	Number of people
RMB1,000,000 or less	5
RMB1,000,001 to RMB1,500,000	3



## VI. NUMBER OF EMPLOYEES AND TRAINING PROGRAMS

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

The Bank earnestly implemented the national vocational skills improvement action plan, closely focused on financial hotspots and trend of domestic and international markets and the Bank's management and development strategy. According to the training concept of "party building leading, close to business, pragmatic and efficient, and service operation", and based on the working idea of "systematic design, project promotion, practical assessment, and market-oriented operation", we formulated and decomposed the annual training plan, and organized and carried out various types of training. The annual training work was aimed at providing strong talent support and intellectual guarantee for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated the three level training resources at its headquarters, branches and sub-branches, adhered to the principle of combining internal training with external training, and complemented each other online and offline, and carried out all-round and multi-dimensional training work for the Bank's employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance.

## VII. REMUNERATION POLICIES

### The Structure and Decision Process of Remuneration Management

The Bank has established a more scientific and reasonable organizational structure for remuneration management and has set up a Nomination, Remuneration and HR Committee at the Board of Directors' level, which is responsible to the Board of Directors. Important allocation system or major matters involving remuneration management shall be submitted to the Nomination, Remuneration and HR Committee of the Board of Directors for consideration and the Board of Directors for resolution, and major proposals involving remuneration allocation shall be voted on and approved by the shareholders' general meeting or reported to the relevant competent authorities for approval and filing procedures.

# Directors, Supervisors, Senior Management and Employees

## **Remuneration policy**

The Bank has clearly regulated the remuneration policy for directors, supervisors and senior management, and has continuously improved the performance appraisal system and incentive and restraint mechanism for directors, supervisors and senior management. The remuneration of the Bank's directors, supervisors and senior management personnel who are included in the remuneration management of the heads of state-owned enterprises in Shanxi Province shall be implemented in accordance with the Interim Measures for the Remuneration Management of the Heads of State-owned Local Financial Enterprises in Shanxi Province; the remuneration of the non-executive directors (including independent non-executive directors), shareholders' representative supervisors and external supervisors is determined by the shareholders' general meeting; the remuneration of other employees is implemented according to the measures for the remuneration management formulated by the Bank. The remuneration of employees consists of fixed remuneration, variable remuneration and subsidies and allowances. The Bank did not give independent non-executive directors equity remuneration with performance-related elements.

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

## **The standard between remuneration, result measurement and risk adjustment**

The Bank has established the remuneration management mechanism linked with performance and risk, and fully implemented the Measures for the Management of Total Wages of Provincial Financial Enterprises, with annual remuneration directly linked to economic efficiency, labor productivity and performance evaluation scores of provincial enterprises. The payment of the Bank's performance bonus is strictly linked with the result of performance appraisal. According to the special indicator of "benchmarked against first-class banks" and the annual business strategy plan, the performance appraisal is conducted from seven dimensions: risk management, compliance operation, core index, learning bank, strategic transformation, service efficiency and comprehensive evaluation. The Bank's assessment indicators include but are not limited to scale indicators, profit indicators, performance indicators, risk indicators, social responsibility indicators and other indicators. In order to further implement the purpose that the indicators of regulatory risk management and compliance operation should be significantly higher than other indicators, the Bank should ensure its asset quality and safe development, refine the assessment content and increase the proportion of scores.

## **Deferment of remuneration and non-cash remuneration**

The Bank actively implemented the risk responsibility and strictly enforced the system of deferred payment and recourse to withholding of performance remuneration for senior management and key positions, which is generally implemented in accordance with 40% of performance remuneration and the deferred payment period is not less than 3 years, among which the proportion of deferred payment of performance remuneration for key senior management personnel reaches 50%. In 2022, the Bank took the initiative to implement the Supervisory Guidelines on Sound Compensation in Commercial Banks and other relevant guidelines and systems and measures, stopped, recovered and deducted the payment of performance remuneration of corresponding personnel according to the degree of severity in the event of violation of regulations and disciplines or abnormal risk exposure within the scope of duties; during the Reporting Period, the Bank didn't implement non-cash remuneration.

## **Remuneration of the employees in positions that have important influence on the Bank's risk**

The Bank has a total of 998 employees in positions such as management staff of the branches/subbranches, the main person in charge of the front and middle office of the head office and branches, and independent reviewer that have important influence on risk. The total remuneration in 2022 was RMB297.93 million, among which the basic salary was RMB62.30 million, with 40% of performance-based remuneration was paid in arrears, and the deferred payment period was not less than 3 years, which was in compliance with the regulatory requirements.

## **The formulation and filing of annual remuneration plan, and completion assessment of economic, risk and social responsibility indicators**

The formulation and filing of the remuneration plan are managed by the Shanxi Finance Bureau for annual coordination; the economic, risk and social responsibility indicators involved are comprehensively assessed by the Shanxi Finance Bureau in accordance with the Performance Evaluation Measures of Provincial Enterprises in terms of basic work, industry benchmarking and target responsibility, etc.

The Bank's return on net assets, return on total assets, cost-to-income ratio and net profit all met the performance appraisal targets set by the Board of Directors for 2022; the Bank's capital adequacy ratio, provision coverage ratio, NPL ratio and leverage ratio all met the appraisal requirements.

## **The exception of exceeding the original remuneration plan**

During the Reporting Period, no exception exceeds the original remuneration plan in our Bank.

Please refer to Note 8 to the financial statements for the total amount and composition of employee compensation and benefit expenses of the Bank for 2022; please refer to Note 9 to the financial statements for details of the remuneration of Directors and Supervisors; please refer to above "V. Information on Remuneration Paid to Directors, Supervisors and Senior Management" for details of the remuneration of senior management.

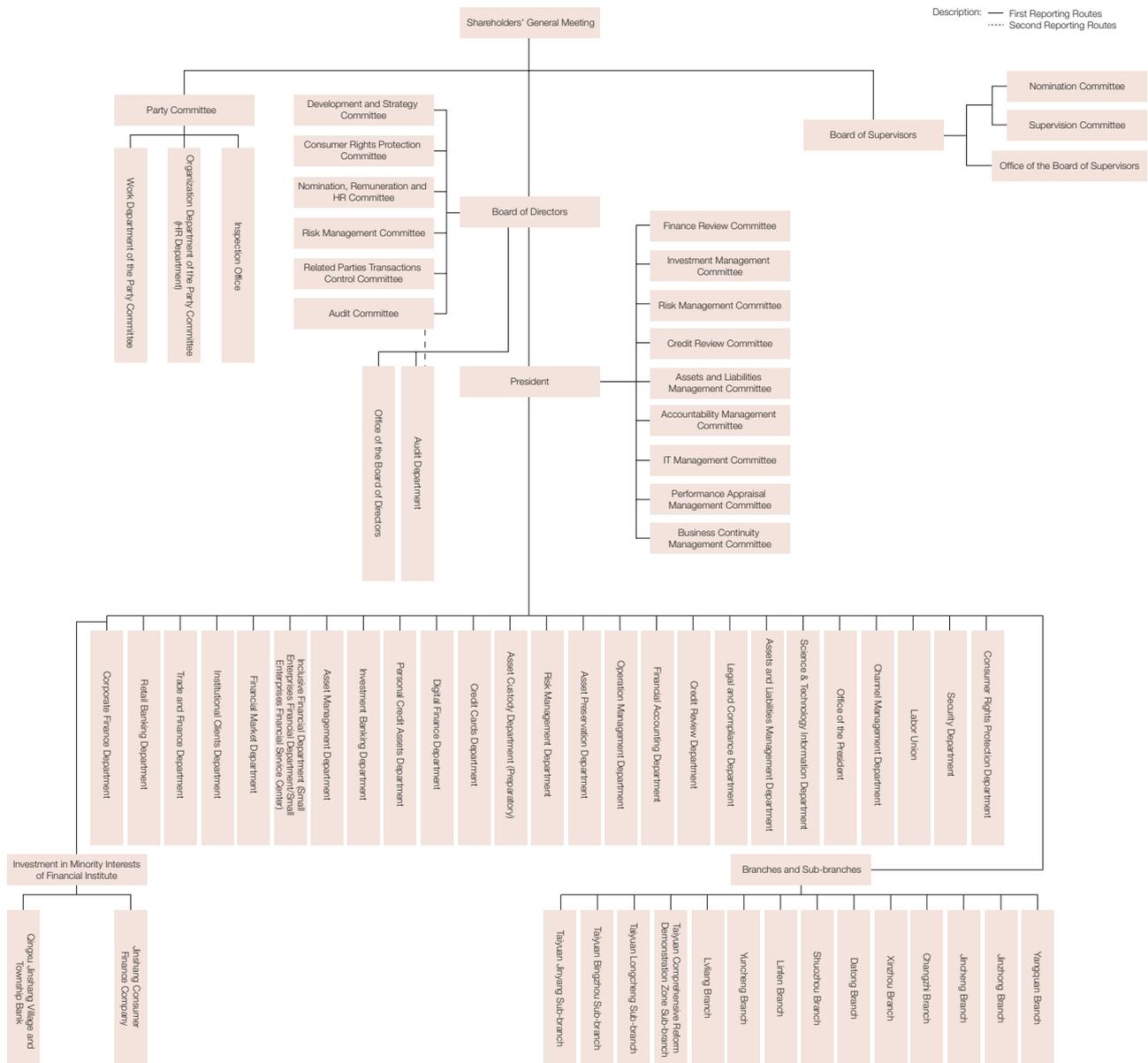
## **VIII. SHARE INCENTIVE PLAN**

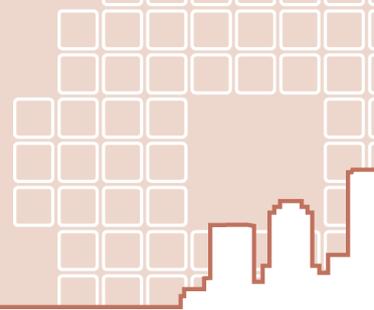
During the Reporting Period, the Bank did not implement any share incentive plan. Members of the Nomination, Remuneration and HR Committee of the Board have not reviewed or approved any share incentive plan.

# Corporate Governance Report

## ORGANIZATIONAL STRUCTURE FOR CORPORATE GOVERNANCE

### Organizational Structure of JINSHANG BANK CO., LTD. JINSHANG BANK CO., LTD.





## I. CORPORATE GOVERNANCE CODE

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

Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board of Directors and the special committees under the Board of Directors are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly divides the duties of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on the decisions of the Board. The Board of Supervisors is responsible for supervising the performance of duties by the Board of Directors and the senior management as well as the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, the senior management is responsible for executing the resolutions of the Board and for the day-to-day business and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The president of the Bank is appointed by the Board of Directors to be responsible for the overall business operation and management of the Bank.

The Bank has adopted the Corporate Governance Code (the “Code”) in Appendix 14 to the Listing Rules, and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks and established a good corporate governance system. During the Reporting Period, the Bank has observed all applicable code provisions set forth in Appendix 14 to the Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance to ensure compliance with the Code and meet the expectations of shareholders and potential investors of the Bank. All Directors act with integrity and lead by example, and promote the desired culture. Such culture can instill and continually reinforce the organization values of “acting lawfully, ethically and responsibly” across the Bank.

# Corporate Governance Report

## Shareholders' General Meeting

During the Reporting Period, the Bank held two shareholders' general meetings in total, namely, considered and approved the Work Report of the Board of Directors for 2021, the Work Report of the Board of Supervisors for 2021, the Profit Distribution Plan for 2021, the Report of Final Financial Accounts for 2021, the Financial Budget for 2022, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2021, the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2021, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2021, the proposed amendments to the Articles of Association, the proposed amendments to the Rules of Procedures for the Shareholders' General Meeting, the proposed amendments to the Rules of Procedures of the Board of Directors, the proposed amendments to the Rules of Procedures for the Board of Supervisors, the proposed formulation of Administrative Measures for Shareholders' Commitments of Jinshang Bank Co., Ltd., and the appointment of auditors to audit financial statements for 2022 on June 10, 2022, and considered and approved the proposed re-election and election of directors for the sixth session of the Board of Directors, and proposed re-election and election Shareholder supervisors and external supervisors of the sixth session of the Board of Supervisors, and determination of the write-off amount for non-performing assets (credit and non-credit) and bad debts for 2023 on December 22, 2022.

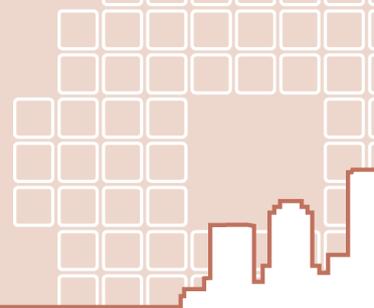
The notification, convening and voting procedures of the above shareholders' general meetings are all in compliance with the relevant provisions of the PRC Company Law and the Articles of Association.

## Functions and Powers of the Shareholders' General Meeting

Shareholders' general meeting is the organ of authority of our Bank. Its principal responsibilities include:

- determining the business guidelines and extremely important investment plans of the Bank;
- electing and changing directors and determining the remuneration of relevant directors;
- electing and changing non-employee supervisors and determining the remuneration of relevant supervisors;
- reviewing and approving the reports of the Board of Directors;
- reviewing and approving the reports of the Board of Supervisors;
- listening to the evaluation on directors by the Board of Supervisors and the mutual evaluation result reports of independent directors;
- listening to the evaluation on supervisors by the Board of Supervisors and the mutual evaluation result reports of external supervisors;

# Corporate Governance Report



- reviewing and approving the annual financial budget plans and final accounting plans of the Bank;
- reviewing and approving profit distribution plans and loss recovery plans of the Bank;
- reviewing and approving extremely important external investment, extremely important asset acquisition and disposals, extremely important external guarantee and related party transactions of the Bank which shall be considered and approved at the shareholders' general meeting as required by the laws, administrative regulations, rules and the securities supervision rules of the place where the shares of the Bank are listed;
- resolving on the increase or decrease in the registered capital of the Bank;
- resolving on the issuance of bonds or the listing of the Bank;
- resolving on the merger, division, dissolution, liquidation or change in the corporate form of the Bank;
- amending the Articles of Association;
- reviewing and approving the Rules of Procedures for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors;
- passing a resolution in relation to the acquisition of the shares of the Bank in accordance with the requirements of the laws and the Articles of Association of the Bank;
- resolving on the appointment, dismissal or non-reappointment of accounting firms of the Bank for regular legal audit of the Bank's financial statements;
- reviewing the Bank's purchase or sale of major assets within one year with the transaction amount exceeding 30% of the latest audited total assets of the Bank;
- reviewing and approving matters relating to changes in the use of proceeds from share offerings;
- reviewing and approving the plans of the equity incentive scheme;
- reviewing the proposals by the shareholders individually or jointly holding more than 3% of the voting shares of the Bank; and
- reviewing and approving other issues which should be determined by the shareholders' general meeting as stipulated by laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association.

# Corporate Governance Report

## Meetings of the Board of Directors and Special Committees

The Board shall hold at least four regular meetings annually, and arrange other meetings if necessary. Board meetings shall be held on-site or by means of teleconference. The Board of Directors shall send a meeting notice to all Directors in advance and timely provide all Directors with sufficient information (including background information about the proposals submitted and other information necessary for the Directors to make informed decisions). The notice of a regular Board meeting shall be given to all Directors at least 14 days before the date of the meeting, and the notices of all other Board meetings shall be given to all Directors five days before the date of the meetings. A good communication and reporting mechanism has been established among the Directors, Board of Directors and senior management. All Directors may seek independent professional opinions at the expense of the Bank. Our president reports to the Board on a regular basis and accepts the supervision thereof. At the Board meetings, all Directors may freely express their opinions, but important decisions shall be subject to detailed discussion.

During the Reporting Period, the Board of Directors held 8 meetings, at which 64 resolutions were considered and adopted. The special committees under the Board of Directors held 29 meetings, including 7 meetings of the Development and Strategy Committee, 4 meetings of the Audit Committee, 5 meetings of the Related Party Transactions Control Committee, 7 meetings of the Risk Management Committee, 4 meetings of the Nomination, Remuneration and HR Committee and 2 meetings of the Consumer Rights Protection Committee, at which 64 resolutions were considered and adopted.

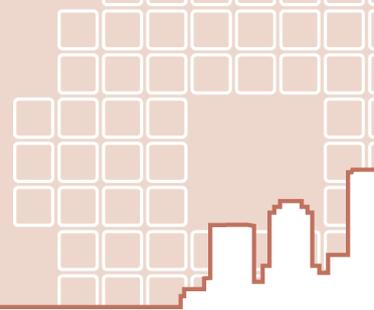
The Board of Directors shall have a board office as its daily administrative body responsible for preparing shareholders' general meetings, Board meetings and meetings of various special committees under the Board and for handling other tasks assigned by the same. The Board of Directors and senior management exercise their respective powers within their terms of reference as specified in the Articles of Association. Directors who have significant interests in a proposal must waive their right to discuss and vote on the proposal and shall not be included in the quorum of the proposal. The Board of Directors has reviewed the effectiveness of the Bank's risk management and internal control system (covering finance, operation and compliance control). The risk management and internal control system is reviewed twice every year (for the period from January 1, 2022 to December 31, 2022). The Bank believes that relevant review is sufficient and effective.

The Board believes that the risk management and internal control system established and implemented by the Bank is sufficient and effective.

For details about the internal audit of the Bank, please refer to "Risk Management and Internal Control – Internal Audit" of this annual report.

## Composition of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank comprises 12 Directors, including two executive Directors, namely Ms. HAO Qiang (Chairwoman) and Mr. ZHANG Yunfei (Vice Chairman); five non-executive Directors, namely Mr. LI Shishan, Mr. MA Hongchao (Vice Chairman), Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and five independent non-executive Directors, namely Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny. The term of office of the Directors is three years. On August 26, 2022, the qualification of Mr. DUAN Qingshan as an independent director of the Bank has been approved by the CBIRC Shanxi



Office. For details, please refer to the announcement entitled “ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR” issued by the Bank on August 29, 2022. On September 20, 2022, the qualification of Mr. LI Yang as a director of the Bank has been approved by the CBIRC Shanxi Office. For details, please refer to the announcement entitled “ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR” issued by the Bank on September 21, 2022. On November 30, 2022, the Board considered and approved the proposal of re-election or election of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors of the Bank, Mr. LI Shishan, Mr. MA Hongchao, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive directors of the Bank, and Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as independent non-executive directors of the Bank. The re-election or election was approved by the shareholders of the Bank at the extraordinary general meeting on December 22, 2022. Ms. HAO Qiang was elected by the Board of Directors as the Chairwoman, and Mr. ZHANG Yunfei and Mr. MA Hongchao as the Vice Chairmen. For details, please refer to the announcement entitled “(1) PROPOSAL FOR RE-ELECTION AND ELECTION OF DIRECTORS; AND (2) PROPOSAL FOR RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS” issued by the Bank on November 30, 2022, the Shareholders’ Circular entitled “(1) PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS FOR THE SIXTH SESSION OF THE BOARD; (2) PROPOSED RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS FOR THE SIXTH SESSION OF THE BOARD OF SUPERVISORS; (3) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING ASSETS (CREDIT AND NON-CREDIT) AND BAD DEBTS FOR 2023 AND (4) NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING” issued by the Bank on December 2, 2022, and the announcement entitled “(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION” issued by the Bank on December 22, 2022. Among them, the qualifications of Mr. MA Hongchao as director and vice chairman, and the qualifications of Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as directors are subject to be approved by the CBIRC Shanxi Office. According to relevant PRC laws and regulations and the Articles of Association of the Bank, until the qualifications of Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as directors were approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, Mr. JIN Haiteng, Mr. SUN Shihu and Mr. YE Xiang will continue to perform their duties as a non-executive director or an independent non-executive director. Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Development and Strategy Committee, the Nomination, Remuneration and HR Committee and the Risk Management Committee, and Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the duties of the chairperson of the Consumer Rights Protection Committee. Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the duties of a member of the Audit Committee. The membership and composition of the Bank’s Board of Directors are in compliance with applicable laws and regulations.

Please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this annual report for the resumes and terms of office of Directors. None of the members of the Board is connected with other members.

# Corporate Governance Report

## Changes in Board Members during the Reporting Period

For details of the changes in Directors of the Bank, see “Directors, Supervisors, Senior Management and Employees – II. Changes in Directors, Supervisors and Senior Management during the Reporting Period” in this annual report.

## Functions and Powers of the Board of Directors

The Board of Directors shall be accountable to the shareholders’ general meeting, undertake final responsibility of operation and management of the Bank, and exercise the following functions and powers in accordance with the laws:

- to convene shareholders’ general meetings, report its performance at the shareholders’ general meetings, and implement resolutions of the shareholders’ general meetings;
- to formulate development strategies of the Bank and to monitor the implementation of such strategies, and decide on operational plans and investment plans of the Bank;
- to formulate annual financial budget plans, final accounting plans, and risk capital allocation plan of the Bank;
- to formulate the Bank’s profit distribution plans and loss recovery plans;
- to formulate proposals for increases in or reductions of registered capital, issuance of bonds or other securities and listing plans of the Bank;
- to formulate proposals for repurchase of the Bank’s shares;
- to formulate plans for merger, separation, dissolution, or change of corporate form of the Bank;
- to formulate proposals for any amendment to the Articles of Association;
- to formulate the Rules of Procedures for the Shareholders’ General Meeting and the Rules of Procedures for the Board of Directors, and to consider and approve the work rules of the special committees under the Board of Directors;
- to formulate the basic management system of the Bank;
- to formulate and execute clear responsibility system and accountability system, and to assess and complete corporate governance of the Bank regularly;
- to decide asset and liability management (including but not limited to capital requirement), risk tolerability, risk management and internal control policy of the Bank, and to take ultimate responsibility for comprehensive risk management;
- to formulate capital planning, and undertake final responsibility of capital management;
- to formulate related party transaction management system, to examine and approve or accredit Related Party Transactions Control Committee to approve related party transactions;

# Corporate Governance Report

- to examine and approve annual work report of the Bank;
- to decide long-term award plan, remuneration plan and salary plan of the Bank;
- to approve internal audit plan, annual work plan and audit budget of the Bank;
- to examine and approve proposals raised by each special committee under the Board of Directors;
- to decide the Bank's important external investment, important asset acquisition, disposals and write-off, important external guarantee, important trust management, important related party transactions, large loans, pledge of assets, data governance; to initially examine the Bank's extremely important external investment, extremely important asset acquisition and disposals, extremely important external guarantee, extremely important trust management, and submit them to the shareholders' general meeting for approval;
- to appoint or dismiss the president, the secretary to the Board, chief audit officer and the person in charge of the audit department as nominated by the chairman; to appoint or dismiss the vice president, assistant to the president, chief financial officer, chief risk officer, chief technology information officer, chief human resources officer, chief compliance officer, etc. as nominated by the president; and to decide remunerations, awards and punishments of the aforesaid persons;
- to authorize certain operation and management power to the president annually, and to debrief work reports of the president and to examine the performance of the president;
- to decide chairman and members of each special committee under the Board as nominated by the Nomination, Remuneration and HR Committee;
- to decide on establishment of internal management structure of the Bank and establishment of branches of the Bank;
- to propose to the shareholders' general meeting the engagement, dismissal or discontinuation of the appointment of the accounting firm that provides regular statutory audit on financial reports of the Bank, and to give an explanation to the shareholders' general meeting on the non-standard audit opinions of certified public accountant on our financial report;
- to disclose information of the Bank and take ultimate responsibility for the authenticity, completeness, accuracy, and timeliness of our accounting and financial reports;
- to regularly debrief the internal audit department and compliance department's report on internal audit and examination result, and report regulatory opinions of relevant regulatory authorities on the Bank, and to examine the Bank's rectification report on executing regulatory opinions; to regularly assess operation status of the Bank, comprehensively evaluate performance of senior management staff according to assessment result, and to supervise and ensure effective management performance of senior management;

# Corporate Governance Report

- to safeguard legitimate rights and interests of financial consumers and other stakeholders;
- to establish an identification, investigation and management mechanism for the conflict of interest between the Bank and shareholders, especially substantial shareholders;
- to undertake the management responsibility for the affairs in relation to the shareholders of the Bank; and
- to exercise other functions and powers prescribed by the laws, administrative regulations, and the Articles of Association and authorized by the shareholders' general meetings.

## Directors' Responsibility for Preparing Financial Statements

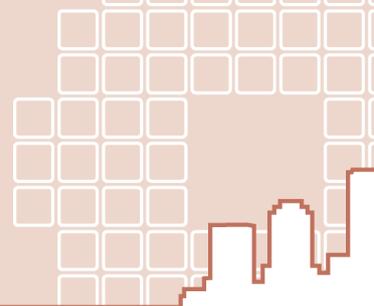
Directors confirm that they shall be responsible for preparing the financial statements for the year ended December 31, 2022 that truly and fairly reflect the affairs and results of the Bank. When preparing financial statements, Directors select and implement appropriate accounting policies and make use of accounting estimates applicable to relevant circumstances. Under the assistance of accounting and financial personnel, Directors ensure that the Bank prepares financial statements in accordance with statutory provisions and applicable financial reporting standards. Reporting obligation statements of the external auditors on the Group's financial statements are set out in the independent auditor's report on pages 168 to 174.

## Board Meetings and Directors' Attendances at the Meetings

During the Reporting Period, the Bank convened a total of 8 Board meetings, and deliberated and approved 64 proposals, which mainly involved topics including profit distribution plan, and batch disposal of non-performing loans in package. Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of the executive Directors during the year. Details of the Board meetings convened during the Reporting Period are as follows:

Meeting	Meeting date	Meeting form
The 24th meeting of the fifth session of the Board of Directors	January 14, 2022	Onsite and by means of teleconference
The 25th meeting of the fifth session of the Board of Directors	March 29, 2022	Onsite and by means of teleconference
The 26th meeting of the fifth session of the Board of Directors	April 28, 2022	Onsite and by means of teleconference
The 27th meeting of the fifth session of the Board of Directors	June 28, 2022	Onsite and by means of teleconference
The 28th meeting of the fifth session of the Board of Directors	August 26, 2022	Onsite and by means of teleconference
The 29th meeting of the fifth session of the Board of Directors	November 8, 2022	Onsite and by means of teleconference
The 30th meeting of the fifth session of the Board of Directors	November 30, 2022	Onsite and by means of teleconference
The 1st meeting of the sixth session of the Board of Directors	December 22, 2022	Onsite and by means of teleconference

# Corporate Governance Report



Attendances of each Director at Board meetings during the Reporting Period are as follows:

Member of the Board	Number of scheduled attendances at Board meetings	Number of attendances in person at Board meetings	Number of attendances by proxy at Board meetings	Number of actual attendances at shareholders' general meetings/ number of required attendances at shareholders' general meetings
Ms. HAO Qiang	8	6	2	1/2
Mr. ZHANG Yunfei	8	8	0	2/2
Mr. LI Shishan	8	8	0	2/2
Mr. XIANG Lijun	8	7	1	2/2
Mr. MA Hongchao <sup>(1)</sup>	-	-	-	-
Mr. LIU Chenhong	8	8	0	2/2
Mr. LI Yang <sup>(2)</sup>	3	3	0	0/1
Mr. WANG Jianjun	8	8	0	2/2
Mr. JIN Haiteng	8	8	0	2/2
Mr. SUN Shihu	8	8	0	2/2
Mr. WANG Liyan	8	8	0	1/2
Mr. DUAN Qingshan <sup>(3)</sup>	3	3	0	1/1
Mr. SAI Zhiyi	8	8	0	2/2
Mr. YE Xiang	8	7	1	1/2
Ms. HU Zhihong <sup>(1)</sup>	-	-	-	-
Mr. CHAN Ngai Sang Kenny <sup>(1)</sup>	-	-	-	-

## Notes:

1. The qualifications of Mr. MA Hongchao, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as Directors are subject to the approval by the CBIRC Shanxi Office.
2. Mr. LI Yang obtained the approval from the CBIRC Shanxi Office for the qualification of directorship on September 20, 2022 to serve as a non-executive Director of the Bank.
3. Mr. DUAN Qingshan obtained the approval from the CBIRC Shanxi Office for the qualification of directorship on August 26, 2022 to serve as an independent non-executive Director of the Bank.
4. "-" means that they have not obtained approval from the regulatory authorities for the qualifications of directorship as of the meeting date, therefore they shall not perform duties according to regulatory requirements.

# Corporate Governance Report

## Independent Non-executive Directors

The Board of the Bank currently has five independent non-executive Directors in compliance with the provisions of Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of members of the Board of Directors and at least one of whom shall have appropriate professional qualifications or accounting or relevant financial management expertise.

During the Reporting Period, independent non-executive Directors performed their fiduciary and due diligence duties, as well as duties required to be performed under the Articles of Association, and protected the interests of the Bank and its shareholders as a whole. Independent non-executive Directors of the Bank earnestly attended meetings of the Board and special committees, put forward objective and independent opinions on a number of issues discussed at the meetings of the Board and related special committees, and actively participated in the decision-making of the Board and supervised the Board.

The Bank has received the annual confirmation from every independent non-executive Director concerning independence thereof in accordance with Hong Kong Listing Rules for written confirmation of their independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with Hong Kong Listing Rules regarding independence thereof. Accordingly, the Bank has established a working mechanism for the Board of Directors to obtain independent views and opinions, to ensure strong independence of the Board of Directors of the Bank and facilitate the efficient operation and independent judgment of the Board of Directors. This working mechanism of the Board of Directors of the Bank is fully effective.

## Special Committees of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank has established six special committees, including the Development and Strategy Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, Nomination, Remuneration and HR Committee, and Consumer Rights Protection Committee.

## Development and Strategy Committee

As of the date of this annual report, the Development and Strategy Committee consisted of five Directors, being Ms. HAO Qiang, Mr. ZHANG Yunfei, Mr. LI Shishan, Mr. DUAN Qingshan and Ms. HU Zhihong. The chairperson of the Development and Strategy Committee is Ms. HAO Qiang, and the vice chairperson is Mr. ZHANG Yunfei. Ms. HAO Qiang and Mr. ZHANG Yunfei are executive Directors, Mr. LI Shishan is a non-executive Director, and Mr. DUAN Qingshan and Ms. HU Zhihong are independent non-executive Directors. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Development and Strategy Committee. The primary duties of the Development and Strategy Committee include:

- formulating our development strategies and operational objectives, and making relevant recommendations to the Board of Directors;
- reviewing our annual budgets, strategic asset allocation plans, goals for assets and liabilities management, and development plans on various matters, and making relevant recommendations to the Board of Directors;

# Corporate Governance Report

- making recommendations on plans for our organizational re-construction, material investment plans and merger and acquisition plans to the Board of Directors;
- assessing the soundness of our corporate structure to improve our financial reports, risk management and internal control in accordance with the standards of our corporate governance policies, and supervising the implementation of our annual operational and investment plans; and
- performing other duties as authorized by the Board of Directors and as required by applicable laws and regulations.

During the Reporting Period, the Development and Strategy Committee convened 7 meetings, and deliberated and approved 11 proposals, which mainly involved topics including: the proposal on Environmental, Social and Governance Report for 2021 of Jinshang Bank Co., Ltd., the proposal on profit distribution plan for 2021 of Jinshang Bank Co., Ltd., the proposal on outlets planning of Jinshang Bank for 2022, and the proposal to amend the information technology outsourcing strategy of Jinshang Bank Co., Ltd.

Attendances of each member at the meetings of the Development and Strategy Committee in 2022 are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Ms. HAO Qiang	7	5	2
Mr. JIN Haiteng <sup>(1)</sup>	7	7	0
Mr. ZHANG Yunfei	7	7	0
Mr. LI Shishan	7	7	0
Mr. DUAN Qingshan	3	3	0
Ms. HU Zhihong <sup>(1)</sup>	–	–	–

**Note:**

1. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Development and Strategy Committee.

# Corporate Governance Report

## Audit Committee

The Bank has established an Audit Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Audit Committee consisted of five Directors, being Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. LIU Chenhang, Mr. DUAN Qingshan and Mr. CHAN Ngai Sang Kenny. The chairperson of the Audit Committee is Mr. WANG Liyan, and the vice chairperson is Mr. SAI Zhiyi. Mr. LIU Chenhang is a non-executive Director, and Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. DUAN Qingshan and Mr. CHAN Ngai Sang Kenny are independent non-executive Directors. More than half of the members of the Audit Committee of the Bank are independent non-executive Directors and the chairperson of the Audit Committee is an independent non-executive Director. Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the duties of a member of the Audit Committee. The primary duties of the Audit Committee include:

- reviewing our risk management and compliance conditions, accounting policies, financial conditions and financial report procedures;
- conducting inspections on our risk control system to make sure that the management has established an effective system;
- conducting inspections on and reviewing the compliance and effectiveness of our material operational activities;
- being responsible for annual audit work of the Bank and material adjustments regarding the same;
- supervising the completeness of the audited financial reports, reviewing such reports before submitting them to our Board of Directors for review;
- making recommendations on appointment, re-appointment or removal of external auditors, and communicating with the external auditors on behalf of the Bank and providing responses to their management letter;
- raising concerns about possible improprieties in financial reporting, internal control or other matters, and making sure that proper arrangements are in place for fair and independent investigations;
- reporting to the Board on the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules; and
- performing other duties as authorized by the Board of Directors and as required by applicable laws and regulations.

# Corporate Governance Report

During the Reporting Period, the Audit Committee convened 4 meetings, and deliberated and approved 7 proposals, which mainly involved topics including: the proposal for 2021 annual results announcement and 2021 annual report of Jinshang Bank Co., Ltd., the proposal of Jinshang Bank Co., Ltd. on 2021 annual financial final report, the proposal of Jinshang Bank Co., Ltd. on 2021 annual audit work report and 2022 annual audit key work, and the proposal on hiring the financial statement auditor for 2022.

The Audit Committee also arranged preparation and review of the annual report 2021 and interim report 2022 according to the provisions on disclosure in the annual financial report. During the Reporting Period, the Audit Committee had several meetings and communications with external auditors in the absence of the executive Directors and senior management. As at March 27, 2023, the Audit Committee had reviewed the audited consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with the accounting principles and policies of the Bank. It also reviewed the effectiveness of the internal control system and internal audit functions of the Bank by regularly listening to the audit department's report on internal audit.

Attendances of each member at the meetings of the Audit Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WANG Liyan	4	4	0
Mr. SAI Zhiyi	4	4	0
Mr. LIU Chenhang	4	4	0
Mr. SUN Shihu <sup>(1)</sup>	4	4	0
Mr. YE Xiang <sup>(2)</sup>	4	3	1
Mr. DUAN Qingshan <sup>(3)</sup>	–	–	–
Mr. CHAN Ngai Sang Kenny <sup>(2)</sup>	–	–	–

**Notes:**

1. On December 22, 2022, Mr. SUN Shihu ceased to be a member of the Audit Committee under the Board of Directors of the Bank due to the expiry of his term of office.
2. Until the qualification of Mr. CHAN Ngai Sang Kenny as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. YE Xiang, an independent non-executive Director, will temporarily perform the duties of a member of the Audit Committee.
3. Mr. DUAN Qingshan was appointed as a member of the Audit Committee on December 22, 2022.

# Corporate Governance Report

## Related Party Transactions Control Committee

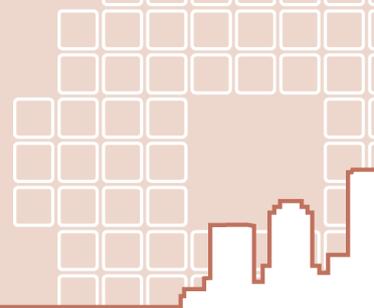
The Bank has established a Related Party Transactions Control Committee with written terms of reference. As of the date of this annual report, the Related Party Transactions Control Committee consisted of four Directors, being Mr. SAI Zhiyi, Mr. DUAN Qingshan, Mr. WANG Liyan and Mr. ZHANG Yunfei. The chairperson of the Related Party Transactions Control Committee is Mr. SAI Zhiyi and the vice chairperson is Mr. DUAN Qingshan. Mr. ZHANG Yunfei is an executive Director, and Mr. SAI Zhiyi, Mr. DUAN Qingshan and Mr. WANG Liyan are independent non-executive Directors. The primary duties of the Related Party Transactions Control Committee include:

- assisting the Board of Directors in performing duties in relation to related party transactions and connected transactions in accordance with applicable laws and regulations;
- reviewing, supervising and approving the lists of related parties and connected persons, and identifying and managing related party transactions and connected transactions, so as to control risks in relation to such transactions;
- examining and supervising the control over our related party transactions and connected transactions and the implementation of systems in relation to related party transactions and connected transactions, and reporting to the Board of Directors;
- being responsible for the information disclosure of our related party transactions and connected transactions, and the authenticity, accuracy and completeness of the information in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and as required by applicable laws and regulations.

During the Reporting Period, the Related Party Transactions Control Committee convened 5 meetings, and deliberated and approved 10 proposals, which mainly involved topics including: the proposal on identification of related parties of Jinshang Bank Co., Ltd., the proposal on investment plans of wealth management business of Jinshang Bank Co., Ltd. for major related transactions in 2022, and the proposal on credit business of Jinshang Bank Co., Ltd. for major related transactions in 2022.

Attendances of each member at the meetings of the Related Party Transactions Control Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SAI Zhiyi <sup>(1)</sup>	–	–	–
Mr. JIN Haiteng <sup>(2)</sup>	5	5	0
Mr. SUN Shihu <sup>(2)</sup>	5	5	0
Mr. WANG Liyan	5	5	0
Mr. ZHANG Yunfei	5	5	0
Mr. DUAN Qingshan <sup>(3)</sup>	–	–	–



## Notes:

1. On December 22, 2022, Mr. SAI Zhiyi was appointed as the chairperson of the Related Party Transactions Control Committee.
2. On December 22, 2022, Mr. JIN Haiteng and Mr. SUN Shihu ceased to be the members of the Related Party Transactions Control Committee of the Bank due to the expiry of their terms of office.
3. On December 22, 2022, Mr. DUAN Qingshan was appointed as the vice chairperson of the Related Party Transactions Control Committee.

## Risk Management Committee

The Bank has established a Risk Management Committee with written terms of reference. As of the date of this annual report, the Risk Management Committee consisted of five Directors, being Mr. SAI Zhiyi, Mr. DUAN Qingshan, Mr. ZHANG Yunfei, Mr. WANG Jianjun and Ms. HU Zhihong. The chairperson of the Risk Management Committee is Mr. SAI Zhiyi and the vice chairperson is Mr. DUAN Qingshan. Mr. ZHANG Yunfei is an executive Director, Mr. WANG Jianjun is a non-executive Director, and Mr. SAI Zhiyi, Mr. DUAN Qingshan and Ms. HU Zhihong are independent non-executive Directors. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Risk Management Committee. The primary duties of the Risk Management Committee include:

- reviewing our overall risk management policies, measures and preferences in relation to various risks, and assessing the control over these risks by our senior management;
- periodically conducting assessment and listening to reports on our risk policies, management status and risk tolerance ability;
- formulating working procedures and evaluating the working proficiency of our internal audit department and advising on improvement of our risk management and internal control system;
- conducting preliminary examination of the risk identification of various types of transactions, reviewing such transactions and providing opinions in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and as required by applicable laws and regulations.

During the Reporting Period, the Risk Management Committee convened 7 meetings, and deliberated and approved 16 proposals, which mainly involved topics including: the proposal on the guidance opinion on the 2022 annual risk management of Jinshang Bank Co., Ltd., the proposal to formulate the Risk Management Rules for Internet Loan Business of Jinshang Bank Co., Ltd., and the proposal to formulate the Management Rules for Internet Loan Cooperative Institutions of Jinshang Bank Co., Ltd. The Risk Management Committee reviews the Bank's risk management system covering credit risk, market risk, operational risk, information technology risk, reputational risk and strategic risk by listening to the senior management's reports on the Bank's risk management on a quarterly basis, puts forward opinions and suggestions on improving the Bank's risk management work and urges the senior management to improve the risk management process according to changes in economic trends and macroeconomic control policies and the actual business development of the Bank.

# Corporate Governance Report

Attendances of each member at the meetings of the Risk Management Committee during the Reporting Period are as follows:

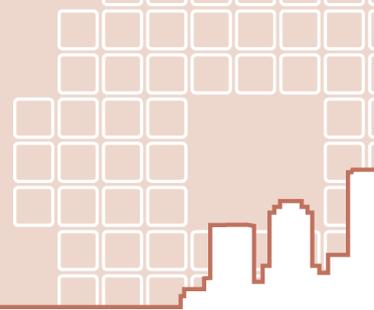
Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SAI Zhiyi	7	6	1
Mr. JIN Haiteng <sup>(1)</sup>	7	7	0
Mr. ZHANG Yunfei	7	7	0
Mr. WANG Jianjun	7	7	0
Mr. DUAN Qingshan	3	3	0
Ms. HU Zhihong <sup>(1)</sup>	-	-	-

**Note:**

1. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Risk Management Committee.

## Nomination, Remuneration and HR Committee

The Bank has established a Nomination, Remuneration and HR Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Nomination, Remuneration and HR Committee consisted of five Directors, being Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HAO Qiang, Mr. MA Hongchao and Ms. HU Zhihong. The chairperson of the Nomination, Remuneration and HR Committee is Mr. DUAN Qingshan and the vice chairperson is Mr. SAI Zhiyi. Ms. HAO Qiang is an executive Director, Mr. MA Hongchao is a non-executive Director and Mr. DUAN Qingshan, Mr. SAI Zhiyi and Ms. HU Zhihong are independent non-executive Directors. More than half of the members of the Nomination, Remuneration and HR Committee are independent non-executive Directors, and the chairperson is an independent non-executive Director. Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by the CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive Director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee. The primary duties of the Nomination, Remuneration and HR Committee include:



## **Nomination duties**

- Formulating the criteria and procedures for selecting directors and senior management personnel for approval by the Board of Directors;
- Periodically making recommendations on the size and composition of the Board of Directors in accordance with the Bank's development strategies;
- Identifying qualified individuals as directors, the president of the Bank, the chief audit officer, and the secretary to the Board of Directors, conducting preliminary examination of qualifications and conditions of candidates for directorships and senior management positions, and making recommendations to the Board of Directors;
- Assessing the independence of independent non-executive Directors;
- Making recommendations on the appointment or re-appointment of directors to the Board of Directors;
- Formulating training plans for senior management and key personnel of the Bank; and
- Formulating the policy relating to diversity of Board members (including any measurable objectives set for implementing the policy, and progress on achieving those objectives), and disclosing the policy or a summary of the policy in the corporate governance report.

## **Remuneration and appraisal duties**

- Making recommendations to the Board of Directors on the policy and structure for remunerations of directors and senior management personnel, and on the establishment of formal and transparent procedures for developing remuneration policy;
- Reviewing and approving the management's remuneration proposals with reference to the Board of Directors' corporate goals and objectives;
- Formulating the remuneration packages of directors and senior management, making recommendations to the Board of Directors regarding such packages, submitting such packages to the shareholders' general meeting for approval, and supervising the implementation of the same;
- Reviewing the Bank's remuneration policies, contemplating the criteria for appraising directors and senior management, conducting assessment and evaluation and making recommendations to the Board of Directors according to actual conditions;
- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- Reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- Performing other duties as authorized by the Board and as required by applicable laws and regulations.

# Corporate Governance Report

During the Reporting Period, the Nomination, Remuneration and HR Committee convened 4 meetings, and deliberated and approved 6 proposals, which mainly involved topics including: the proposal to appoint Mr. LI Yanbin as the vice president of Jinshang Bank Co., Ltd., the proposal to appoint Mr. WANG Yibin as the vice president of Jinshang Bank Co., Ltd., and the proposal on the re-election of the Board of Directors of Jinshang Bank Co., Ltd.

The Nomination, Remuneration and HR Committee formulates the remuneration policies for Directors, regularly evaluates the performance of executive Directors and reviews the evaluation reports on the performance of duties by Directors. During the Reporting Period, the Nomination, Remuneration and HR Committee nominated Ms. HAO Qiang as an executive Director and the chairwoman of the Board of Directors of the Bank, and nominated Mr. ZHANG Yunfei as an executive Director and the vice chairman of the Board of Directors of the Bank, nominated Mr. MA Hongchao as a non-executive Director and vice chairman of the Board of Directors, nominated Mr. LI Shishan, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors, and nominated Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny as independent non-executive Directors. In 2022, the Bank reelected the members of the Board. In accordance with the provisions of the Bank's Articles of Association, the decision-making procedures including approval by the Nomination, Remuneration and HR Committee under the Board, approval by the Board, and approval by the shareholders' general meeting were successively followed in order to ensure the orderly performance of the reelection of the Board. In the process of the reelection, the Board and the Nomination, Remuneration and HR Committee adhered to diversified board composition, and fully considered the professional experience, expertise, gender and other factors when selecting and appointing director candidates to ensure the board diversity. During the Reporting Period, the Nomination, Remuneration and HR Committee has approved the terms of the service contracts between the Bank and Ms. HAO Qiang and Mr. ZHANG Yunfei, the executive Directors.

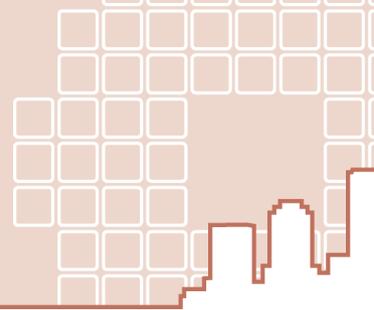
Attendances of each member at the meetings of the Nomination, Remuneration and HR Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. JIN Haiteng <sup>(1)</sup>	4	4	0
Mr. DUAN Qingshan	1	1	0
Ms. HAO Qiang	4	4	0
Mr. XIANG Lijun <sup>(1)</sup>	4	4	0
Mr. SAI Zhiyi	4	4	0
Mr. MA Hongchao <sup>(1)</sup>	–	–	–
Ms. HU Zhihong <sup>(1)</sup>	–	–	–

Note:

1. Until the qualification of Mr. MA Hongchao as a non-executive Director is approved by CBIRC Shanxi Office, Mr. XIANG Lijun, a non-executive Director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. JIN Haiteng, an independent non-executive Director, will temporarily perform the duties of a member of the Nomination, Remuneration and HR Committee.

# Corporate Governance Report



The Board believes the diverse Board membership is conducive to improving the Bank's performance. The Board diversity of the Bank is of huge importance to achieve sustainable development, implement strategies and maintain good corporate governance.

The Bank adopted a board diversity policy (the “**Board Diversity Policy**”) before listing setting out the approach to achieve and maintain diversity on the Board in compliance with the Hong Kong Listing Rules, pursuant to which the Bank seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time.

Furthermore, the Nomination, Remuneration and HR Committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and support the Board Diversity Policy when making recommendation to the Board on appointment of new directors. The Nomination, Remuneration and HR Committee also regularly review the Board Diversity Policy, to ensure its continued effectiveness and the Bank will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for the Board so as to ensure that a pipeline of potential successors to the Board is developed to achieve gender diversity and appropriate gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

The Board comprises 12 members, including two executive Directors, five non-executive Directors and five independent non-executive Directors. Directors of the Bank have a balanced mix of experience, including banking, corporate/economics/administrative management, auditing, accounting and finance. Furthermore, the Board has a relatively wide range of age, ranging from 36 years old to 66 years old. Two members of the Board are females. The Bank has achieved the goal of at least 15% female representation in the Board within five years of listing.

Among all employees, the proportion of female is 54.38%, and the proportion of male is 45.62%. The Bank strictly follows laws and regulations in personnel recruitment, contract signing, position promotion, salary package, and protects the lawful rights and interests of employees in accordance with the law. The relevant working procedures are fair, just and open, and there is no gender discrimination, so as to ensure gender diversity of staff. The Bank believes that the current gender ratio of staff is relatively balanced and will continue to maintain a reasonable level of gender diversity at the staff level.

Going forward, to develop a pipeline of potential successors to the Board that could ensure gender diversity of the Board in a few years' time, the Bank will (i) consider the possibility of nominating female senior management who has the necessary skills and experience to the Board; (ii) ensure that there is gender diversity when recruiting staff at mid to senior level; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or directorship of the Bank.

# Corporate Governance Report

## Consumer Rights Protection Committee

The Bank has established a Consumer Rights Protection Committee with written terms of reference. As of the date of this annual report, the Consumer Rights Protection Committee consisted of four Directors, being Ms. HU Zhihong, Mr. WANG Liyan, Mr. LI Yang and Mr. SAI Zhiyi. The chairperson of the Consumer Rights Protection Committee is Ms. HU Zhihong and the vice chairperson is Mr. WANG Liyan. Mr. LI Yang is the non-executive Director. Ms. HU Zhihong, Mr. WANG Liyan and Mr. SAI Zhiyi are independent non-executive Directors. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the duties of the chairperson of the Consumer Rights Protection Committee. The primary duties of the Consumer Rights Protection Committee are as follows:

- being responsible for formulating the strategies, policies and goals of the Bank's consumer rights protection work;
- supervising the senior management to effectively implement consumer rights protection work;
- periodically listening to special reports on consumer rights protection work, supervising and evaluating the comprehensiveness, promptness, and effectiveness of the Bank's consumer rights protection work and the performance of the senior management, and submitting the relevant reports to the Board of Directors; and
- performing other duties as authorized by the Board of Directors and as required by applicable laws and regulations.

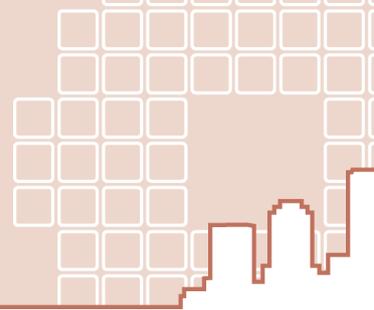
During the Reporting Period, the Consumer Rights Protection Committee convened 2 meetings, listened to 3 reports on financial services survey, which mainly involved topics including: the proposal on the 2022 guiding opinions on the consumer rights protection work of Jinshang Bank Co., Ltd., and the proposal to consider the Corporate Culture Building Plan on the Consumer Rights Protection Work of Jinshang Bank Co., Ltd.

Attendances of each member at the meeting of the Consumer Rights Protection Committee during the Reporting Period are set out as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SUN Shihu <sup>(1)</sup>	2	2	0
Mr. WANG Liyan	2	2	0
Mr. LI Yang	1	1	0
Mr. SAI Zhiyi	2	2	0
Ms. HU Zhihong <sup>(1)</sup>	–	–	–

Note:

1. Until the qualification of Ms. HU Zhihong as an independent non-executive Director is approved by the CBIRC Shanxi Office, Mr. SUN Shihu, an independent non-executive Director, will temporarily perform the duties of the chairperson of the Consumer Rights Protection Committee.



## Corporate Governance Function

As the Bank has no corporate governance committee, the Board undertakes the Bank's corporate governance functions, such as formulating and reviewing the Bank's policies and corporate governance practices, reviewing and supervising the training and continuous professional development of directors, supervisors and senior management, reviewing and supervising the Bank's policies and practices on compliance with legal and regulatory requirements, and reviewing the Bank's compliance with related codes and disclosure in corporate governance report.

The Board of Directors urges the Directors and senior management to participate in trainings regularly to constantly improve their professional capabilities. The Board of Directors has arranged Directors, Supervisors, senior management and all middle management to attend specific training programme on the supervision of corporate governance. The Board of Directors arranged certain Directors, Supervisors, senior management and relevant middle management of Bank to participate in "The Training for Senior Management of Urban Commercial Banks and Private Banks of the year 2022"(2022年城商行民營銀行高管培訓) held by China Banking Association. The Board of Directors thoroughly implemented the requirements of the Three-year Action Plan for Perfecting Corporate Governance of Banking and Insurance Industry (2020-2022) issued by the CBIRC, continuously strengthened the construction of corporate governance, and further improved the compliance and effectiveness of corporate governance. In accordance with the latest regulatory policy changes, the Board of Directors amended the Articles of Association, the Rules of Procedures for the Shareholders' General Meeting, the Rules of Procedures for the Board of Directors and other systems, which improved the system of the corporate governance. The Board of Directors conducted corporate governance assessment on a regular basis pursuant to the regulatory requirements, and inspected problems according to the regulatory assessment results and internal and external audit to earnestly urge and promote the rectification of the problems, so as to continuously improve the effectiveness of corporate governance.

## BOARD OF SUPERVISORS

### Composition of the Board of Supervisors

As of the date of this annual report, the Board of Supervisors consisted of nine Supervisors, including three employee Supervisors, namely Mr. XIE Liying, Mr. WEN Qingquan and Mr. SU Hua; three shareholder Supervisors, namely Mr. WANG Weiping, Ms. XU Jin and Mr. PANG Zhengyu; and three external Supervisors, namely Mr. ZHUO Zeyuan, Mr. WU Jun and Mr. BAI Guangwei. The number of members and composition of the Board of Supervisors complied with the applicable laws and regulations.

### Changes in Members of the Board of Supervisors during the Reporting Period

Save as disclosed in the section "Directors, Supervisors, Senior Management and Employees – II. Changes in Directors, Supervisors and Senior Management during the Reporting Period", there were no other changes in the members of the Board of Supervisors of the Bank during the Reporting Period.

# Corporate Governance Report

## Meetings of the Board of Supervisors and Supervisors' Attendances at the Meetings

During the Reporting Period, the Bank convened 8 meetings of the Board of Supervisors, and deliberated and approved 94 proposals, which mainly involved topics including the proposal of 2021 Strategic Implementation Evaluation Report of Jinshang Bank Co., Ltd., the proposal of 2021 Comprehensive Risk Management Report of Jinshang Bank Co., Ltd., and the proposal of 2021 final financial report of Jinshang Bank Co., Ltd.

Attendances of each Supervisor at the meetings of the Board of Supervisors during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. XIE Liying	8	8	0
Mr. WEN Qingquan	8	8	0
Mr. GUO Zhenrong <sup>(1)</sup>	7	7	0
Mr. SU Hua	1	1	0
Mr. BI Guoyu <sup>(2)</sup>	7	7	0
Ms. XU Jin	1	1	0
Mr. XIA Guisuo <sup>(2)</sup>	7	7	0
Mr. PANG Zhengyu	1	1	0
Mr. LIU Shoubao <sup>(2)</sup>	7	7	0
Mr. WU Jun	8	8	0
Mr. LIU Min <sup>(2)</sup>	7	7	0
Mr. ZHUO Zeyuan	1	1	0
Mr. BAI Guangwei	1	1	0

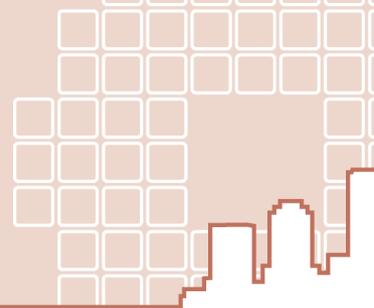
### Notes:

1. On December 22, 2022, Mr. GUO Zhenrong ceased to be an employee Supervisor of the Bank due to the expiry of his term of office.
2. On December 22, 2022, Mr. BI Guoyu and Mr. XIA Guisuo ceased to be the shareholder Supervisors of the Bank due to the expiry of their terms of office; Mr. LIU Shoubao and Mr. LIU Min ceased to be the external Supervisors of the Bank due to the expiry of their terms of office.

## Committees under the Board of Supervisors

There are two committees under the Bank's Board of Supervisors, namely, the Supervision Committee and the Nomination Committee. The committees operate in accordance with the terms of reference established by the Board of Supervisors.

# Corporate Governance Report



## Supervision Committee

As of the date of this annual report, the Supervision Committee consisted of 5 Supervisors, being Mr. ZHUO Zeyuan, Mr. WANG Weiping, Ms. XU Jin, Mr. PANG Zhengyu and Mr. SU Hua. The chairperson of the Supervision Committee is Mr. ZHUO Zeyuan. The primary duties of the Supervision Committee include:

- supervising the formulation of examination plans, and the implementation of our operational decisions, financial activities, risk management and internal control;
- making recommendations on penalties over violations of applicable laws, regulations and rules by the Board of Directors and senior management;
- supervising the issuance of written reports by the office of the Board of Supervisors on financial reports and distribution plans;
- conducting preliminary review on removals of independent non-executive directors, and making recommendations to the Board of Supervisors regarding such removals;
- supervising other relevant matters which are material to our business and operation; and
- performing other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Supervision Committee convened 7 meetings, and deliberated and approved 80 proposals, which mainly involved topics including the proposal of 2021 strategic implementation evaluation report of Jinshang Bank Co., Ltd., the proposal of 2021 final financial report of Jinshang Bank Co., Ltd., and the proposal on the guidance opinion on the 2022 annual risk management of Jinshang Bank Co., Ltd.

Attendances of each member at meetings of the Supervision Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. LIU Shoubao <sup>(1)</sup>	6	6	0
Mr. BI Guoyu <sup>(1)</sup>	6	6	0
Mr. XIA Guisuo <sup>(1)</sup>	6	6	0
Mr. GUO Zhenrong <sup>(2)</sup>	6	6	0
Mr. ZHUO Zeyuan	1	1	0
Mr. WANG Weiping	1	1	0
Ms. XU Jin	1	1	0
Mr. PANG Zhengyu	1	1	0
Mr. SU Hua	1	1	0

### Notes:

1. On December 22, 2022, Mr. BI Guoyu and Mr. XIA Guisuo ceased to be the shareholder Supervisors of the Bank due to the expiry of their terms of office; Mr. LIU Shoubao ceased to be an external Supervisor of the Bank due to the expiry of his term of office.
2. On December 22, 2022, Mr. GUO Zhenrong ceased to be an employee Supervisor of the Bank due to the expiry of his term of office.

# Corporate Governance Report

## Nomination Committee

As of the date of this annual report, the Nomination Committee consisted of 5 Supervisors, being Mr. WU Jun, Mr. XIE Liying, Mr. WEN Qingquan, Mr. BAI Guangwei and Mr. SU Hua. The chairperson of the Nomination Committee is Mr. WU Jun. The primary duties of the Nomination Committee include:

- instructing the formulation of criteria and procedures for selecting supervisors;
- conducting preliminary examination of qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors;
- formulating the assessment plans for supervisors, conducting assessment for supervisors, and raising preliminary assessment opinions;
- formulating the remuneration packages for supervisors, making recommendations to the Board of Supervisors in relation to such packages, and submitting to the shareholders' general meeting for approval;
- periodically assessing the performance of directors and senior management and reporting to the shareholders' general meeting;
- conducting preliminary review on resignations or removals of supervisors, and making recommendations to the Board of Supervisors; and
- performing other duties as authorized by the Board of Supervisors.

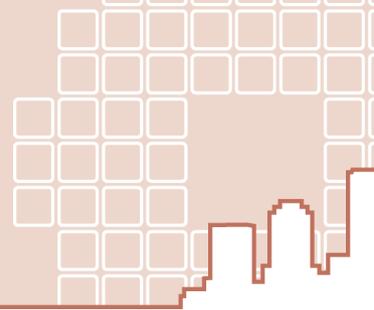
During the Reporting Period, the Nomination Committee convened 5 meetings, and deliberated and approved 14 proposals, which mainly involved topics including the proposal on the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the Directors in 2021, the proposal on the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the Supervisors in 2021, and the proposal on the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the senior management members in 2021.

Attendances of each member at meetings of the Nomination Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WU Jun	5	5	0
Mr. XIE Liying	5	5	0
Mr. BI Guoyu <sup>(1)</sup>	4	4	0
Mr. LIU Min <sup>(1)</sup>	4	4	0
Mr. WEN Qingquan	5	5	0
Mr. BAI Guangwei	1	1	0
Mr. SU Hua	1	1	0

Note:

1. On December 22, 2022, Mr. BI Guoyu ceased to be a shareholder Supervisor of the Bank due to the expiry of his term of office; Mr. LIU Min ceased to be an external Supervisor of the Bank due to the expiry of his term of office.



## Attendances at the Shareholders' General Meetings during the Reporting Period

During the Reporting Period, the Bank convened two shareholders' general meetings. The Board of Supervisors dispatched representatives to attend the meetings and supervise onsite whether the contents considered at the meetings, meeting procedures and voting processes comply with the laws and regulations.

## Attendances at the Board Meetings during the Reporting Period

During the Reporting Period, to improve the basic duty performance evaluation work, the Bank's Board of Supervisors dispatched supervisors to attend the Board meetings and required the Supervisors to record the key contents and information related to the meetings of the special committees of the Board attended by them, which records were used as the basic data for year-end evaluation of the Board of Supervisors and effectively improved the objectivity of evaluation work.

## Training of the Directors and Supervisors during the Reporting Period

During the Reporting Period, Directors and Supervisors of the Bank participated in the related trainings mainly on duty performance of Directors and Supervisors, etc. During the year, the Bank organized the Directors and Supervisors to participate in the training on the supervision of corporate governance organized by the CBIRC Shanxi Office, and organized the study of regulatory policies and systems during the collective discussion meeting.

## SENIOR MANAGEMENT

Senior management has the power granted by the Board of the Bank to manage the daily operation of the Bank. President of the Bank is mainly responsible for executing the decisions of the Board and reporting to the Board.

On June 28, 2022, the Board of Directors considered and approved the proposal to appoint Mr. ZHANG Yunfei as president of the Bank. For details, please refer to the announcement entitled "APPOINTMENT OF PRESIDENT" issued by the Bank on June 28, 2022.

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

On December 22, 2022, the Board of Directors re-elected Mr. ZHANG Yunfei as president of the Bank. For details, please refer to the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY) (2) RE-ELECTION AND ELECTION OF DIRECTORS (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD (4) ELECTION OF BOARD COMMITTEES (5) RE-ELECTION AND ELECTION OF SUPERVISORS (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022.

# Corporate Governance Report

In addition to Mr. ZHANG Yunfei, the Bank has also appointed three vice presidents and other senior management personnel of the Bank working with the president of the Bank and performing their respective management responsibilities.

The Bank's Board and management represented by the president perform their respective responsibilities according to the terms of reference specified in the Articles of Association. Under the Articles of Association, the president and senior management are accountable to the Board and accept the supervision of the Board of Supervisors. The president and senior management shall, in a regular manner or as required by the Board or Board of Supervisors, report to the Board or Board of Supervisors the Bank's operation performance, financial conditions, risk conditions, operation prospects, material contracts, significant events and other conditions, and shall ensure the authenticity of such reports. Senior management may set up special committees and functional departments according to work needs and as required by the Board, and specify the structure of functional departments.

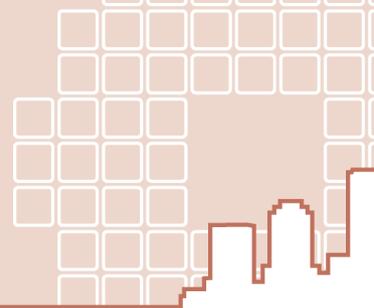
## **CHAIRPERSON OF THE BOARD AND PRESIDENT**

The roles and functions of the chairperson and the president of the Bank were performed by different persons during the Reporting Period, and the respective duties of the chairman of the Board and president of the Bank were defined clearly, which complied with the Hong Kong Listing Rules.

On June 28, 2022, the Board considered and approved the proposed appointment of Mr. ZHANG Yunfei as president of the Bank. For details, please refer to the announcement entitled "APPOINTMENT OF PRESIDENT" issued by the Bank on June 28, 2022.

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

On November 30, 2022, the Board of Directors considered and approved the proposed re-election of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors of the Bank. On December 22, 2022, the Bank's 2022 First Extraordinary General Meeting approved the re-election of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors; after the election of the Board, Ms. HAO Qiang was elected as the Chairwoman, Mr. ZHANG Yunfei and Mr. MA Hongchao were elected as vice Chairmen, and Mr. ZHANG Yunfei was re-elected as president of the Bank respectively. For details, please refer to the Bank's announcement entitled "(1) PROPOSAL FOR RE-ELECTION AND ELECTION OF DIRECTORS AND (2) PROPOSAL FOR RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS" issued by the Bank on November 30, 2022; the shareholders' circular entitled "(1) PROPOSED RE-ELECTION AND ELECTION OF DIRECTORS FOR THE SIXTH SESSION OF THE BOARD; (2) PROPOSED RE-ELECTION AND ELECTION OF SHAREHOLDER SUPERVISORS AND EXTERNAL SUPERVISORS FOR THE SIXTH SESSION OF THE BOARD OF SUPERVISORS; (3) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING ASSETS (CREDIT AND NON-CREDIT) AND BAD DEBTS FOR 2023 AND (4) NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING" issued by the Bank on December 2, 2022; and the announcement entitled "(1) POLL RESULTS OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING HELD ON DECEMBER 22, 2022 (THURSDAY); (2) RE-ELECTION AND ELECTION OF DIRECTORS; (3) RE-ELECTION AND ELECTION OF CHAIRWOMAN AND VICE CHAIRMEN OF THE BOARD; (4) ELECTION OF BOARD COMMITTEES; (5) RE-ELECTION AND ELECTION OF SUPERVISORS; (6) RE-ELECTION OF CHAIRMAN OF THE BOARD OF SUPERVISORS; (7) RE-APPOINTMENT OF PRESIDENT AND (8) RENEWAL OF CONTINUING CONNECTED TRANSACTION" issued by the Bank on December 22, 2022.



## COMPANY SECRETARIES

Mr. LI Weiqiang and Mr. WONG Wai Chiu are joint company secretaries of the Bank.

Each Director may discuss with the company secretaries for advice and information. Mr. LI Weiqiang (secretary to the Board of Directors and joint company secretary) is the principal contact of Mr. WONG Wai Chiu at the Bank.

During the Reporting Period, Mr. LI Weiqiang and Mr. WONG Wai Chiu have received no less than 15 hours of relevant professional training respectively in accordance with Rule 3.29 of the Hong Kong Listing Rules.

## RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

There is no financial, business or kinship relationship between the Directors, Supervisors and senior management personnel of the Bank.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

On December 16, 2021, the resolution to amend the Articles of Association of the Bank was passed in the 2021 First Extraordinary General Meeting of the Bank. For details, please refer to the circular and announcement of the Bank issued on November 29, 2021 and December 16, 2021 respectively.

On March 29, 2022, the Bank held a Board meeting to consider and approve, among other things, a proposal on amendments to the Articles of Association. On June 10, 2022, the resolution to amend the Articles of Association was passed at the 2021 Annual General Meeting of the Bank. CBIRC Shanxi Office has approved the Bank to amend the Articles of Association on February 3, 2023. The revised Articles of Association of the Bank will come into effect from the date of approval. For details, please refer to the announcement of the Bank issued on April 11, 2022, the circular of the Bank issued on May 11, 2022, and the announcements of the Bank issued on June 10, 2022 and February 10, 2023 respectively.

Except as disclosed above, there are no other significant changes in the Articles of Association during the Reporting Period and the date of this annual report. The Articles of Association is available on the websites of the Bank and the Hong Kong Stock Exchange.

## COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' COMMUNICATION POLICY

The Bank attached great importance to the opinions and suggestions of shareholders and actively organized various communication activities with investors and analysts, so as to maintain a good relationship and respond to the reasonable requirements of shareholders in a timely manner. Shareholders may make inquiries to the Board through the office of the Board. Contact details of the Board are as follows:

Address: No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC  
Postal Code: 030000  
Tel.: 0351-7812583  
Fax: 0351-6819503  
E-mail: dongban@jshbank.com

# Corporate Governance Report

The Bank communicates information to shareholders and potential investors mainly through its annual reports, interim reports, results announcements, circulars, notices of meetings and all announcements, which are disclosed by the Bank on the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and are subsequently published on the Bank's website at [www.jshbank.com](http://www.jshbank.com) in real time. A dedicated "Investor Relations" section is available on the Bank's website and information on the Bank's website is updated on a regular basis to provide access to the up-to-date and important information on the Bank's developments. Shareholders of the Bank who wish to communicate with the Bank, or who have any questions about this policy, including request for an extraordinary general meeting according to Article 71 of the Articles of Association, supervision and management of the Bank's business operations, suggestions or inquiries, may write to the president of the Bank, or the company secretary, or the investor relations manager of the Bank at the address of No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC.

For the year ended December 31, 2022, the Bank has reviewed the implementation and effectiveness of its shareholder communication policy, including arranging special personnel to answer phone calls from investors and timely respond to questions raised by investors. Meanwhile, the Bank communicates with investors and improve their understanding of the Bank through various channels, including general meeting, issuance of the circulars and announcements and media publicity. Therefore, upon the review and examination, the Bank is of the view that its shareholders' communication policy can be effectively implemented during the Reporting Period.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Call an Extraordinary General Meeting

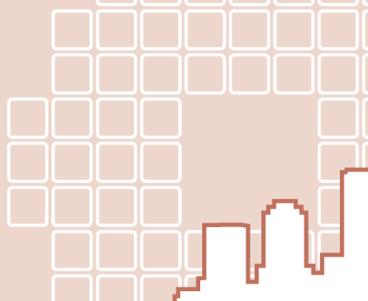
The Bank effectively safeguards shareholders' rights in strict accordance with the applicable laws and regulations, Hong Kong Listing Rules, Articles of Association and corporate governance system.

Pursuant to the Articles of Association, an extraordinary general meeting is required to be held within two months from the date of occurrence of any of the following:

Shareholders individually or in aggregate holding more than 10% of the Bank's shares may request in writing to the Board to convene an extraordinary general meeting or class meeting; the Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or class meeting within ten days after receipt of the request. The number of shares held by the aforesaid shareholders shall be subject to the number of shares held by such shareholders on the date of their written request to the Board.

The Bank shall convene an extraordinary general meeting within two months upon proposal by more than half and not less than two of the independent directors. If the extraordinary general meeting is not convened within the period prescribed by the PRC Company Law and the Articles of Association, the Bank shall submit a written report to the regulatory authorities and explain the reasons.

# Corporate Governance Report



The Board of Supervisors or more than half of the external supervisors (if there are only two external supervisors, they shall agree unanimously) shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to hold such an extraordinary general meeting within 10 days after receipt of the proposal.

If the Board agrees to hold the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. Any change to the original proposal sets forth in the notice shall be subject to approval by the Board of Supervisors. If the Board does not agree to hold the extraordinary general meeting or fails to give a written reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the extraordinary general meeting, and the Board of Supervisors may convene and preside over the meeting by itself.

For further details, shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and our Bank.

## Procedures for Making Proposals at Shareholders' General Meeting

Where the Bank convenes a shareholders' general meeting, the Board, Board of Supervisors, and Shareholder(s) individually or in aggregate holding more than 3% of the total voting shares of the Bank may make proposals to the Bank. The Bank shall include in the agenda of the meeting the matters in the proposal that fall within the scope of functions of the shareholders' general meeting.

Shareholders individually or in aggregate holding more than 3% of the total voting shares of the Bank may submit written provisional proposals to the convener 10 days before the shareholders' general meeting. The convener shall serve a supplementary notice of shareholders' general meeting within two days after receipt of the proposals and announce the contents of the provisional proposals.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders' general meeting or add any new proposal after the said notice is served.

For further details, shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank.

## Right to Ask Questions at Shareholders' General Meeting

The Directors, Supervisors and senior management shall give explanations on shareholders' inquiries and suggestions at the shareholders' general meeting, except for those involving business secrets of the Bank which cannot be disclosed at the shareholders' general meeting.

## EXTERNAL AUDITORS AND THEIR REMUNERATIONS

Pursuant to the Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises 《金融企業選聘會計師事務所管理辦法》 (Caijin [2016] No. 12) issued by the Ministry of Finance, the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years. KPMG has been consecutively engaged as the auditing agency for the financial statements of the Bank for eight years as of 2019. In order to comply with above requirement, the Bank has reached a mutual understanding with KPMG on the non-renewal of its appointment. On June 9, 2020, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the new auditors of the Group at the 2019 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank. On June 10, 2021, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the auditors of the Group at the 2020 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank. On June 10, 2022, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the auditors of the Group at the 2021 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank.

For the year ended December 31, 2022, the remuneration agreed to be paid by the Bank to Ernst & Young Hua Ming LLP and Ernst & Young for the review of interim financial statements and the audit of annual financial statements was RMB3.98 million in aggregate. During the Reporting Period, the Bank is not subject to any non-audit service fees.

### Remuneration of Senior Management

Details of the remuneration of senior management for the year ended December 31, 2022 are set out in the “Directors, Supervisors, Senior Management and Employees – V. Information on Remuneration Paid to Directors, Supervisors and Senior Management” of this annual report.

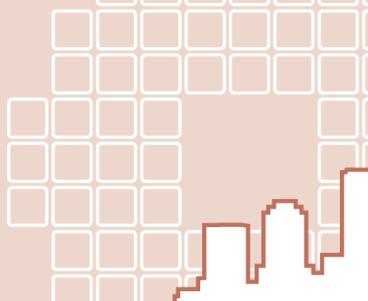
### Risk Management and Internal Control

For details of the Bank’s risk management and internal control, please refer to the “Risk Management and Internal Control” of this annual report.

### Securities Transactions by Directors, Supervisors and Relevant Employees

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

# Directors' Report



The Board hereby presents the Directors' report and audited financial statements of the Bank for the year ended December 31, 2022.

## MAIN OPERATIONS

The Bank is principally engaged in banking and relevant financial services, including corporate banking, retail banking and financial markets. The data on business audit of the Bank for the year ended December 31, 2022 is set out in "Management Discussion and Analysis" of this annual report.

## BUSINESS REVIEW

### Business Review of the Bank

The business review of the Bank during the Reporting Period is set out in "Management Discussion and Analysis – 10 Business Review" of this annual report.

### Environmental Policy and Performance

In recent years, the Bank has actively undertaken social responsibilities related to environmental policies. In 2022, the Bank complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For further information of the environmental policies and performance of the Bank during the Reporting Period, please refer to the 2022 Environmental, Social and Governance Report published by the Bank at the same time with this annual report on the websites of the Hong Kong Stock Exchange and the Bank.

Responding to the requirements of regulators such as the CBIRC, the Bank has effectively translated the ESG philosophy into the thrust to promote its high-quality development and assisted in the high-quality development through the ESG actions in business operations. In 2022, the Bank issued the Notice of Including "Environmental and Social Risk Analysis" in the Investigation and Review Links of Credit Extension Business (《關於在授信業務調查、審查階段增加“環境和社會風險分析”的通知》), in a bid to weave the requirements including environmental and social risk management into the management of the processes of client investigation and credit extension business review.

"Environmental and Social Risk Analysis" has been added, as an item, to the template of the Investigation Report for Comprehensive Credit Business of Jinshang Bank. In the pre-loan investigation and review stages, it is required to ask clients for all information about their "green credit" and conduct whole-process evaluation on their environmental and social performance. The Bank assesses and analyzes the potential risks regarding environmental protection, safety and health, as well as the corresponding preventive and control measures adopted, and improves its sustainable development ability while getting closer to the goal of green transformation.

For details of the Bank's environmental policy and performance, please refer to "2022 Environmental, Social and Governance Report of Jinshang Bank Co., Ltd."

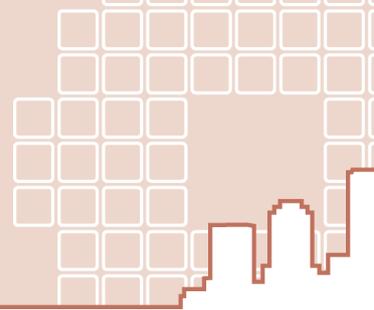
## CONSUMER RIGHTS PROTECTION

The Board has established the Consumer Rights Protection Committee. For details of its responsibilities, please refer to the "Corporate Governance Report – Special Committees of the Board of Directors – Consumer Rights Protection Committee" of this annual report.

# Directors' Report

In terms of consumer rights protection, the Bank mainly carried out the following activities:

- (1) **Continuously improving system construction.** Pursuant to the requirements of regulatory policies, 6 consumer rights protection-related systems were newly established and 16 systems were amended, mainly including, among others: the Implementation Rules for the Review of Consumer Rights Protection of Jinshang Bank 《晉商銀行消費者權益保護審核實施細則》, the Implementation Rules for the Management of Financial Marketing Publicity of Jinshang Bank 《晉商銀行金融營銷宣傳管理實施細則》, the Implementation Rules for Information Disclosure of Consumer Rights Protection of Jinshang Bank 《晉商銀行消費者權益保護信息披露實施細則》, the Contingency Plan for Serious Consumer Complaints of Jinshang Bank 《晉商銀行重大消費投訴應急預案》, the Guidelines for Diversified Solution of Financial Disputes of Jinshang Bank 《晉商銀行金融糾紛多元化解工作指引》, and the Administrative Measures for Risk Rating Assessment of Financial Consumers of Jinshang Bank 《晉商銀行金融消費者風險等級評估管理辦法》.
- (2) **Enhancing internal training and education.** The Bank organized online trainings regarding consumer rights protection knowledge on a quarterly basis, involving construction and practice of the review mechanism of consumer rights protection, protection of individual customer information, promotion and education of financial knowledge, the interpretation of key points for the city creation work, answers to main questions of complaint management and the training on interpretation of new issued systems, which covered the Bank leaders, middle management, presidents of sub-branches, front-line employees and new employees. The Bank actively participated in the knowledge competition on financial consumer rights protection “People-oriented Financial Services and Consumer Protection (金融為民消保護航)” held in Shanxi Province, and finally won the “Team Second Prize” in terms of the comprehensive performance among 19 financial institutions of the whole province.
- (3) **Enhancing the daily supervision and management.** The Bank carried out daily supervision of the whole Bank’s business networks by on-site and off-site inspections, focused on improving customer response rate to the store, continued to enhance the promotion and assessment of customer response rate to the store, strengthened the proactive service awareness of the service staff in the network, improved customers’ response rate of in-store services, responded to customers’ need in seconds and warmed up our customers with high quality services, making a great first impression for our customers coming to the Bank and creating a warm bank with warm services.
- (4) **Actively conducting the popularization of financial knowledge.** The Bank actively organized the popularization of financial knowledge in the whole Bank according to the requirements of the special publicity activities organized by the regulatory authorities and the Bank’s regular publicity efforts. The Bank actively participated in network civilized university theme publicity activity of 2022 “Gathering Youthful Positive Energy and Striving to be a Good Netizen on Campus (網聚青春正能量爭做校園好網民)” in Shanxi Province and was awarded the “Special Contribution Award (特殊貢獻獎)” in this activity. Giving full play the role of the Golden Education Base platform, the Base has formulated a plan for annual publicity and education activities, focusing on themes such as “Red Financial History (紅色金融史)”, “Teenager’s View on Consumption (青少年消費觀)” and “Anti-fraud (反詐)”, and advocated to pay equal attention to financial knowledge education and risk warning.



(5) **Continuously increasing the construction of consumer protection culture.** The Bank promoted the “Jinxin Consumer Protection (晋信消保)” brand throughout the Bank. The corporate culture for consumer rights protection, “Jinxin Consumer Protection Brand (晋信消保品牌)” and “Jinqing and Jinxin, Consumer Protection for you (晋情晋信消保為您)”, guided all staff to firmly establish the thinking of integrity-based and profit with righteousness, and consider the work of consumer rights protection as the core competitiveness, to enhance the sense of gain, happiness and security of financial consumers.

(6) In 2022, our Bank accepted 348 complaints in total from consumers and completed handling of 348 complaints for the year. The complaint completion rate was 100%. The details are as follows:

Firstly, categorized by the complaint regions: in 2022, our Bank accepted a total of 310 complaints from Taiyuan, which accounted for 89.08% (among which 21 in the head office/branches, accounting for 6.03%, 232 in the Credit Card Center, accounting for 66.67%; 57 in the subordinate banks in Taiyuan, accounting for 16.38%); 8 complaints from each of Datong, Yuncheng and Yangquan, which accounted for 2.30% respectively; 5 complaints from Linfen, which accounted for 1.44%; 3 complaints from Xinzhou, which accounted for 0.86%; 2 complaints from each of Shuozhou and Jincheng, which accounted for 0.57% respectively; 1 complaint from each of Lvliang and Changzhi, which accounted for 0.29% respectively; and 0 complaint from Jinzhong.

Secondly, dis-aggregated by types of business: the complaints involved the following 10 types of business: credit card business, savings business, debit card business, loan business, self-operated wealth management business, payment and settlement business, personal financial information, corporate business, insurance agency business and others. Among them, the top three in volume were 220 complaints of credit card business in total, accounting for 63.22%; 32 complaints of loan business, accounting for 9.20%; 30 complaints of debit card business, accounting for 8.62%, respectively.

Thirdly, dis-aggregated by reasons for complaints: the reasons for the complaints of the Bank mainly focused on the following 10 aspects: systems, business rules and procedures; pricing and charging; means and methods of debt collection; service attitude and service quality; means and methods of marketing; service facilities, equipment, business system; gains from products; security of consumers' information; information disclosure; and independent choice. Among them, the reason that most frequently caused complaints were systems, business rules and procedures, which caused 118 complaints, accounting for 33.91%; the second was 81 complaints caused by pricing and charging, accounting for 23.28%; and 62 complaints were caused by means and methods of debt collection, accounting for 17.82%.

## COMPLIANCE WITH LAWS AND REGULATIONS

Based on the Corporate Governance Standards for Banking and Insurance Institutions, Guidelines on Comprehensive Risk Management for Banking Financial Institutions and other risk management principles, the Bank has established a sound risk management organizational structure, comprising (1) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (2) various special risk management committees at the board level and at the senior management level that take charge of the guidance, support and coordination of our risk management system; and (3) various departments at our head office, branches and sub-branches that are in charge of daily risk management work. Capitalizing on our comprehensive risk management structure, the Bank has been able to effectively manage key risks associated with our daily operations, primarily including credit risk, market risk, liquidity risk and operational risk.

# Directors' Report

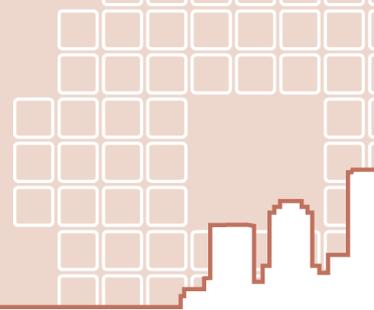
The Bank has established a range of systems and measures to manage and control the legal risks faced by the Bank. Our Legal and Compliance Department at the head office and the corresponding departments at the branch level are responsible for management of our legal risk. The Bank carries out legal risk management mainly through the following measures: (1) Implementing the legal review system. The Bank requires the contracts for all types of businesses bank-wide to be submitted to our Legal and Compliance Department for legal review, and to be used only after obtaining our legal opinion. The Bank conducts legal review of our businesses to prevent legal risks and ensure the legality of our operational activities; (2) Formulating form agreements. The Bank formulates form agreements for frequent operational activities and uses them in the whole Bank's businesses to reduce legal risks; (3) Strengthening litigation management. The Bank studies and discusses the action plans upon litigation, formulates internal procedures relating to litigation management, and enhances our case management capability; (4) Periodic legal training. The Bank conducts multiple bank-wide legal training every year to enhance the legal knowledge and risk awareness of our personnel; and (5) Legal risk alert system. For common legal risks in the Bank's business operations, the Bank publishes legal risk alerts to remind our employees to prevent and reduce the occurrence of legal risk incidents.

The Bank has developed multiple internal policies and procedures with respect to anti-money laundering which are primarily relating to customer due diligence, customer information and transaction record keeping, customer classification for anti-money laundering, and large-amount and suspicious transaction reporting. The Bank systematically conducted customer due diligence and collected relevant information and transaction records pursuant to applicable laws and regulations and our internal policies. The Bank has developed an anti-money laundering system, which enables us to effectively identify, evaluate, monitor, control and report anti-money laundering risks. The Bank also optimizes the system and improves our model for identifying suspicious transactions on a continuous basis in order to enhance our ability to report large-amount and suspicious transactions. The Bank provides frequent training to our employees to assist them to understand the latest development about domestic and international anti-money laundering laws.

Based on our internal rules and policies, the Bank classifies our customers into five levels based on their money laundering risk. For newly acquired customers who have a newly established business relationship with us, the Bank reviews the customer information and classifies their risk levels. The Bank continuously monitors changes in the customer's situation and their transactional records and adjusts their risk levels as appropriate. For high-risk customers, the Bank conducts identification recognition and focuses on analyzing their source of funds, use of funds, financial condition, operational status, controlling shareholders and controlling persons. The Bank also conducts closer monitoring on their transactional details through our core business system or anti-money laundering system.

The Bank has established a management system for large-amount and suspicious transaction reporting, and has formulated independent monitoring rules and models according to the requirements set forth by the regulatory authorities. The Bank submits suspicious transaction reports which fulfill the requirements and have gone through the artificial analysis to the Anti-money Laundering Monitoring Center of PBoC, and the Bank timely files the key suspicious transaction reports to the local PBoC.

The Board closely monitors the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2022, to the best knowledge of the Board, the Bank has complied in all material respects with all applicable laws and regulations which could materially affect the Bank.



## RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The senior management of the Bank pays particular attention to the cultivation of talents and considers the identification and utilization of talents as the basis of the Bank's development. The Bank has established a workforce with necessary expertise and strong execution capacity. The Bank has established a comprehensive incentive management system, offering a clear career development path for its staff and encouraging employees with different expertise to fully realize their value. The Bank invests in improvements in our continued training program for employees that comprise multi-level courses and on-the-job training covering various positions, where it aims to enhance employees' professional capability and to build a professional, dedicated, honest and united talent team.

Believing that its sustainable growth relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development. With the mission of building a team of high-quality and professional cadres and talents, the Bank organizes and conducts a variety of training programs. The Bank adopts the "going out" strategy to learn management, and cooperates with internationally renowned companies to provide cutting-edge programs with various forms, novel contents and wide categories, which offer managers diverse thinking and support for their decision-making, for middle and senior management team and branch executives. The Bank conducts intensive training programs on workplace skills and business knowledge arranging for new employees, and creates diversified online training channels based on current situation to expand the coverage of training.

In compliance with the PRC laws and regulations, the Bank contributes to its employees' social security and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, supplementary medical insurance and corporate annuity.

The Bank has established a labor union in accordance with PRC laws and regulations, which represents the interests of the employees and works closely with the management of the Bank on labor-related issues. During the Reporting Period, the Bank did not experience any strikes or other material labor disputes that affected its operations, and the Bank believed that the management had been maintaining a good relationship with the labor union.

For details of the Bank's employees and employment policies, please refer to the aforesaid section "Directors, Supervisors, Senior Management and Employees" and 2022 Environmental, Social and Governance Report published by the Bank at the same time with this annual report on the websites of the Hong Kong Stock Exchange and the Bank.

## PERFORMANCE

The performance of the Bank for the year ended December 31, 2022 is set out in the section headed "Financial Statements" of this annual report.

## DIVIDEND

Aiming at providing stable and sustainable returns to shareholders, the Bank strives to maintain a stable dividend policy, under which when deciding whether to distribute dividends and the amount of dividends, the Board will consider the Group's operating results, financial conditions, distributable profits generated in the current year, working capital adequacy, capital requirements, future prospects and any other factors the Board deems appropriate.

# Directors' Report

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

The profits of the Bank for the year ended December 31, 2022 and the financial conditions of the Bank at the same date are set out in the section "Financial Statements" of this annual report.

The Board has proposed to distribute final dividends for the year ended December 31, 2022 at RMB10 (tax inclusive) per 100 shares in cash, with an aggregate amount of approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the annual general meeting of 2022 ("**2022 Annual General Meeting**") to be held by the Bank. If approved at the 2022 Annual General Meeting of the Bank, the final dividend is expected to be paid on July 28, 2023.

If the proposal is approved at the 2022 Annual General Meeting, the dividend will be distributed to holders of Domestic Shares and H Shares registered on the share register of the Bank on Wednesday, June 21, 2023. The aforesaid dividend proposed to be distributed will be denominated in RMB and distributed to holders of Domestic Shares in RMB and holders of H Shares in Hong Kong dollars, respectively. The applicable exchange rate for calculating the dividend to be distributed in Hong Kong dollars will be the average of the RMB central parity in the interbank foreign exchange market announced by the PBoC for the five working days (including the date of the Annual General Meeting) before the declaration of dividend distribution at the 2022 Annual General Meeting. The registration of transfers of Domestic Shares and H Shares of the Bank will be closed from Friday, June 16, 2023 to Wednesday, June 21, 2023 (both days inclusive). If the holders of H Shares of the Bank want to obtain the final dividend of 2022 but have not registered the transfer documents, the said holders shall submit the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Thursday, June 15, 2023.

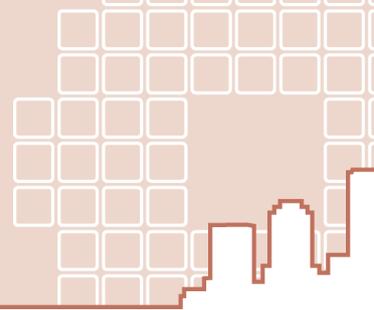
For the year ended December 31, 2022, the Bank was not aware of any shareholder who has waived or agreed to waive any dividend arrangement.

The Bank had no plan for conversion of capital reserve into share capital in the past three years. The cash dividend on ordinary shares in the past three years was as follows:

	2019	2020	2021
Cash dividend (tax inclusive, in millions of RMB)	642.3	583.9	583.9
Percentage in the annual profit (%)	43.23	37.36	34.51

## Date of the 2022 Annual General Meeting and Closure of Registration of Share Transfer

The Bank planned to hold the 2022 Annual General Meeting on Friday, June 9, 2023. For the purpose of determining shareholders who have the right to attend and vote at the 2022 Annual General Meeting, the register of H Shares of the Bank will be closed from Tuesday, June 6, 2023 to Friday, June 9, 2023 (both days inclusive). The holders of H Shares of the Bank who intend to attend and vote at the 2022 Annual General Meeting shall submit all the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Monday, June 5, 2023. Shareholders registered on our share register as at the close of business on Monday, June 5, 2023 shall be entitled to attend and vote at the 2022 Annual General Meeting.



## RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

The Bank is the only listed provincial city commercial bank in Shanxi Province, after years of persistent efforts, the Bank has established an extensive business network in key cities in province. As of December 31, 2022, we had a business network comprising 154 outlets that covered all 11 prefecture-level cities in Shanxi Province. Capitalizing on our deep knowledge on the local economy and leveraging policies promulgated by PRC Government in recent years promoting industry upgrade and economic transformation in Shanxi Province, we strategically expanded into industries that enjoy strong business prospect. In particular, we invested in capturing opportunities arising from industries and businesses encouraged by favorable policies, including the consolidation and upgrade of coal-related industries, the integration of coal and power industries as well as the new material industries, and the development of advanced manufacturing and tourism industries that focus on products and services with unique features and advantages.

Following policies of PRC Government encouraging financial services supporting the real economy, particularly micro and small enterprises, based on the fund needs and business features of micro and small enterprises, we transformed our business model, optimized our approval method, upgraded the linkage mechanism, reduced financing costs, developed and launched inclusive finance products such as the “loan for new, distinctive, specialized and sophisticated business (專精特新貸)”.

The Bank ranked 74 among the “2022 China Top 100 Banking List (2022 年中國銀行業 100 強榜單)”, and ranked 391 among the “Top 1000 World Banks 2022 (2022 年全球銀行 1000 強)” issued by the British Magazine The Banker.

## KEY RISKS FACING THE BANK

For key risks facing the Bank during the Reporting Period, please see “Management Discussion and Analysis – 9 Risk Management” of this annual report.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

For significant events of the Bank subsequent to the end of the Reporting Period, please refer to “Important Matters – Significant Events Subsequent to the End of the Reporting Period” of this annual report.

## FUTURE DEVELOPMENT

A review on aspects affecting the future development of the Bank is set out in “Management Discussion and Analysis – 2 Business Overview and Development Strategies” of this annual report.

## ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS DURING THE YEAR

For details, please refer to the sections headed “Summary of Five-Year Accounting Data and Financial Indicators” and “Management Discussion and Analysis” of this annual report.

## SHARE CAPITAL

For details of the Bank’s share capital, please refer to “Changes in Share Capital and Information of Shareholders – I. Changes in Share Capital” of this annual report.

# Directors' Report

## PREEMPTIVE RIGHT

During the Reporting Period, the Articles of Association and relevant PRC laws have no provisions on granting the preemptive right to the shareholders of the Bank. According to the Articles of Association, the Bank may increase its shares as follows in the light of its business and development needs, in accordance with laws, administrative regulations, and rules governing securities of the place where shares of the Bank are listed, resolutions made at the shareholders' general meeting and upon approval by relevant competent authorities of the State: public offering of shares; non-public offering of shares; placing new shares to existing shareholders; distributing new shares to existing shareholders; transferring reserve funds to increase share capital; other methods stipulated by laws, administrative regulations and permitted by relevant competent authorities of the State. The Bank's increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws, administrative regulations, rules governing securities of the place where shares of the Bank are listed, after being approved according to the Articles of Association.

## SUBSTANTIAL SHAREHOLDERS

Please refer to "Changes in Share Capital and Information of Shareholders – II. Information of Shareholders" for details of the Bank's substantial shareholders at the end of the Reporting Period.

## DONATIONS

The charitable donations and other donations made by the Bank for the year ended December 31, 2022 amounted to RMB99,000.

## PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Group for the year ended December 31, 2022 are set out in Note 23 to the financial statements of this annual report.

## CHANGES IN RESERVES

Details of changes in the Group's reserves for the year ended December 31, 2022 are set out in the consolidated statement of changes in equity in the financial statements.

## RESERVES AVAILABLE FOR DISTRIBUTION

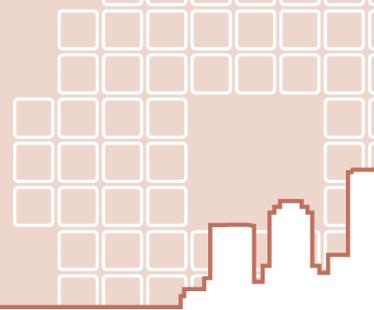
The Group's reserves available for distribution as of December 31, 2022 were RMB3,236.9 million.

## RETIREMENT BENEFITS

For details of retirement benefits provided to employees of the Bank, please refer to Note 31(a) to the financial statements of this annual report.

## MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. As at the end of the Reporting Period, the five largest depositors of the Bank accounted for less than 30% of total deposits and the five largest borrowers accounted for less than 30% of total loans and advances to customers. None of the Directors of the Bank and their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Bank had any interest in the said five largest customers.



## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

For the biographical information of the members of the Board of Directors of the Bank and the changes of Directors during the Reporting Period, please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this annual report.

## **SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

The Bank has entered into a service contract with each of its Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. During the Reporting Period, none of the Directors or Supervisors of the Bank had any service contract that shall be made with compensation by the Bank upon its termination within one year (other than statutory compensation).

## **PERMITTED INDEMNITY PROVISIONS**

Pursuant to Article C.1.8 of the Code provisions, the Bank should purchase appropriate insurance covering potential legal proceedings against the Directors of the Bank. To comply with the Code provisions, the Bank had purchased appropriate liability insurance for the Directors to provide indemnity against the liabilities incurred in the corporate activities for the year ended December 31, 2022.

Except as disclosed above, during the Reporting Period and up to the date of this annual report, there were no permitted indemnity provision in favour of any Director or Supervisor (whether or not entered into by the Bank or otherwise) or any Director or Supervisor of an associated corporation of the Bank (if entered into by the Bank).

## **MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

The Bank did not enter into any significant transaction, arrangement or contract where Directors and/or Supervisors of the Bank or its subsidiaries (or connected entity of Directors and/or Supervisors) directly or indirectly held material interests for the year ended December 31, 2022.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

## **MANAGEMENT CONTRACT**

Except for service contracts entered into with the management of the Bank, the Bank has not entered into any other contracts with any individual, company or body corporate regarding the management or handling of the whole or any significant part of any business of the Bank.

## DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE BANK

As at the end of the Reporting Period, none of the Directors, Supervisors and chief executive of the Bank and their associates has any interests and short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code in Appendix 10 to the Hong Kong Listing Rules.

## CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. Please refer to the "Corporate Governance Report" in this annual report.

## PUBLIC FLOAT

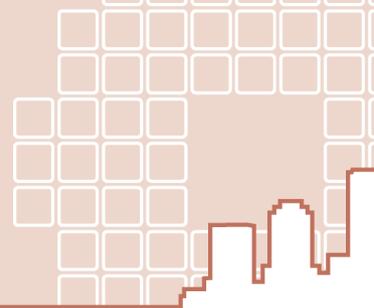
Based on information that is publicly available to the Bank and within the knowledge of the Directors, as of the date of this annual report, the Bank has maintained sufficient public float in compliance with the minimum requirement of Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange after the listing of the Bank.

## CONNECTED TRANSACTIONS

During the Reporting Period, the Bank complied with the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules in respect of certain non-exempt continuing connected transactions. The table below sets forth the information of these continuing connected transactions.

No.	Continuing connected transactions	Connected persons	2022 annual caps (in thousands of RMB)	2022 actual transaction amounts (in thousands of RMB)
(1)	Transactions between the Bank and Huaneng Capital Services and its associates	Huaneng Capital Services Co., Ltd. (" <b>Huaneng Capital Services</b> ") and its associates	Investment amount: Great Wall Securities Asset Management Schemes 2,840,000.00	Investment amount: Great Wall Securities Asset Management Schemes 1,916,275.00
			Huaneng Guicheng Trust Schemes 2,500,000.00	Huaneng Guicheng Trust Schemes 0
			IGWFM Schemes 2,500,000.00	IGWFM Schemes 0
			GWFM Schemes 2,500,000.00	GWFM Schemes 0
			<b>Total:</b> <b>10,340,000.00</b>	<b>Total:</b> <b>1,916,275.00</b>

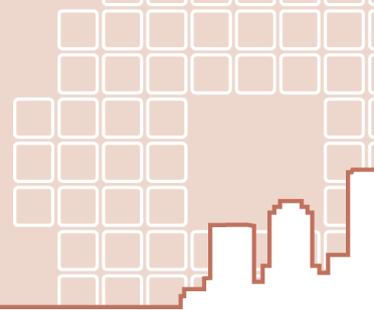
# Directors' Report



No.	Continuing connected transactions	Connected persons	2022 annual caps (in thousands of RMB)	2022 actual transaction amounts (in thousands of RMB)
			Return of investment received by the Bank: Great Wall Securities Asset Management Schemes 127,800.00	Return of investment received by the Bank: Great Wall Securities Asset Management Schemes 84,554.32
			Huaneng Guicheng Trust Schemes 140,000.00	Huaneng Guicheng Trust Schemes 0
			IGWFM Schemes 110,500.00	IGWFM Schemes 0
			GWFM Schemes 100,500.00	GWFM Schemes 0
			<b>Total:</b> <b>478,800.00</b>	<b>Total:</b> <b>84,554.32</b>
			Management fees and trust remuneration paid by the Bank: Great Wall Securities Asset Management Schemes 4,300.00	Management fees and trust remuneration paid by the Bank: Great Wall Securities Asset Management Schemes 3,348.26
			Huaneng Guicheng Trust Schemes 10,000.00	Huaneng Guicheng Trust Schemes 0
			IGWFM Schemes 7,500.00	IGWFM Schemes 408.86

# Directors' Report

No.	Continuing connected transactions	Connected persons	2022 annual caps (in thousands of RMB)	2022 actual transaction amounts (in thousands of RMB)
			GWFM Schemes 6,500.00	GWFM Schemes 0
			<b>Total:</b> <b>28,300.00</b>	<b>Total:</b> <b>3,757.12</b>
			Fees and commissions from the provision of fee- and commission-based products and services to Huaneng Capital Services and its associates: 21,200.00	Actual fees and commissions from the provision of fee- and commission-based products and services to Huaneng Capital Services and its associates: 6,734.74
			Fees and commissions paid by the Bank for products and services provided by Huaneng Capital Services and its associates:  5,000.00	Actual fees and commissions paid by the Bank for products and services provided by Huaneng Capital Services and its associates:  -
(2)	Fee- and commission-based products and services to SSCO and its associates	Shanxi State-owned Capital Operation Co., Ltd. (formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.) (" <b>SSCO</b> ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 278,200.00	Actual fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 69,620.95
(3)	Fee- and commission-based products and services to Changzhi Nanye and its associates	Changzhi Nanye Industry Group Co., Ltd. (" <b>Changzhi Nanye</b> ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to Changzhi Nanye and its associates: 86,000.00	Actual fees and commissions from the provision of fee- and commission-based products and services to Changzhi Nanye and its associates: 762.44



## 1. Fee- and Commission-based Products or Services between the Bank and Huaneng Capital Services and Its Associates

In the ordinary and usual course of business, we participate in the asset management schemes (“**Great Wall Securities Asset Management Schemes**”) launched by Great Wall Securities Co., Ltd. (長城證券股份有限公司) (“**Great Wall Securities**”) and also participate in the collective trust schemes (“**Huaneng Guicheng Trust Schemes**”) launched by Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) (“**Huaneng Guicheng Trust**”). To comply with the requirements of the Hong Kong Listing Rules, we entered into the Huaneng Framework Agreement (the “**Original Huaneng Framework Agreement**”) with Huaneng Capital Services on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes. The Original Huaneng Framework Agreement was valid until December 31, 2021, unless terminated earlier in accordance with the terms of the agreement. In addition to the Great Wall Securities Asset Management Schemes and the Huaneng Guicheng Trust Schemes, (1) since 2020, the Bank also participated in the Fund Management Schemes (“**IGWFM Schemes**”) launched by Invesco Great Wall Fund Management Co., Ltd. (“**Invesco Great Wall Fund**”) and the Fund Management Schemes (“**GWFM Schemes**”) launched by Great Wall Fund Management Co., Ltd. (“**Great Wall Fund**”); (2) the Bank provided fee- and commission-based products and services to Huaneng Capital Services and its associates, mainly including bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust product distribution services; and (3) Huaneng Capital Services and its associates provided fee- and commission-based products and services to the Bank, mainly including Yuncheng Payment, a service fee based on a fixed fee rate, to be paid by the Bank to Yuncheng Financial Service for its “An Xin Fu” series of wealth management products on a mobile application developed and managed by Yuncheng Financial Service. Based on the cooperation status, market environment, further cooperation and other reasons, the Bank expects that the amount of money involved in products or services from Huaneng Capital Services and/or its associates is higher than original estimates, and may exceed the original annual caps of the relevant years set forth in the Original Huaneng Framework Agreement. Accordingly, we signed a Financial Products and Services Framework Supplemental Agreement with Huaneng Capital Services (namely, the supplementary agreement of the Original Huaneng Framework Agreement) on March 26, 2020 (hereinafter referred to as the “**Huaneng Framework Supplemental Agreement**”). Given the impending expiry of the Original Huaneng Framework Agreement and the Huaneng Framework Supplemental Agreement, on October 19, 2021, the Bank entered into a new Huaneng Framework Agreement with Huaneng Capital Services for a term of three years from January 1, 2022 to December 31, 2024, renewable subject to mutual agreement and compliance with the Listing Rules. Accordingly, the Bank will continue to participate in the above transactions with Huaneng Capital Services and its associates.

Huaneng Capital Services, a substantial shareholder of our Bank, is a connected person of our Bank. Huaneng Capital Services held 46.38% equity interest in Great Wall Securities. Thus, Great Wall Securities is an associate of Huaneng Capital Services and a connected person of our Bank. Huaneng Capital Services held 67.92% equity interest in Huaneng Guicheng Trust. Thus, Huaneng Guicheng Trust is an associate of Huaneng Capital Services and a connected person of the Bank. Invesco Great Wall Fund is held as to 49.00% by Great Wall Securities and Great Wall Fund is held as to 47.06% by Great Wall Securities. Accordingly, Invesco Great Wall Fund and Great Wall Fund are associates of Huaneng Capital Services and connected persons of the Bank.

# Directors' Report

The 2022 actual transaction amounts between the Bank and Huaneng Capital Services and its associates were lower than the 2022 annual caps, which was primarily because the business was affected by the various factors, including that connected transactions and the Group's business were compressed as whole: (1) Since 2020, due to the impact of the COVID-19 and in order to maintain steady economic growth, the monetary policy of the central bank continued to be relatively loose, and the yields on the relevant underlying assets showed a downward trend. In such environment, the yields of the relevant investments were also affected to a certain extent, therefore, the Bank's relevant investments decreased as compared with the previous period since 2020; (2) External regulators also imposed relevant requirements to entrusted loans business of Huaneng and other business, which resulted in a significant decrease in revenue from intermediary business of the Bank; (3) Due to the impact of the adjustment of the bond market in 2022, the fluctuations in wealth management products were enlarged under the background of the comprehensive net-worth transformation. There was a certain uncertainty in the investment gains, and the financial management investors generally had a low risk preference, in such case, investors of a certain scale redeemed wealth management products and were on the sidelined, which led to the passive deduction of the scale of wealth management and the decrease in relevant investment and the revenue of the intermediary business accordingly; (4) The returns of the monetary fund products of two fund companies related to Huaneng Capital Services failed to meet the expected returns of the Bank when investing; (5) The scale of the Bank's agency sales of net worth assets of Huaneng Guicheng Trust and Great Wall Fund and Invesco Great Wall Fund decreased, resulting in a corresponding decrease in the income from intermediary business.

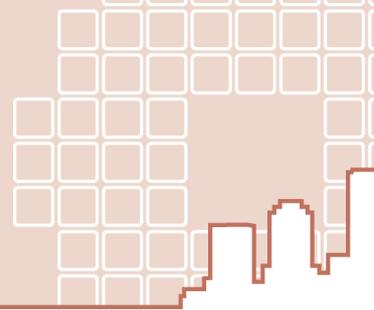
## **Principal terms**

In accordance with the new Huaneng Framework Agreement, parties shall separately sign a specific fee- and commission-based products and services agreement for each actual transaction on the basis of the terms of the framework agreement. The transactions will be conducted in the ordinary and usual course of business of the Bank on normal commercial terms in compliance with the applicable laws and regulations and industry practices.

## **Implications under the Hong Kong Listing Rules**

As the highest applicable percentage ratio based on the relevant annual caps for Huaneng Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the Huaneng Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the years ended December 31, 2020 and 2021.

As for the new Huaneng Framework Agreement, as the highest applicable percentage ratio based on the relevant annual caps is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. At the 2021 First Extraordinary General Meeting held on December 16, 2021, the independent Shareholders of the Bank approved the new Huaneng Framework Agreement, transactions proposed thereunder and the annual caps related to such transactions for the three years ended December 31, 2022, 2023 and 2024.



## 2. Providing Fee- and Commission-based Products and Services to SSCO and Its Associates

We entered into a financial products and services framework agreement (the “**SSCO Financial Products and Services Framework Agreement**”) with SSCO on June 24, 2019 for providing fee- and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. The SSCO Financial Products and Services Framework Agreement was valid until December 31, 2021, unless terminated earlier in accordance with the agreement. Based on the cooperation status, market environment, further cooperation and other reasons, we expect the amount for the provision of financial products or services to SSCO and/or its associates to increase from the original estimates, which may exceed the original annual caps during the years set forth in the SSCO Financial Products and Services Framework Agreement. Therefore, we signed a Financial Products and Services Framework Supplemental Agreement, which was a supplemental agreement to the SSCO Financial Products and Services Framework Agreement, with SSCO on March 26, 2020 (hereinafter referred to as the “**SSCO Framework Supplemental Agreement**”). Given the impending expiry of the SSCO Financial Products and Services Framework Agreement and the SSCO Framework Supplemental Agreement, on October 19, 2021, we entered into a new SSCO Framework Agreement with SSCO for a term of three years from January 1, 2022 to December 31, 2024, renewable subject to mutual agreement and compliance with the Listing Rules.

SSCO, a substantial shareholder of our Bank, thus is a connected person of our Bank.

The 2022 actual transaction amount between the Bank and SSCO and its associates was lower than the 2022 annual cap, primarily due to (1) SSCO and its affiliated provincial state-owned enterprises under its control required to reduce the balances of on- and off-balance sheet financing of the Bank and the asset-liability ratio. The decrease in bank acceptance bill business and debt securities underwriting as well as distribution business. (2) During the pandemic, there was a fee reduction policy for the Bank's acceptance bill business. In addition, the Bank adjusted the pricing of the bank acceptance bills as the state-owned enterprises under SSCO's control all required to reduce the fee rate and so on, which resulted in a decrease in the profit of the bank acceptance bill business. In 2022, the regulators also put forward strict regulatory requirements to the bank acceptance bill business of the Bank. Our bank acceptance bill business volume decreased. (3) As affected by regulatory policy adjustments, the scale of the Bank's self-operated non-standardized debt asset investment business and the volume of its direct banking business gradually declined, leading to an impact on the income growth of the resulting intermediary business, of which the income from intermediary business involving affiliated enterprises also failed to reach the expected growth rate consequently. (4) With the influence of the new regulation on connected transaction, the bond underwriting business conducted by the Bank and the provincial state-owned capital operational companies was largely decreased, resulting in the revenue from respective underwriting fee decreased significantly.

# Directors' Report

## Principal terms

We provide fee- and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. Parties shall separately sign a specific fee- and commission-based products and services agreement for each actual transaction on the basis of the new SSCO Framework Agreement. The terms and conditions of such products and services shall be specified on fair and reasonable and normal commercial terms after arm's length negotiations.

## Implications under the Hong Kong Listing Rules

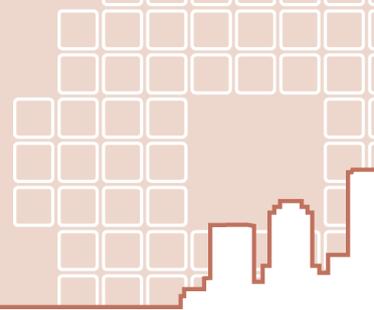
As the highest applicable percentage ratio based on the relevant annual caps for SSCO Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the SSCO Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the years ended December 31, 2020 and 2021.

As for the new SSCO Framework Agreement, the highest applicable percentage ratio based on the relevant annual caps is expected to be more than 5%, these transactions are, therefore, subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the 2021 First Extraordinary General Meeting held on December 16, 2021, the independent Shareholders of the Bank approved the new SSCO Framework Agreement, transactions proposed thereunder and the annual caps related to such transactions for the three years ended December 31, 2022, 2023 and 2024.

### 3. Providing Fee- and Commission-based Products and Services to Changzhi Nanye and Its Associates

The Bank entered into a financial products and services framework agreement (the "**Original Nanye Industry Framework Agreement**") with Changzhi Nanye on March 26, 2020, and provided fee- and commission-based products and services to Changzhi Nanye and its associates. The Original Nanye Industry Framework Agreement will be valid until December 31, 2022, unless terminated earlier in accordance with the agreement. Given the Original Nanye Industry Framework Agreement is about to expire, on November 8, 2022, the Bank entered into a new framework agreement (the "**New Nanye Industry Framework Agreement**") with Changzhi Nanye for a term of three years from January 1, 2023 to December 31, 2025, renewable subject to mutual agreement and compliance with the Listing Rules.

Changzhi Nanye, a substantial shareholder of our Bank, thus is a connected person of our Bank.



The 2022 actual transaction amount between the Bank and Changzhi Nanye and its associates was lower than the 2022 annual cap, primarily because (a) during the epidemic period, there was a fee reduction policy for the Bank's acceptance bill business, and the Bank adjusted the pricing of the bank acceptance bills, which resulted in a decrease in the profit of the bank acceptance bill business and a decrease in the volume of the Bank's acceptance bill business; (b) some of the direct banking businesses with Changzhi Nanye will expire in succession this year and will not be renewed upon expiration; and (c) since 2022, the prices of bulk commodities such as coal have increased significantly, and the book cash of the enterprise is sufficient. In addition to actively repaying the Bank's on- and off-balance sheet financing, the amount of invoices issued by bank acceptance bill business has decreased significantly, which has affected the growth of the enterprise's intermediary business in our Bank.

### **Principal terms**

The Bank provides fee- and commission-based products and services to Changzhi Nanye and its associates in ordinary and usual course of business. Parties separately sign specific fee- and commission-based products and services agreement for each actual transaction on the basis of the terms of the Original Nanye Industry Framework Agreement and the New Nanye Industry Framework Agreement. Such specific fee- and commission-based products and services agreement will be entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

### **Implications under the Hong Kong Listing Rules**

As the highest applicable percentage ratios based on the relevant annual caps for the Original Nanye Industry Framework Agreement and the New Nanye Industry Framework Agreement, are expected to be more than 0.1%, but all are less than 5%, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, while exempt from independent shareholders' approval requirements.

## **4. Confirmation of the Independent Non-executive Directors**

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that those transactions have been entered into:

- a. in the ordinary and usual course of business of the Bank;
- b. on normal commercial terms or better; and
- c. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

# Directors' Report

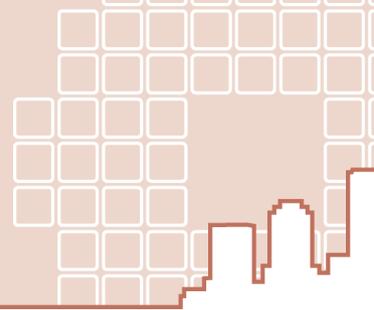
## 5. Confirmation of the Auditor

According to Rule 14A.56 of the Hong Kong Listing Rules, the Board has engaged Ernst & Young, the overseas auditor of the Bank, to perform a limited assurance engagement for the above continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Board confirms that the auditor has reported the results after performing the procedures, stating that:

- a. nothing has come to the auditor’s attention that causes it to believe that the continuing connected transactions have not been approved by the Bank’s Board of Directors;
- b. for transactions involving the provision of services by the Bank, nothing has come to the auditor’s attention that causes it to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Bank;
- c. nothing has come to the auditor’s attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor’s attention that causes it to believe that the continuing connected transactions have exceeded the annual cap for 2022 that the Bank has applied for.

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in Note 37 to the financial statements. The definition of a connected person under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures” and its interpretations by the International Accounting Standards Board. Among the transactions between the Bank and other related parties as disclosed in Note 37(b)(iv) to the financial statements, “financial investment” includes the fund management plan issued by associates of Huaneng Capital Services Co., Ltd., of which the Bank is a participant. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. “Fee and commission income” consists of fee- and commission-based products and services provided by the Bank to associates of Huaneng Capital Services Co., Ltd., SSCO and Changzhi Nanye. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed in this annual report, during the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business and on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

With respect to the continuing connected transactions above, the Bank confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.



## **DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

The Bank provides emoluments to executive Directors, employee representative Supervisors and senior management members, who are also employees of the Bank, in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors of the Bank receive remuneration based on their responsibilities. For details of the emoluments of Directors and Supervisors, please refer to Note 9 to the financial statements of this annual report.

The Bank strictly implements relevant regulatory requirements on the payment of remuneration. The Bank provides compensation for the executive Directors and senior management according to Administration Measures for the Compensation of Principal of Shanxi Provincial State-owned Local Financial Enterprises (《山西省省屬國有地方金融企業負責人薪酬管理辦法》), Administration Interim Measures on Staff Ranking and Compensation of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司員工行員等級及薪酬管理暫行辦法》), as well as the Bank's Annual Senior Management Assessment Measures and other relevant provisions.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES**

None of the Directors and Supervisors of the Bank has any interest in any business that directly or indirectly competes or may compete with the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

## **TAX RELIEF**

### **Withholding and Payment of Enterprise Income Tax for Overseas Non-resident Enterprises**

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation regulations, the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of Hong Kong Securities Clearing Company Nominees Limited).

### **Withholding and Payment of Individual Income Tax for Overseas Non-resident Individual Shareholders**

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation provisions, and the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Guo Shui Fa [1993] No. 045 Document (the "Tax Notice"), the Bank shall withhold and pay individual income tax for holders of H Shares as follows:

# Directors' Report

For individual holders of H Shares who are Hong Kong or Macau residents or those whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend;

For individual holders of H Shares whose country of domicile is the country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend. If relevant individual holders of H Shares wish to apply for a refund of the excessive amount of tax withheld, the Bank will handle applications on their behalf for preferential treatments as stipulated in relevant tax treaties pursuant to the Tax Notice. Eligible holders of H Shares shall submit promptly to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, a written authorization and all application materials, which shall be handed on by the Bank to the applicable tax authorities for approval. The Bank will assist in refunding the excessive amount of tax withheld and paid upon approval;

For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty when paying the final dividend; and

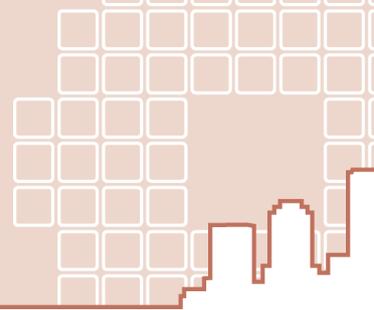
For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country/region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for individual holders of H Shares when paying the final dividend.

## AUDITOR

For information about the Bank's auditor, please refer to the section headed "Corporate Governance Report – External Auditors and their Remunerations" of this annual report.

## ISSUANCE OF BONDS

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



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

## **EQUITY LINKED AGREEMENT**

No equity-linked agreements were entered into by the Bank or existed during the Reporting Period.

On behalf of the Board

HAO Qiang  
*Chairwoman*  
Taiyuan, China  
March 28, 2023

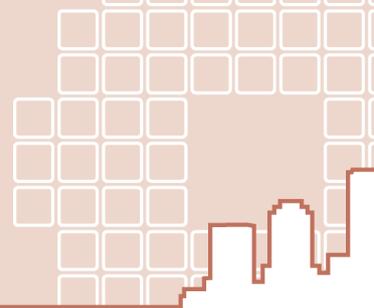
# Report of the Board of Supervisors

## I. EVALUATION OF THE BANK'S WORK IN 2022

In 2022, the Bank firmly upheld the overall keynote of seeking progress while ensuring stability, constantly met the requirements for high-quality development, and focused on its main responsibilities and main businesses with regard to serving the local economic and social development. Facing the mounting downward pressure on the economy, increasing risks and challenges as well as the complicated and fluctuated financial markets, the Bank strove to maintain a good momentum of healthy, stable and sustainable development and achieved sound operating performance.

### (I) Actively Participating in the Regional Economic Development and Making Continuous Achievements in Serving the Real Economy

In 2022, the Bank actively implemented the major strategic plans of the Provincial Party Committee and Government to effectively support the construction of key areas in the province; the Bank issued ten measures to support enterprises and citizens in fighting against the pandemic and formulated special action plans centering on the implementation of the business-friendly and relief policies in the province to promote the fee reduction in financial services, and devoted efforts to provide assurance for financial services and joined hands with enterprises to overcome difficulties to contribute to the stability of the overall economy and enterprises' resumption of work and production across the province; the Bank kept up with the strategy deployment of Taiyuan-Xinzhou integration to support the construction of the Taiyuan-Xinzhou integration economic zone continuously; the Bank focused on the reform of provincial state-owned enterprises to solve risks, improve quality and efficiency, and provided exclusive comprehensive financial services to key provincial state-owned enterprises to satisfy their customized demands; the Bank actively served small and micro enterprises, kept up with the province's market subject multiplication project arrangement, formulated special action plans, and innovated to research and develop featured inclusive financial products based on the characteristics of small and micro customer base in the province to enhance our ability to provide inclusive small and micro financial services continuously. The Bank actively served the county economy, effectively expanded the coverage of the Bank's financial services; the Bank thoroughly implemented the rural revitalization strategy, launched a cooperation model of guarantee for agriculture, connected with key projects such as aquaculture, tourism and infrastructure construction accurately, consolidated its achievements in poverty alleviation, and consolidated micro credit of the Bank for people who had been lifted out of poverty during the transition period to improve the quality and effectiveness of financial services for rural vitalization.



## (II) Deepening Reform and Transformation to Improve Quality and Efficiency and Further Consolidating the Foundation of High-quality Development

In 2022, the Bank reached new heights of the high quality development, and senior management actively promoted comprehensive measures such as the system and mechanism reform, product and service improvement and reinforcement of the building of teams, and led all business lines to further promote quality and efficiency to enhance our capacity for innovation-driven development continuously. The Bank promoted the continuous transformation and upgrading of the Bank's business, identified the "Ten Key Areas" based on "One Policy for One Bank and One Policy for One Region" to form a work model of linkage between the head office and branches, front-end marketing and layered docking, and customized comprehensive financial service programs for key customers. The Bank further strengthened the financial support to the industrial chain and supply chain with advantages and characteristics in the province, highlighted the brand advantage of "Jinyunlian", enriched the supply chain financial product system, set up a special leading group on supply chain finance, and launched a new product of the "Tong (通)" series – "Jiaokuantong (教款通)". The Bank released the first environmental information disclosure report of local corporate financial institutions in the province, which displayed the green finance achievements of the Bank in an all-round way. The Bank launched the carbon emission rights pledge loans, continued to increase efforts on granting of green credit loans, and contributed transition experience to green and low-carbon development of Shanxi Province. The Bank adhered to the core value of "customer-centric", actively promoted the transformation and upgrade of service model, enhanced the ability to create value for customers, constantly improved the customer portrait system, enriched the unified view of customers, and strengthened marketing process control to further improve operational efficiency and service quality. The Bank started the construction of Mobile Banking 5.0, effectively implemented Smart Campus, Smart Community and other scenario financial products, and improved customer experience consistently. The Bank organized a number of labor competitions to improve quality and efficiency and for other purposes, and strengthened comprehensive marketing and cross-selling, which promoted new breakthroughs in retail of major business products, with a significant increase in the scale of savings deposits as well as a further decrease in the cost, and a further increase in the total amount and proportion of revenue from retail intermediary business. The Bank formulated and implemented the Guidelines on High-Quality Development of Retail Business of Branches in Taiyuan Area to enhance the market competitiveness of retail business of branches. Online consumption loan products "Housing e Loan (房e贷)" and "Credit e Loan (信e贷)" have been successfully launched, driving the first positive growth in non-mortgage assets. The Bank expanded credit card issuance channels, successfully issued American Express card product and launched the "star-rated entitlement platform", and the brand value of card business appeared initially. The Bank launched the reform of inclusive finance line, clarified the development direction of inclusive finance business, adjusted resource allocation, changed the business model, optimized the approval method, and fully mobilized the enthusiasm and combat effectiveness of branches, forming a working pattern of up-and-down linkage, front-and-back support, and line coordination.

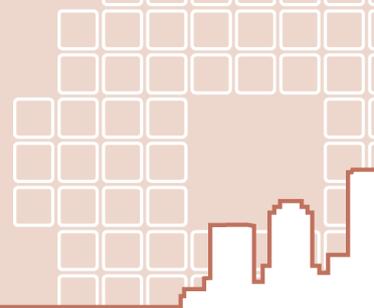
# Report of the Board of Supervisors

## (III) Insisting on Taking Comprehensive Measures to Prevent Risks and Constantly Strengthening the Construction of the Risk Compliance System

In 2022, the Bank actively responded to changes in internal and external risk situations, adhered to coordinate development and security, and solidly promoted the continuous improvement of the Bank's large-scale risk control system. The Bank leveraged the strengths of the comprehensive risk management system, promoted dispatching personnel to advance the risk line of defense, strengthened the supervision, service and support of front office business departments, and achieved synergistic progression of risk prevention and control and business development. The Bank updated and optimized recovery and disposal plans and improved the risk management and control mechanism to improve the effectiveness of risk management. The Bank established the Asset Preservation Department to promote more professional and refined disposal of non-performing assets, and achieved remarkable success in collection and minimized the scale of non-performing assets. The Bank promoted the construction of compliance in great depth, overall initiated the activities namely the "Year of System Implementation", enabling the systems to be sorted out, studied, inspected and supervised throughout the entire process of our daily operation and management to strengthen institutional constraints. The Bank strengthened employee behavior management, intensified ascertainment of responsibility, and strengthened the accountability and disposition accurately. The Bank deepened the construction of compliance culture and carried out special publicity to create a good compliance environment for the safe development of the Bank.

## (IV) Steadily Advancing the Strategy of Digital Transformation and Further Strengthening Technology-enabled Business Development

In 2022, the whole Bank actively implemented the Notice by the State Council of Issuing the Plan for Development of the Digital Economy During the "14th Five-Year" Period (《國務院關於印發“十四五”數字經濟發展規劃的通知》), Fintech Development Plan (2022-2025) (《金融科技發展規劃(2022-2025年)》) and Notice of the General Office of the People's Bank of China on Deepening the Application of Fintech, Promoting the Financial Digital Transformation and Upgrading Project (《中國人民銀行辦公廳關於開展深化金融科技應用推進金融數字化轉型提升工程的通知》) and other guidelines on development planning, further accelerating the construction of digital transformation of the Bank. The Bank established the Digital Transformation Leading Group and the Agile Development Team, so as to formulate and promote the implementation plans of digital transformation. The Bank carried out data governance work on schedule, launched data governance consultation projects and initiated agile data development projects to promote the continuous improvement of regulatory data quality and data service capabilities. The Bank accelerated the arrangement of scenario finance ecosystem, continued to optimize online channels, enhanced the ability to provide customers with more abundant, convenient and diversified financial services consistently, launched "Housing e Loan", "Credit e Loan", remote video banking and other new business, and continuously improved the convenience and intelligence level of handling business for customers, which further enhanced customer experience satisfaction.



## II. PRINCIPAL WORK OF THE BOARD OF SUPERVISORS IN 2022

In 2022, the Board of Supervisors conscientiously implemented the decisions and arrangements of the Party Committee of the Bank's head office, resolutely executed the resolutions of the shareholders' general meeting, comprehensively fulfilled the supervisory duties and effectively performed its supervisory function in the corporate governance system in accordance with laws and regulations such as the PRC Company Law, the Commercial Banking Law, the Corporate Governance Standards for Banking and Insurance Institutions, and the Bank's Articles of Association, all work has achieved good results.

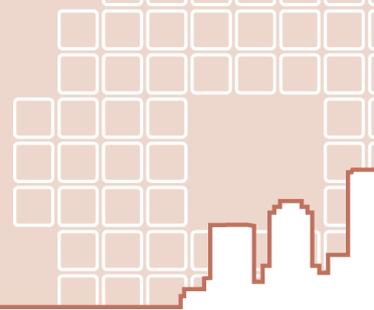
### (I) Focusing on the Leading and Promoting Function of the System to Ensure the Improvement of the Quality and Efficiency of Supervision and Governance

The Board of Supervisors has adhered to the position of supervision responsibilities and built a standardized system to ensure the effective operation of the supervision mechanism. First, the Board of Supervisors continued to improve the formulation of basic systems. The Board of Supervisors adhered to the system concept, accurately targeted the direction and requirements of the regulation, improved and revised the Rules of Procedures for the Board of Supervisors with the reference of the actual work performed by the Board of Supervisors, and focused on strengthening the guiding and safeguarding role of the basic system. The Board of Supervisors coordinated the optimization and improvement of the Work Rules of the Office of the Board of Supervisors, clarified the work process, highlighted the quality and efficiency of supporting services, and further promoted the function of the office of the Board of Supervisors. Second, the key points of the Board of Supervisors' performance were systematically clarified. The Board of Supervisors implemented the list-based responsibilities, clarified the key points of supervision, identified the key nodes of accurate supervision, and accurately and steadily carried out refined supervision. During the year, more than 80 key points of performance were sorted out and formulated around the 12 dimensions of performance supervision, and the quality and effectiveness of supervision were significantly improved through "cutting small areas, fine-tuning content, and taking practical measures". Third, the Board of Supervisors continuously improved the implementation effect of the system. The implementation of various supervisory tasks and the advancement of supervisory tasks were conducted in accordance with the system, including the deliberation of proposals, the special committee's performance of its designated supervisory duty, the implementation of supervisory measures, the feedback of supervisory opinions, etc. The Board of Supervisors adhered to the procedural awareness and promoted the effective implementation of supervision.

# Report of the Board of Supervisors

## (II) Paying Attention to the Construction of a Decision-making Mechanism for Discussion and Supervision, Compacting Supervision Responsibilities and Strengthening Risk Prevention and Control

The Board of Supervisors has strengthened the construction of the working mechanism for collective discussion, supervision and decision-making, compacted the professional supervision responsibilities of the special committees, and strictly enforced the procedures of the meeting to ensure the scientific and effective supervision and decision-making. First, the Board of Supervisors strengthened the quality of collective discussion and supervision. The Board of Supervisors scientifically adjusted the review and reference boundaries of proposals and reports, gave full play to the designated duty of special committees in pre-deliberation, and improved the quality and effectiveness of collective discussions. During the year, the Board of Supervisors organized 8 meetings of the Board of Supervisors and 12 meetings of each special committee, reviewed 94 proposals covering business decision-making, compliance construction, comprehensive risk management, data governance construction and other proposals, listened to 38 reports issues, gave 8 feedbacks to the Board of Directors covering 25 fields, 6 feedbacks to the senior management covering 28 fields, and continuously applied the requirements of strict supervision to each level, and further compacted compliance risk responsibilities. Second, the Board of Supervisors improved the efficiency of enquiries and inquiries. The Board of Supervisors strengthened and improved the enquiry and inquiry work, and enhanced the quality of supervisors' close supervision and decision-making. During the year, to improve the severity and timeliness of supervision in the whole process of risk management and control, 51 enquiries and inquiries were conducted to the heads of organizational functional departments around the bank-wide strategy implementation, profit distribution plan, compliance case prevention, appointment and dismissal of key personnel, and more than 140 supervisory opinions and suggestions were put forward. Third, the Board of Supervisors continued to follow up and supervise the implementation of supervision opinions and suggestions. The Board of Supervisors optimized the suggestions and advises and implemented the supervision mechanism, improved the effectiveness of the joint follow-up and implementation of the "three offices" (namely office of the Board of Supervisors, office of the Board of Directors, and the President's office), and continued to focus on the implementation of the "whole chain" of the five procedures, namely feedback, transfer, supervision, reply and inspection to promote the continuously refined implementation of rectification, pushed the rectification rate of feedback opinion to reach a higher level during the year, and continued to do a good job in the "second half of the article" of the rectification of supervision problems.



## (III) Paying Attention to the Effectiveness of Performance Evaluation Work, and Improving the Quality and Efficiency of Compliance Performance of the Members of Directors, Supervisors and Senior Management

The Board of Supervisors has scientifically implemented the requirements of the evaluation system, continuously improved and perfected the work process, carried out the performance supervision work strictly, practically and carefully with a systematic thinking, and promoted the quality and efficiency of the performance evaluation work.

First, the daily duty performance supervision mechanism was more flexible. The Board of Supervisors strengthened the exchange and consultation with those charged with governance, reinforced the process management, focused on the duty performance of directors and senior management members in the fields of comprehensive risk management, reputation risk, capital management, liquidity risk management, data governance, liability quality management, case prevention work, personnel behavior management and pressure testing management, refined the supervision measures, adhered to the daily duty performance effect, and effectively implemented the supervision work. During the year, supervisors were appointed to attend a total of 8 meetings of the Board of Directors, 8 written inquiries were made about the convening of the meetings of the Board of Directors and the procedures for voting on proposals, 1 on-site inspection was conducted on the duty performance of directors, and 2 reviews of the work reports of the senior management were made, so as to continuously integrate the duty performance supervision work into the daily work and focus on the regular work to effectively promote the construction of compliance duty performance.

Second, the supervision performance evaluation was more accurate and effective. The Board of Supervisors focused on system requirements to ensure that the entire evaluation process was well controlled, refined the evaluation plan, listened to the daily supervision and reviewing report on compliance and audit, conducted centralized review on the rectification and implementation of supervisory opinions, supervised and evaluated the work effectiveness such as the implementation of strategic planning, strictly implemented the requirements of the evaluation system and comprehensively evaluated the results of duty performance. The Board of Supervisors focused on the actual situation of duty performance and conducted research and judgment on phased work. According to the actual work of the Board of Directors and the Board of Supervisors during their terms of office, the Board of Supervisors took the lead in sorting out the overall duty performance and annual duty performance in three years, summarizing the supervisory experience and finding out the weaknesses of duty performance, so as to put forward the key points of optimization and improvement, research and formulate recommendations on duty performance, and promote the improvement of the quality and efficiency of duty performance. The Board of Supervisors focused on “Risk Management by the Party” to connect and improve the quality and efficiency of supervision and jointly carried out duty performance training and learning to improve the accuracy of duty performance. The Board of Supervisors inspected and reported on the duty performance of directors and supervisors at each stage, reported the duty performance work to the discipline inspection and supervision team dispatched, consciously accepted supervision, and scientifically analyzed the task requirements of safety development to put forward suggestions on the optimization of duty performance and promote the improvement of supervision and governance effect.

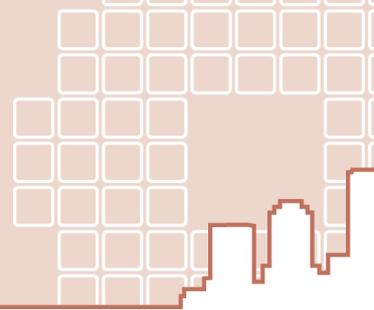
# Report of the Board of Supervisors

## (IV) Focusing on Improving the Supervision Mechanism and Strengthening the Supervision of Key Links in Key Areas

The Board of Supervisors has optimized the form of supervision, improved and enhanced supervision and inspection, put the supervision of key areas and key links in a prominent position in the work, followed up the supervision of financial management and the construction of a comprehensive risk system, carried out process supervision of the selection process of the Board of Directors, monitored and reminded the potential liquidity risks, reputation risks and credit risks, and continuously promoted safety development and construction. During the year, 3 supervisory letters were issued focusing on the requirements of the new regulations on asset management, the promotion of the basic work of the expected credit loss law, and the construction of data governance; 11 supervisory letters were issued on key aspects such as compliance construction, financial operation, and system construction; regarding the selection and appointment of directors, we attended 2 meetings of the Board of Directors, carried out 2 special supervision inquiries, and listened to 2 reports on the situation of functional departments. Focused supervision is stronger and more deterrent, thus it has played a better role in enhancing the effectiveness of supervision and promoting security construction.

The Board of Supervisors has strengthened research and supervision, promoted the improvement of service development quality and efficiency, did a good job of “three works” and integrated supervision and service. The first is about doing well with “research and judgment”. Guided by the national strategic requirements, the Board of Supervisors has carefully studied and judged the weak points of business promotion, focused on inclusive business development, accurately selected topics to carry out research, mobilized the enthusiasm and initiative of all supervisors, and increased the participation in research. The second is about doing well with “intercommunication”. The Board of Supervisors has strengthened the communication with supervisors regarding the business development, conducted inquiries 3 times on the promotion and management of the bank-wide inclusive business, communicated with technology line to retrieve one set of dynamic business data of all branches under its jurisdiction, analyzed operating advantages and business deficiencies, and carried out accurate “pulse examination”. The third is about doing well with “service”, giving full play to the strengths of supervisors, learning from the advanced practices of inclusive financial services in the industry, expanding service effects, and scientifically putting forward suggestions for improvement of business, so as to promote the steady development of inclusive financial business.

Through the integration of supervision, the Board of Supervisors has formatted of a joint force of supervision. Focusing on major issues and important supervision opinions, the Board of Supervisors has communicated and interacted with dispatched discipline inspection and supervision teams, submitted a total of 2 supervision lists involving 27 supervision materials during the year, and continuously implemented the work of supervision and communication. The Board of Supervisors explored the “targeted linkage” connection and cooperation method, and jointly carried out special audits of “asset management and direct banking business” with the audit department to promote the steady development of the bank-wide asset management business. The Board of Supervisors promptly implemented consumer rights protection work, and jointly carried out off-site inspections of consumer rights protection work with the Consumer Rights Protection Department to further promote the deepening and detailing of consumer rights protection work. The Board of Supervisors has improved the quality and efficiency of using the platform of “My suggestions for Jinshang”, further unified the opinions and suggestions at all levels into the work of promoting the bank-wide high-quality development, and strengthened the quality and efficiency of “service and efficiency” construction. Focusing on the project construction of expected credit loss law, the Board of Supervisors has strengthened intercommunication and learning exchanges with leading departments, enhanced effective intercommunication with consulting companies, actively promoted system implementation, and improved the quality and efficiency of special supervision services.



## (V) Focusing on Strengthening Self-construction and Continuously Improving the Ability and Level of Compliance Performance

First, the committee strengthened the construction of the supervisor team. The Board of Supervisors took the general election as an opportunity, strengthened the reporting to the Bank's party committee, enhanced two-way communication with labor unions, selected supervisors prudently, further optimized the team structure, and strengthened the supervisor team. Second, the Board of Supervisors strengthened the construction of business learning. During the year, supervisors were organized to study 5 times, conducted seminars and exchanges 5 times, and organized to participate in 1 centralized training for supervisory agencies to further strengthen business theory research and promote the quality of supervision practice. Third, the Board of Supervisors promoted the construction of interactive exchanges, carried out mutual learning and exchange of regulatory policies with the AFCA Financial Academy, conducted business exchanges with advanced peers in the video, and printed duty performance work manuals, effectively boosted the overall level of supervision work. Fourth, the Board of Supervisors strengthened discipline construction, strictly guaranteed the time requirements for supervisors to perform their duties, improve their work style, earnestly perform their supervisory duties, improve the quality of supervisory services, and promote the bank-wide safe development.

## III. DUTY PERFORMANCE SUPERVISION AND EVALUATION REPORT FOR 2022

### (I) Evaluation on the Performance of Duties by the Directors for 2022

In the view of the Board of Supervisors, in 2022, the Directors of the Bank were able to conscientiously and diligently perform the various duties entrusted by the Bank's Articles of Association, actively promote the construction of corporate governance, earnestly fulfill the resolutions of the shareholders' general meeting, actively participate in major business decisions, keep abreast of the operation and management of the Bank, safeguard the legitimate rights and interests of financial consumers, shareholders and other stakeholders, and actively perform their duties for the high-quality development of the whole Bank. In accordance with the relevant provisions of the Measures for Performance Evaluation on Directors by the Board of Supervisors of Jinshang Bank Co., Ltd., after deliberation by the Board of Supervisors, the evaluation results of the performance of duties by Directors are as follows:

1. Eleven directors including 2 executive Directors, HAO Qiang and ZHANG Yunfei, 4 non-executive Directors, LI Shishan, LIU Chenhang, WANG Jianjun and XIANG Lijun, and 5 independent Directors, JIN Haiteng, SUN Shihu, WANG Liyan, SAI Zhiyi and YE Xiang were all evaluated as "Competent" in the duty performance evaluation for 2022 by the Board of Supervisors.
2. During the Reporting Period, LI Yang as a non-executive Director and DUAN Qingshan as an independent Director did not meet the evaluation time limit requirements after obtaining regulatory approval qualifications. In accordance with regulatory requirements, the Bank's Articles of Association, the Measures for Performance Evaluation on Directors by the Board of Supervisors of Jinshang Bank Co., Ltd. and other relevant requirements, the Board of Supervisors did not conduct a comprehensive evaluation of the performance of duties by the above two directors in 2022.

# Report of the Board of Supervisors

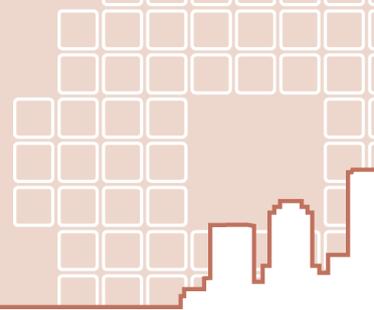
## (II) Evaluation on the Performance of Duties by the Supervisors for 2022

In the view of the Board of Supervisors, in 2022, all supervisors fully implemented the various decisions and arrangements of the head office party committee, resolutely implemented the resolutions of the shareholders' general meeting. Under the supervision and guidance of the regulatory department, all supervisors performed their duties in strict accordance with laws and regulations, regulatory requirements and the Articles of Association. Closely complying with the tasks of the Bank's high-quality development center, all supervisors adhered to the work concept of "supervising and serving development", took the initiative to act, faithfully performed duties, supervised the work in a pragmatic and efficient manner, continuously improved the service level, and better safeguarded the rights and interests of stakeholders such as the Bank, shareholders, employees, and financial consumers, which provided a solid guarantee for the Bank to achieve sustainable and high-quality development.

To sum up, in accordance with the provisions of the Measures for Performance Evaluation on Supervisors by the Board of Supervisors of Jinshang Bank Co., Ltd., the Board of Supervisors assessed the performance of duties by eight Supervisors of the Bank in 2022 and the results were all "Competent".

## (III) Evaluation on the Performance of Duties by the Senior Management Members for 2022

In the view of the Board of Supervisors, in 2022, all current senior management members of the Bank strictly abided by laws, regulations and the provisions of the Bank's Articles of Association, actively implemented the decisions and arrangements of the Board of Directors, conscientiously executed the resolutions of the shareholders' general meeting and the Board of Directors, actively implemented the supervisory opinions and suggestions of the Board of Supervisors, acted in the best interest of the Bank, timely reported the major operation and management to the Board of Directors and the Board of Supervisors, and fully performed their duties including operation and management, capital management, risk management, internal control and digital governance of the Bank. The Bank was able to adhere to prudent operation and strict risk control to steadily improve the risk management and control capabilities of the whole Bank and sustain the development of businesses. To sum up, in accordance with the provisions of the Measures for Performance Supervision Evaluation on senior management members of the Board of Supervisors of Jinshang Bank Co., Ltd., the Board of Supervisors assessed the performance of duties by six senior management members of the Bank in 2022 and the results were all "Competent".



## **IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS**

### **(I) Legal Operations**

During the Reporting Period, the Board of Directors and senior management of the Bank insisted on legal and compliance operations, and the decision-making procedures were in compliance with the PRC Company Law, the Commercial Banking Law and provisions of the Bank's Articles of Association. The members of the Board of Directors and senior management members performed their duties faithfully and diligently, and none of them were found against any laws and regulations or damaged the interests of the Bank in performing their duties.

### **(II) Regular Financial Reporting**

In the view of the Board of Supervisors, the preparation and review of the Bank's competency reports were in compliance with laws, administrative regulations and regulatory requirements, and gave a true, fair view of the financial position and the results of operations of the Bank, Ernst & Young Hua Ming LLP issued standard unqualified audit report for the financial report, and the Board of Supervisors had no objection to the report.

### **(III) Appropriation of Profits**

In the view of the Board of Supervisors, the annual profit distribution plan of Jinshang Bank was in compliance with the relevant laws, regulations and the Bank's Articles of Association, and the distribution plan was in line with the Bank's current actual situation and the need for sustainable and sound development.

### **(IV) Conduct of Related Party Transactions**

During the Reporting Period, the Bank's related party transactions were in compliance with the commercial principles and the Board of Supervisors did not find any damage to interests of the Bank, shareholders and other parties, and the related party transactions were conducted in compliance with the relevant laws, regulations and the Bank's Articles of Association.

### **(V) Information Disclosure**

During the Reporting Period, the Bank was able to fulfill its information disclosure obligations in compliance with the regulatory requirements, conscientiously implement the information disclosure management system, disclose information in a timely and fair manner, and disclose true, accurate and complete information without false records, misleading statements or material omissions.

### **(VI) Implementation of Resolutions at General Meetings of Shareholders**

During the Reporting Period, the Board of Supervisors has no objection to the proposals and reports submitted by the Board of Directors for consideration at the General Meeting of Shareholders, believing that the Board of Directors and the senior management were able to strictly implement the resolutions of the General Meeting of Shareholders.

### **(VII) Review of the Internal Control Evaluation Report**

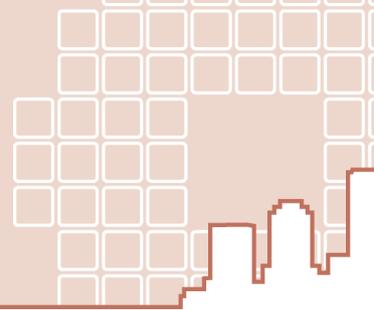
The Board of Supervisors supervised the annual internal control of the Bank. In the view of the Board of Supervisors, the Bank has made active efforts to improve and enhance the quality and effectiveness of the Bank's internal control construction and effectively enhance the Bank's safety construction.

## **V. PRIORITY WORK AREAS IN 2023**

2023 is the opening year of the comprehensive implementation of the spirits of the 20th CPC National Congress, and also the starting year of the implementation of the deployment of the 2nd Party Congress of Jinshang Bank. The Board of Supervisors shall follow the strategic pace of the Party Committee of the head office, play its supervisory duties in compliance with laws and regulations, conscientiously implement the resolutions of the General Meeting of Shareholders, make active efforts to fulfill its supervisory responsibilities, and make full use of its role of “supervising to ensure safety and serving to promote development”.

### **(I) Insisting on Strengthening the Supervision of the Discussion, and Striving to Provide Strong Protection for the Safe Development of the Bank**

To meet the requirements of high-quality development of the Bank, the Board of Supervisors shall deepen the main supervision form of meeting supervision, focus closely on the main responsibility of supervision, continue to apply the requirement of “strict requirements, high quality, strong implementation” in depth and detail, and enhance the seriousness, standardization and effectiveness of meeting supervision. The Board of Supervisors should pay more attention to the pre-meeting coordination work, based on the basic responsibility of supervision, accurately grasp the boundaries of the reviewing and proposal, arrange the review and proposal process scientifically, efficiently connect with functional departments, conduct pre-conference topic communication to ensure the quality and effectiveness of the meeting supervision. The Board of Supervisors shall focus more on controlling the procedures of discussion, adhere to the strict tone of supervision, give full play to the full-time advantages of the special committees and the professional advantages of the supervisors, seriously carry out the questioning and inquiries of resolutions, fully grasp the quality of review and decision-making, and enhance the scientific and applicability of supervisory opinions. The Board of Supervisors should pay more attention to the implementation effect of the supervision opinions, continue to improve the closed loop of “supervision, feedback, tracking, overseeing” of the supervision work, grasp the feedback work, improve the quality and effectiveness of the implementation of the opinions, promote the efficient performance of the supervision function on meetings, and protect the safe development.



## (II) Adhering to Precise Thinking and Striving to Improve the Quality and Efficiency of Supervision Work

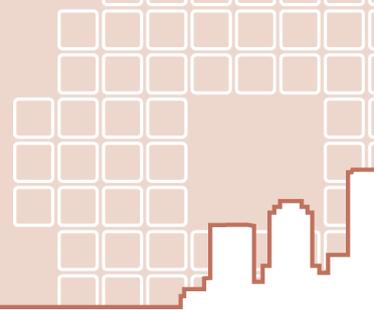
The Board of Supervisors should adhere to the goal orientation, scientifically study and judge the economic and financial situation, accurately grasp the key points of supervision, and do a good job in various supervision tasks accurately and meticulously. The Board of Supervisors must further concentrate on the key points of supervision and performance, focus on the four key areas of “financial supervision, risk supervision, internal control supervision and duty performance supervision”, establish the work ledgers, adhere to carry out different tasks based on the schedule, implement according to the order, strengthen the dynamic management of ledgers, and promote the supervision of duty performance accurately and effectively. In recent years, the Ministry of Finance has issued a number of regulatory measures such as the Notice on Further Strengthening Financial Management of State-owned Financial Enterprises 《關於進一步加強國有金融企業財務管理的通知》, the Operational Guidelines on Accounting Standards for Banking Financial Instruments 《銀行業金融工具會計準則操作指引》 and the Provisions on Accounting Treatments Related to Asset Management Products 《資產管理產品相關會計處理規定》, which further conveyed the guidance of strict financial execution constraints from the national level. The Board of Supervisors should further align with the requirements of regulatory policies, monitor the circulation and integration of the Bank’s financial management and regulatory policies, focus on the financial management advantages of the Supervisors, strengthen the supervision of the Bank’s financial management, financial operations, business plans and related transactions, and put forward scientific and professional financial supervision opinions to regulate the implementation of the Bank’s financial management work. The downward pressure on the global economy should not be underestimated, and the cross-contamination between various types of risks across the Bank has become more obvious, putting more pressure on comprehensive risk management. The Board of Supervisors further grasps the focus of supervision in its daily duty performance, strengthens the forward movement of supervision threshold, does a good job of risk research and judgment, prevention and avoidance, especially strengthens the supervision of reputation risk, credit risk and market risk across the Bank, and constantly puts forward scientific legal supervision opinions, professional financial supervision opinions and pragmatic improvement opinions at the macro, meso and micro levels, continuously empowers the supervisory advantages to promote safe development advantages and strengthens the quality and effectiveness of risk prevention and control. Compliance operation is the foundation of the Bank and the basis for the Bank’s high-quality development. With the current increasingly stringent regulation, the importance of the Bank’s safe operation has become more prominent. The Board of Supervisors should further consolidate its primary responsibilities for compliance supervision, increase its supervision of the Bank’s internal control and compliance construction, especially the supervision of internal control of new businesses, new processes and key risk links, continuously integrate internal control supervision with financial supervision, risk supervision and duty performance supervision, and provide wisdom, strategies and effectiveness in internal control supervision, so as to effectively grasp the quality and effectiveness of internal control supervision. In the face of the regulatory requirements of “strong supervision, strict accountability and heavy penalties”, the Board of Supervisors should, from its own responsibilities, follow the regulatory guidance and deeply promote the implementation of strict governance of the Bank and the Committee, and comprehensively strengthen the supervision of Directors, Supervisors and senior management members in the implementation of strategies, shareholder shareholding management, implementation of resolutions of shareholders’ general meetings and fulfillment of duties, refine the circulation and integration of duty performance supervision and regulatory requirements, adhere to the principle of “substance over form”, and promote the improvement of corporate governance efficiency.

# Report of the Board of Supervisors

## (III) Adhering to Integration and Innovation, and Striving to Optimize Effective and Practical Supervision Methods

The Board of Supervisors should adhere to the system concept, optimize and improve supervision initiatives, promote supervision and improve quality, and serve the business development of the Bank. The Board of Supervisors should further improve our daily supervision work, play a good supervision “combination”, do a good job of pre-advice, in-process supervision and post-questioning; the Board of Supervisors should take the initiative to make good use of the results of the construction of the Bank’s system, and grasp the quality and effectiveness of the use of the system; the Board of Supervisors should enhance the digital analyzing ability, strengthen the risk identification ability, find the key points of supervision, and improve the quality and effectiveness of targeted supervision; the Board of Supervisors should make good use of the results of compliance and audit inspections, play the role of re-monitoring function, and improve the quality and effectiveness of problem rectification. The Board of Supervisors should further optimize the development of special research work, accurately select topics, precisely answer questions, make good use of special research governance advantages of “special, precise, deep”, comprehensively make good use of “on-site interviews, multi-party meetings, questionnaires, data access” and other means of supervision, deepen the symptoms and root causes, play the Supervisor’s professional strengths, and provide more scientific and feasible advice and recommendations to promote high-quality development.

The Board of Supervisors should take innovation as the traction, continuously enrich the means of supervision, build a solid foundation for supervision and enhance the effectiveness of supervision services through building platforms, constructing mechanisms, exchanging information and grasping rectification. The Board of Supervisors should further make good use of the Bank’s consistent supervision and governance platform, strengthen the exchange of views and experience sharing, form a collaborative, resonant and synergistic working mechanism, and promote the quality of supervision. The Board of Supervisors will continue to explore the “whole process embedded”, “targeted linkage”, “relay follow-up” and “multi-party review” supervision models, efficiently linking compliance, audit and business line and other departments to carry out business inspections, forming a linkage inspection mechanism, strengthening complementary strengths, grasping the quality and effectiveness of problematic inspections and rectification, and continuously enhancing the depth and strength of supervision. The Board of Supervisors should give full play to the quality and effectiveness of the platform construction of “My suggestions for Jinshang”, gather the wisdom of the whole bank to promote high-quality development, enhance the cohesion and centripetal force of the whole bank, form a new supervisory pattern of up and down linkage, left and right articulation, internal and external coherence throughout the Bank, promote good supervision to dig deeper and extend the work, implement the 80 key supervision standards formulated by the Board of Supervisors, and effectively play the role of supervision to ensure safety and service to promote development.



## (IV) Adhering to Team Building and Strive to Improving the Quality and Efficiency of Duty Performance

High-quality team building quality and efficiency is an important support to achieve high-quality work of the Board of Supervisors in the new era. The Board of Supervisors should always adhere to the learning of “first requirement”, strengthen knowledge to empower supervision and improve quality, focus on practical forging supervision skills, and continuously improve the quality of team building. The Board of Supervisors should pay attention to the study of new policies and regulations, strengthen the learning and understanding of the new policies and regulations, focus precisely on the revised provisions, achieve a thorough understanding, and improve the quality and efficiency of scientific decision-making. The Board of Supervisors should grasp the external training to extend the training, be practical in the advanced exchange and mutual learning as well as information sharing, to enhance the level of theoretical knowledge, and empower the quality improvement of work. The Board of Supervisors should grasp the concentrated study at the meetings of the Board of Supervisors and do a good job of “one session, one theme” seminars to enhance the depth of accurate supervision. The Board of Supervisors should grasp the quality and efficiency of daily learning and constantly broaden the breadth of knowledge to enhance the quality and efficiency of comprehensive supervision. The Board of Supervisors should grasp the construction of behavior to carry out the main responsibility for safety production, and do a good job of discipline protection to improve “service and efficiency”.

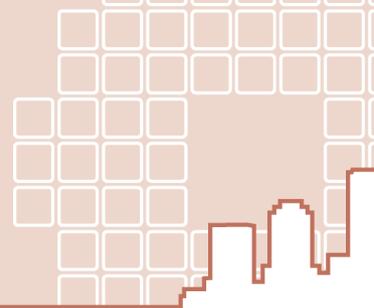
# Important Matters

## USE OF PROCEEDS

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

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

As approved by the PBoC and the CBIRC Shanxi Office, the Bank successfully issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021 and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.0 billion with a maturity of 5+5 years at a fixed interest rate and a coupon interest rate of 4.78%, and the right of redemption with pre-conditions at the end of the fifth year. With prior approval by the regulatory authorities, the Bank is entitled to redeem part or all of such bonds at par value. All funds raised from this tranche of bonds have been used to replenish the tier-two capital of the Bank in accordance with applicable laws and approvals from regulatory authorities.



### **RELATED PARTY TRANSACTIONS AT THE REGULATORY CALIBER OF THE CBIRC**

The Bank's current related party transactions are mainly in the form of credit extension to customers who are related legal persons. Since 2022, the Bank's related party transactions have been determined on the basis of general business principles and conducted under the conditions not more favorable than those provided to transactions of similar type of non-related parties. The terms of the relevant transactions were fair and reasonable and in the interests of all the shareholders and the Bank as a whole. Under the Administrative Measures for Related-Party Transactions of JINSHANG BANK CO., LTD., for related party transactions classified as credit extension, their corresponding prices are determined in accordance with the relevant pricing management measures for credit extension and with reference to the rating and risk conditions of related party customers, to ensure the legality and fairness of the pricing of the Bank's related transactions. The Bank strictly implemented the provisions by the CBIRC such as prohibiting the provision of guarantees for financing activities of related parties and rejecting credit extension pledged under the Bank's equity. For other types of related party transactions, they have been conducted on the premise of the Bank's compliance with the regulatory requirements and unified pricing across the Bank at the same time.

In 2022, various management mechanisms for the Bank's related party transactions operated steadily, and various types of related party transactions were conducted normatively. As of the end of 2022, the concentration ratio of the Bank's credit extension to a single related party was 4.41%, and the concentration ratio of the Bank's credit extension to group customers to which a single related legal person or other organizations are subordinated was 8.99%. The balance of related transactions between our Bank and related parties amounted to RMB7,917 million, accounting for 29.07% of the net capital of our Bank, which met the regulatory requirement, and the Bank's credit extension business to related party shareholders and related credit risk exposures were normal loans of good quality. In terms of transaction volume, structure and quality, they had no significant impact on the normal operation of the Bank. The non-performing ratio of loans to related parties of the Bank's shareholders was nil, and the quality of related-party credit was better than the average level of the Bank's overall credit extension.

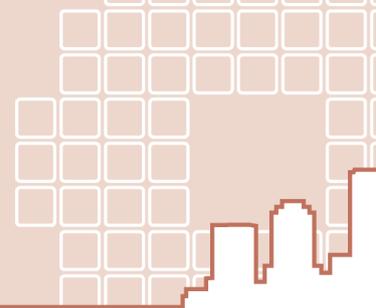
# Important Matters

## Details of Related Party Transactions

Unit: RMB'0,000

Group name	Name of enterprise to be granted credit	Loans	Special purpose vehicle investment	Loan commitments	Bank acceptance exposure	Letter of credit exposure	Total credit granting	Credit concentration
Jinneng Holdings Group Co., Ltd. (晉能控股集團有限公司)	Shanxi Jinxiang Coal Chemical Co., Ltd. (山西金象煤化工有限責任公司)				16,900.00		16,900.00	0.62%
	Jinneng Holding Equipment Manufacturing Group Tianyuan Shanxi Chemical Co., Ltd. (晉能控股裝備製造集團天源山西化工有限公司)				14,072.92		14,072.92	0.52%
	Hubei Qianjiang Jinhuarun Chemical Fertilizer Co., Ltd. (湖北潛江金華潤化肥有限公司)				15,540.00		15,540.00	0.57%
	Shanxi Taihang Ancient Library Cultural Tourism Co., Ltd. (山西太行古書院文化旅遊有限公司)	49,249.95					49,249.95	1.81%
	Shanxi Jinmei Group Linfen Jinniu Coal Mine Investment Co., Ltd. (山西晉煤集團臨汾晉牛煤礦投資有限責任公司)	12,909.23		114.92			13,024.15	0.48%
	Shanxi Coal Transportation and Marketing Group Yangquan Co., Ltd. (山西煤炭運銷集團陽泉有限公司)	43,200.00					43,200.00	1.59%
	Shanxi Coal Distribution Group Jincheng Co., Ltd. (山西煤炭運銷集團晉城有限公司)	28,800.00					28,800.00	1.06%
	Jinneng Holding Coal Industry Group Co., Ltd. (晉能控股煤業集團有限公司)						30,000.00	1.10%
	Jinneng Holding Coal Industry Group Shuozhou Coal Transportation and Marketing Co., Ltd. (晉能控股煤業集團朔州煤炭運銷有限公司)	7,112.00					9,996.00	0.63%

# Important Matters

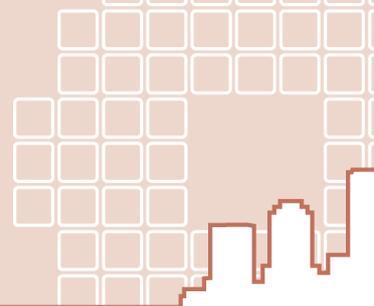


Group name	Name of enterprise to be granted credit	Loans	Special purpose vehicle investment	Loan commitments	Bank acceptance exposure	Letter of credit exposure	Total credit granting	Credit concentration
Lu'an Chemical Group Co., Ltd. (瀋安化工集團有限公司)	Tianji Coal Chemical Industry Group Co., Ltd. (天脊煤化工集團股份有限公司)	59,200.00			10,700.00		69,900.00	2.57%
	Shanxi Lu'anmeiji Clean Energy Co., Ltd. (山西瀋安煤基清潔能源有限責任公司)	86,248.00					86,248.00	3.17%
	TIANJI Group HENAN Means of Agricultural Production Co., Ltd. (天脊集團河南農資有限公司)	1,000.00					1,000.00	0.04%
	Tianji Group Plastics Co., Ltd. (天脊集團塑料有限公司)	1,000.00					1,000.00	0.04%
	Shanxi Tianji Group Construction Engineering Co., Ltd. (山西天脊集團建築工程有限責任公司)	1,000.00					1,000.00	0.04%
	Lu'an International Financial Leasing (Hengqin) Co., Ltd. (瀋安國際融資租賃(橫琴)有限公司)	2,630.00					2,630.00	0.10%
	Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. (河北正元氫能科技有限公司)	13,000.00					13,000.00	0.48%
	Yangmei Fengxi Fertilizer Industry (Group) Co., Ltd. (陽煤豐喜肥業(集團)有限責任公司)	27,000.00					27,000.00	0.99%
	Shanxi Yangmeifeng Xiquanji Energy Co., Ltd. (山西陽煤豐喜泉稷能源有限公司)	20,000.00					20,000.00	0.73%
	Yangquan Coal Industry Group Taiyuan Chemical New Material Co., Ltd. (陽煤集團太原化工新材料有限公司)					15,000.00		15,000.00
Yangmei Pingyuan Chemical Company Limited (陽煤平原化工有限公司)						8,000.00	8,000.00	0.29%

# Important Matters

Group name	Name of enterprise to be granted credit	Loans	Special purpose vehicle investment	Loan commitments	Bank acceptance exposure	Letter of credit exposure	Total credit granting	Credit concentration
<b>Changzhi Nanye Industry Group Co., Ltd.</b> (長治市南燁實業集團有限公司)	Shanxi Huashengrong Coal Mine Co., Ltd. (山西華晟榮煤礦有限公司)	22,500.00					22,500.00	0.83%
	Shanxi Gaoke Huajie Photoelectric Technology Co., Ltd. (山西高科華傑光電科技有限公司)	19,500.00					19,500.00	0.72%
	Shanxi High Tech Huaxing Electronic Technology Co., Ltd. (山西高科華興電子科技有限公司)	4,000.00			3,500.00		7,500.00	0.28%
	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	16,500.00				3,500.00	20,000.00	0.73%
<b>China Huaneng Group Co., Ltd.</b> (中國華能集團有限公司)	Shanxi Fanshi Muyuan Agriculture and Animal Husbandry Co., Ltd. (山西繁峙牧原農牧有限公司)	4,500.00					4,500.00	0.17%
	Shanxi Yuanping Muyuan Agriculture and Animal Husbandry Co., Ltd. (山西原平牧原農牧有限公司)	1,500.00					1,500.00	0.06%
<b>Taiyuan Haixin Asset Management Co., Ltd.</b> (太原市海信資產管理有限公司)	Taiyuan Haixin Asset Management Co., Ltd. (太原市海信資產管理有限公司)		43,338.03				43,338.03	1.59%

# Important Matters



Group name	Name of enterprise to be granted credit	Loans	Special purpose vehicle investment	Loan commitments	Bank acceptance exposure	Letter of credit exposure	Total credit granting	Credit concentration
<b>Shanxi Coking Coal Group Co., Ltd.</b> (山西焦煤集團有限責任公司)	Xishan Coal Electricity (Group) Co., Ltd. (西山煤電(集團)有限責任公司)	21,950.00					21,950.00	0.81%
	Shanxi Fenxi Mining Group Zhengxin Coal and Coke Co., Ltd. (山西汾西礦業集團正新煤焦有限責任公司)	120,000.00					120,000.00	4.41%
	Huozhou Coal Power Group Xinzhi Industrial Co., Ltd. (霍州煤電集團辛置實業有限公司)	1,000.00					1,000.00	0.04%
	Shanxi Fenxi Zhengcheng Coal Industry Co., Ltd. (山西汾西正城煤業有限責任公司)	12,000.00		27,000.00			39,000.00	1.43%
	Shanxi Coking Coal Group International Development Co., Ltd. (山西焦煤集團國際發展股份有限公司)	4,800.00					4,800.00	0.18%
	Linfen Yaofu Tourism Project Management Co., Ltd. (臨汾堯富旅遊項目管理有限公司)	9,500.00					9,500.00	0.35%
<b>Associated Natural Persons</b>		1,011.44		2,967.45			3,978.89	0.15%
<b>Total</b>		591,110.62	43,338.03	30,082.37	75,712.92	51,496.00	791,739.94	29.07%

## Important Matters

### **MATERIAL LITIGATION AND ARBITRATION**

As of the date of this annual report, the Bank expects that any current and pending proceedings or arbitration procedures will not have a material adverse effect on the Bank's business, financial condition and operating results (whether individually or collectively) after accrual of impairment provisions.

### **PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

During the Reporting Period, the Bank, all of its Directors, Supervisors and senior management were not investigated, administratively penalized or publicly criticized by the China Securities Regulatory Commission, publicly condemned by the Hong Kong Stock Exchange or punished by any other regulatory authorities, which would have a material impact on the Bank's operation.

### **ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND ASSETS AND BUSINESS MERGER**

During the Reporting Period, the Bank had no material acquisition and disposal of subsidiaries, associates, joint ventures and assets or business merger.

### **MATERIAL INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

During the Reporting Period, the Bank had no material investment, or specific plan for material investments or acquisitions of material capital assets or other businesses.

### **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Saved as disclosed above, no other significant events affecting the Bank have occurred subsequent to the end of the Reporting Period.

# Risk Management and Internal Control

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Bank has established and continuously improved the effective corporate governance structure, with the shareholders' general meeting as the highest authority, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body and the senior management as the executive body, clearly defined the rules of procedure and decision-making procedures of each governance subject of "the shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management" ("三會一層"), and established a scientific and reasonable corporate governance mechanism with clear responsibility, separation of powers and balances and standardized operation.

The Board of Directors has established special committees, including the Development and Strategy Committee, Nomination, Remuneration and HR Committee, Audit Committee, Risk Management Committee, Consumer Rights Protection Committee and Related Party Transactions Control Committee; the Board of Supervisors has established Nomination Committee and Supervision Committee. Risk Management Committee, Investment Management Committee, Assets and Liabilities Management Committee, Credit Review Committee, Financial Review Committee, Information Technology Management Committee, Accountability Management Committee, Business Continuity Management Committee, Performance Appraisal Management Committee, corporate business management committee, retail business management committee and other special committees are under the Operation Management. The Board of Directors, the Board of Supervisors and their respective special committees have all formulated corresponding rules of procedure, and the offices of the Board of Directors and the Board of Supervisors are responsible for the daily affairs of "the shareholders' general meeting, the Board of Directors and the Board of Supervisors" to ensure the normal and orderly running of the operations management and various businesses of the Bank.

The Bank has also established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level. Our Audit Department formulates annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Audit Department conducts both on-site inspections and off-site monitoring during routine audits on various departments and their operational and management activities. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

# Risk Management and Internal Control

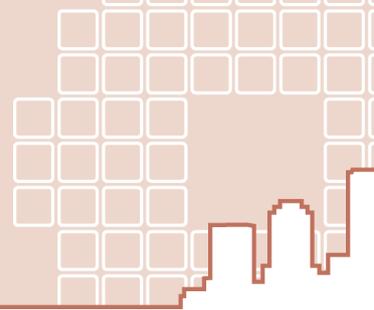
The Bank has formulated a set of comprehensive risk management system that covers key risks facing the Bank, including credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. Based on the risk management principles, the Bank has established a sound risk management organizational structure, comprising (i) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (ii) various special risk management committees at the board level and the senior management level that take charge of the guidance, support and coordination of the Bank's risk management system; and (iii) various departments at the Bank's head office, branches and sub-branches that are in charge of daily risk management work. For various risks, the Bank has formulated clear and specific procedures for reporting and communication to ensure that the Bank efficiently and effectively coordinates various departments' responses to various risks. For more details on the Bank's risk management system, please refer to the "Management Discussion and Analysis – 9 Risk Management" of this annual report.

The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank requires that its employees log detailed information about customers and their applications into the Bank's credit management system on a timely basis pursuant to standardized operational procedures of the Bank. Authorized personnel may approve the loan applications within their respective limits through this credit management system. In managing post-disbursement risks, the Bank requires its employees to conduct inspections and record data in relation to the latest operational and financial performance of the relevant parties into the Bank's credit management system. Based on these data, the Bank is able to analyze its loan portfolio and prudently manage bank-wide credit risks.

The Bank closely monitors fluctuations of interest rate, exchange rate and market price of securities and regularly conducts gap analysis, duration analysis, stress tests and scenario analysis in measuring and evaluating market risk in line with the Bank's prudent risk preferences. In addition, the Bank's Financial Market Department reviews data generated by third-party database to monitor the material fluctuation of the fair value of debt securities.

A comprehensive management system for information technology risk has been set in place across the Bank. In 2022, the Bank's efforts on information technology risk control are mainly as follows: gradually improving governance structure of information technology risk and continuously enhancing the performance capacity; improving information technology risk management capacity by continually optimizing the monitoring indicators for information technology risk, strengthening control in key aspects and frequently carrying out high-quality audit on information technology; gradually building a comprehensive protection system for network security to contribute to synergic development between security and innovation on the basis of safety production; continuing to improve the supervision mechanism for construction quality of science and technology projects to strictly control the quality risk of projects; keeping increasing independent R&D investment, implementing transformation through information technology application innovation and enhancing independent controllability; specifically and properly making efforts for production changes and system operation and maintenance to ensure the safe and stable operation of various information systems; strengthening business continuity management to enhance the level of business continuity throughout the Bank; reinforcing data quality and security through data classification; and strengthening information technology outsourcing management and gradually reducing outsourcing reliance.

# Risk Management and Internal Control



The Board of Directors of the Bank believes that the risk management and internal control system established and implemented by the Bank is adequate and effective. Such risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

When the “inside information” referred in Part XIVA of the Securities and Futures Ordinance and other matters that should be disclosed promptly as required by the relevant laws and regulations and rules governing securities of the place where the Bank is listed, except for exemption in accordance with relevant laws and regulations and rules governing securities of the place where the Bank is listed, the Bank shall make disclosure in a timely manner in accordance with relevant laws and regulations and rules governing securities of the place where the Bank is listed.

## INTERNAL AUDIT

The Bank considers internal audit essential to the sustainable development of the Bank’s business operations. The Audit Department of the Bank shall strictly follow the principles of independence and objectivity throughout the Bank’s internal audit work. During the Reporting Period, the Bank has established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides and assesses our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level.

During the Reporting Period, our Audit Department has formulated annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Our Audit Department carries out routine audits on various departments and their operational and management activities in the forms of on-site inspections and off-site monitoring. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

## WHISTLEBLOWING POLICY AND ANTI-CORRUPTION

In order to give full play to the supervisory role of the public, the Bank has unified the petition and reporting channels of discipline inspection and supervision, made united supervision card of party and government morality for all outlets of the Bank. Five acceptance methods were published, including letters, visits, telephone reports, network reports and mailbox reports, which realized united acceptance, centralized management and handling, standardized disposal for bank-wide issues and clues, thus improving the level of petition and reporting work.

In order to continuously improve the construction of discipline inspection and supervision system and ensure that all work is carried out in a standardized, legalized and normative manner, the Bank revised and improved a range of systems, such as the Measures for Petition and Reporting of the Discipline Inspection Institution of Jinshang Bank 《晉商銀行紀檢機構信訪舉報工作辦法》, Implementation Measures for Inquiries through Talk of the Discipline Inspection Institution of Jinshang Bank 《晉商銀行紀檢機構開展談話函詢工作的實施辦法》, Measures for Preliminary Verification of the Discipline Inspection Institution of Jinshang Bank 《晉商銀行紀檢機構初步核實工作辦法》, Measures for Discipline Inspection of the Discipline Inspection Institution of Jinshang Bank 《晉商銀行紀檢機構紀律審查工作辦法》, gradually forming a system with scientific content, strict procedure, complete support and effective operation, constantly improving the Bank’s governance capacity and effectiveness, and laying a solid foundation for the in-depth promotion of the construction of the Party’s integrity and anti-corruption.

# Independent Auditor's Report

**To the shareholders of Jinshang Bank Co., Ltd.**

*(Established in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Jinshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 175 to 311, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

# Independent Auditor's Report



## 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

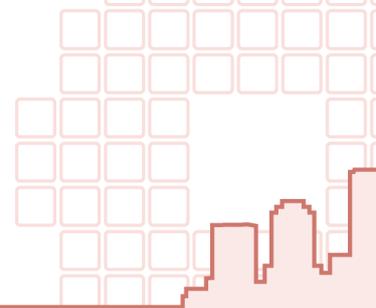
We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b>Expected credit losses for loans and advances to customers and financial investments measured at amortised cost</b>	<b>customers and financial investments measured at amortised cost</b>
<p>The Group's loans and advances to customers and financial investments measured at amortised cost as at 31 December 2022 amounted to RMB195,769 million, with provision for impairment losses amounting to RMB7,268 million as at 31 December 2022.</p> <p>The Group uses the expected credit loss model to calculate the provision for impairment losses in accordance with International Financial Reporting Standard 9, <i>Financial instruments</i> ("IFRS 9"). The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"><li>• Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances to customers and financial investments with longer remaining periods to maturity.</li><li>• Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.</li><li>• Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.</li></ul>	<p>We evaluated and tested the effectiveness of design and implementation of key internal controls of financial reporting over the approval, recording, monitoring, credit grading and impairment provisioning of loans and advances to customers and financial investments measured at amortised cost, including relevant data quality and information systems.</p> <p>With the support of internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and related assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none"><li>• Given the macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increase in credit risk.</li><li>• We assessed the forward-looking information that management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weights of multiple macroeconomic scenarios.</li><li>• We evaluated the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.</li></ul>

# Independent Auditor's Report

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Expected credit losses for loans and advances to customers and financial investments at amortised cost (Continued)</b>	
<ul style="list-style-type: none"><li>Individual impairment assessment – Identifying credit-impaired loans and advances to customers and financial investments at amortised cost requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.</li></ul>	<p>We evaluated and tested the key inputs in the expected credit loss model. Based on the financial information of the debtors and other external evidence, we selected samples and assessed the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we also selected and tested samples of key data used in models.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of expected credit losses for loans and advances to customers and financial investments at amortised cost.</p>
<p>Since the determination expected credit losses for loans and advances to customers and financial investments at amortised cost involved many judgements and assumptions, and in view of the significance of the amount, the expected credit losses for loans and advances to customers and financial investments at amortised cost are considered a key audit matter.</p>	
<p>Relevant disclosures are included in Note 2(9), Note 2(26)(a), Note 19, Note 20 and Note 39(a) to the consolidated financial statements.</p>	

# Independent Auditor's Report



<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Valuation of financial instruments</b> <p>The Group mainly holds level 2 and level 3 financial instruments measured at fair value. As at 31 December 2022, the fair value of the Group's financial assets measured at fair value amounted to RMB87,391 million.</p> <p>The valuation of financial instruments measured at fair value of the Group is based on a combination of market data and valuation models which often require a considerable number of inputs. In the case of level 2 financial instruments measured at fair value, the inputs of valuation models are mainly observable data. In the case of level 3 financial instruments measured at fair value, where such observable data are not readily available, estimates need to be developed which can involve significant management judgement.</p> <p>Due to the significance of the financial instruments measured at fair value and the uncertainty in valuation, the valuation of financial instruments is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(9), Note 2(26)(b) and Note 40 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments.</p> <p>We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, we selected samples and involved our internal valuation specialists in assessing the models used by the Group and re-performing independent valuations.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value.</p>

# Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<b>Consolidation assessment of structured entities</b>	
<p>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity. Such interests in structured entities include wealth management product, investment fund, etc.</p>	<p>We evaluated and tested the design and operating effectiveness of the key internal controls of financial reporting over the Group's assessment of whether it controls a structured entity.</p>
<p>The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, the consolidation assessment of structured entities is considered a key audit matter.</p>	<p>We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had legal or constructive obligations to ultimately absorb losses from structured entities through a review of contracts, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities.</p>
<p>Relevant disclosures are included in Note 2(26)(f) and Note 43 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities.</p>

## OTHER INFORMATION INCLUDED IN THE GROUP'S 2022 ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report



## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
28 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

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

# Consolidated Statement of Financial Position

As at 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

# Consolidated Statement of Financial Position

As at 31 December 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

**Hao Qiang**  
*Chairwoman of the Board*

**Zhang Yunfei**  
*Executive Director*

**Zhao Jiquan**  
*Officer in charge of Finance*

(Company chop)

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

# Consolidated Statement of Changes in Equity

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

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

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

# Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the Bank							Non-controlling interests	Total equity		
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of a net defined benefit liability			Retained earnings	Total
As at 1 January 2021	5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	-	1,685,628	1,685,628	(6,270)	1,679,358
Other comprehensive income	-	-	-	-	33,755	(9,444)	(3,600)	-	20,711	-	20,711
Total comprehensive income	-	-	-	-	33,755	(9,444)	(3,600)	1,685,628	1,706,339	(6,270)	1,700,069
Appropriation of profit											
- Appropriation to surplus reserve	33(b)	-	169,215	-	-	-	-	(169,215)	-	-	-
- Appropriation to general reserve	33(c)	-	-	351,768	-	-	-	(351,768)	-	-	-
- Dividends paid to shareholders	34	-	-	-	-	-	-	(683,865)	(683,865)	-	(683,865)
As at 31 December 2021	5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575

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

# Consolidated Statement of Cash Flows

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



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

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

# Consolidated Statement of Cash Flows

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

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

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

# Notes to the Consolidated Financial Statements

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

## 1. BACKGROUND INFORMATION

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of preparation and presentation

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

### (a) Changes in accounting policies

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

# Notes to the Consolidated Financial Statements

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation and presentation (Continued)

#### (a) Changes in accounting policies (Continued)

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation and presentation (Continued)

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

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

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

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

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

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

### (4) Use of estimates and judgements

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

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

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

# Notes to the Consolidated Financial Statements

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(5) Subsidiary and non-controlling interests**

Subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (6) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(16)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post – tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(7) Translation of foreign currencies**

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

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

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

### **(8) Cash and cash equivalents**

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

### **(9) Financial instruments**

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

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

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

#### **(b) Contract modifications caused by interest rate benchmark reform**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial instruments (Continued)

#### (b) Contract modifications caused by interest rate benchmark reform (Continued)

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

#### (c) Classification and subsequent measurement of financial assets

##### *Classification of financial assets*

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

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial instruments (Continued)

#### (c) Classification and subsequent measurement of financial assets (Continued)

##### *Classification of financial assets (Continued)*

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

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

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

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

##### *Subsequent measurement*

- Financial assets measured at amortised cost

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

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

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

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial instruments (Continued)

#### (c) Classification and subsequent measurement of financial assets (Continued)

##### *Subsequent measurement (Continued)*

- Equity investments designated at fair value through other comprehensive income

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

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

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

#### (d) Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at amortised cost

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

- Financial guarantee liabilities

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

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

#### (e) Impairment

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

- financial assets measured at amortised cost; and
- debt instruments measured at FVOCI.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(9) Financial instruments** (Continued)

#### **(e) Impairment** (Continued)

##### *Measurement of ECLs*

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

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

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

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

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

##### *Presentation of ECLs*

ECL is remeasured at each end of the reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

##### *Write-off*

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

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

#### **(f) Fair value measurement principles**

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

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial instruments (Continued)

#### (f) Fair value measurement principles (Continued)

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

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

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

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

#### (g) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(9) Financial instruments** (Continued)

#### **(h) Derivative financial instruments**

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

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

#### **(i) Offsetting**

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

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

### **(10) Financial assets held under resale and repurchase agreements**

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

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

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

### **(11) Investment in a subsidiary**

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

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

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (12) Property and equipment and construction in progress

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

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

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

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

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (13) Leases

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

#### (a) As a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (13) Leases (Continued)

#### (a) As a lessee (Continued)

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

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

#### (b) As a lessor

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (14) Intangible assets

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

The respective amortisation periods for intangible assets are as follows:

Computer software and system development	2 – 10 years
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### (15) Repossessed assets

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

### (16) Provision for impairment losses on non-financial assets

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

- property and equipment
- construction in progress
- intangible assets
- investment in a subsidiary

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

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

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

### (17) Employee benefits

#### (a) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Such schemes are arranged or regulated by PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

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

##### *Social pension schemes*

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

##### *Annuity plan*

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

# Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### (17) Employee benefits (Continued)

#### (a) **Short-term employee benefits and contributions to defined contribution retirement plans** (Continued)

##### *Housing fund and other social insurances*

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

#### (b) **Supplementary retirement benefits**

##### *Early retirement plan*

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

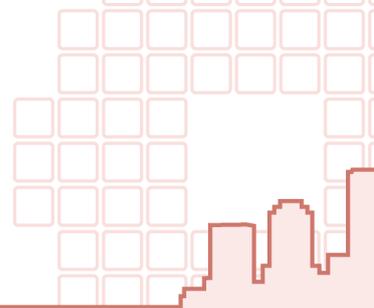
##### *Supplementary retirement plan*

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

Early retirement plan and supplementary retirement plan thereafter are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Deferred tax

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Deferred tax (Continued)

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

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

### (19) Financial guarantees, provisions and contingent liabilities

#### (a) Financial guarantees

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

#### (b) Other provisions and contingent liabilities

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

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

# Notes to the Consolidated Financial Statements

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (20) Fiduciary activities

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

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

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

### (21) Income recognition

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

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

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

#### (a) Interest income

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

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

# Notes to the Consolidated Financial Statements

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(21) Income recognition** (Continued)

#### **(a) Interest income** (Continued)

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

#### **(b) Fee and commission income**

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

In other cases, the Group recognises revenue at the point in time when a customer obtains control of the promised services.

#### **(c) Government grants**

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

# Notes to the Consolidated Financial Statements

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (22) Expenses recognition

#### (a) Interest expense

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

#### (b) Other expenses

Other expenses are recognised on an accrual basis.

### (23) Dividends

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

### (24) Related parties

#### (a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

#### (b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

# Notes to the Consolidated Financial Statements

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (24) Related parties (Continued)

#### (b) An entity is related to the Group if any of the following conditions applies: (Continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

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

### (25) Segment reporting

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

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

### (26) Significant accounting estimates and judgements

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

# Notes to the Consolidated Financial Statements

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



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### (26) Significant accounting estimates and judgements (Continued)

#### (a) Measurement of expected credit losses

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

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

#### (b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

# Notes to the Consolidated Financial Statements

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **(26) Significant accounting estimates and judgements** (Continued)

#### **(c) Income taxes**

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### **(d) Impairment of non-financial assets**

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

#### **(e) Depreciation and amortisation**

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

# Notes to the Consolidated Financial Statements

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (26) Significant accounting estimates and judgements (Continued)

#### (f) Determination of control over investees

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

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

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

#### (g) Defined benefit plan

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

### (27) Taxation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 3. NET INTEREST INCOME

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

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

# Notes to the Consolidated Financial Statements

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



## 4. NET FEE AND COMMISSION INCOME

### (a) Income and expense streams:

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

### (b) Disaggregation of income:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 5. NET TRADING GAINS

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

## 6. NET GAINS ARISING FROM INVESTMENT SECURITIES

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

## 7. OTHER OPERATING INCOME

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 8. OPERATING EXPENSES

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

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

# Notes to the Consolidated Financial Statements

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

## 9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

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

# Notes to the Consolidated Financial Statements

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

## 9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

# Notes to the Consolidated Financial Statements

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## 9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

Notes:

- (a) At the extraordinary general meeting of shareholders held on 22 December 2022, Ma Hongchao was elected as a non-executive director, Hu Zhihong and Chen Yisheng were elected as independent non-executive directors, and the qualifications of the directors of the above persons shall take effect after the formal approval of the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission.
- (b) After the change of the Board of Supervisors on 22 December 2022, Guo Zhenrong no longer served as the employee representative supervisor, Bi Guoyu and Xia Guisuo no longer served as shareholder representative supervisor, and Liu Shoubao and Liu Min no longer served as external supervisor.
- (c) On 20 September 2022, Li Yang's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission has approved Mr. Li's qualification as a director of the Bank.
- (d) On 26 August 2022, Duan Qingshan's appointment as a non-executive director of the Bank took effect, and the Shanxi Regulatory Bureau of the China Banking and Insurance Regulatory Commission has approved Duan's qualification as a director of the Bank.
- (e) At the Bank's annual general meeting of shareholders on 10 June 2021, Hao Qiang and Zhang Yunfei were appointed as executive directors.
- (f) On 10 June 2021, Xu Jin resigned as a shareholders' representative supervisor.
- (g) On 20 January 2021, Wang Peiming resigned as an executive director.

## 10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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## 10. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

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

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

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

## 11. IMPAIRMENT LOSSES ON CREDIT

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 12. INCOME TAX EXPENSE

### (a) Income tax expense:

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

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

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

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

## 13. BASIC AND DILUTED EARNINGS PER SHARE

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

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

# Notes to the Consolidated Financial Statements

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## 13. BASIC AND DILUTED EARNINGS PER SHARE (Continued)

(a) Weighted average number of ordinary shares (in thousands)

	2022	2021
Number of ordinary shares at the beginning of the year	5,838,650	5,838,650
Weighted average number of ordinary shares issued during the year	-	-
Weighted average number of ordinary shares	5,838,650	5,838,650

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

## 14. CASH AND DEPOSITS WITH THE CENTRAL BANK

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

# Notes to the Consolidated Financial Statements

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## 14. CASH AND DEPOSITS WITH THE CENTRAL BANK (Continued)

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

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

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

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

## 15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

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

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

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

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

# Notes to the Consolidated Financial Statements

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## 18. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

### (a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
In Mainland China		
– Banks	19,464,083	19,444,089
– Other financial institutions	8,673,362	6,901,160
Subtotal	28,137,445	26,345,249
Interest accrued	3,557	6,745
Less: Provision for impairment losses	(1)	(2)
Total	28,141,001	26,351,992

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

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

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

# Notes to the Consolidated Financial Statements

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## 19. LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

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

# Notes to the Consolidated Financial Statements

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

# Notes to the Consolidated Financial Statements

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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

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

### (c) Analysed by type of collateral

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

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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

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

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

### (e) Loans and advances and provision for impairment losses

	31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans(i)	
Total loans and advances to customers measured at amortised cost	128,113,328	7,625,583	3,353,949	139,092,860
Less: Provision for impairment losses	(2,774,583)	(1,345,928)	(1,799,650)	(5,920,161)
Carrying amount of loans and advances to customers measured at amortised cost	125,338,745	6,279,655	1,554,299	133,172,699
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	47,733,104	-	-	47,733,104
<b>Net loans and advances to customers</b>	<b>173,071,849</b>	<b>6,279,655</b>	<b>1,554,299</b>	<b>180,905,803</b>
	31 December 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans(i)	
Total loans and advances to customers measured at amortised cost	113,923,962	8,605,498	2,858,484	125,387,944
Less: Provision for impairment losses	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Carrying amount of loans and advances to customers measured at amortised cost	111,447,810	7,251,743	1,411,283	120,110,836
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	30,896,556	-	-	30,896,556
<b>Net loans and advances to customers</b>	<b>142,344,366</b>	<b>7,251,743</b>	<b>1,411,283</b>	<b>151,007,392</b>

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

### (e) Loans and advances and provision for impairment losses (Continued)

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

### (f) Movements in provision for impairment losses

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

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

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

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

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

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## 19. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

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

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

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

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

(g) **Disposal of loans and advances to customers**

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

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

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## 20. FINANCIAL INVESTMENTS

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

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

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

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

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## 20. FINANCIAL INVESTMENTS (Continued)

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

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

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

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## 20. FINANCIAL INVESTMENTS (Continued)

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

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

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

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

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

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For the year ended 31 December 2022  
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## 20. FINANCIAL INVESTMENTS (Continued)

### (c) Financial investments measured at amortised cost

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

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

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For the year ended 31 December 2022  
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## 20. FINANCIAL INVESTMENTS (Continued)

### (c) Financial investments measured at amortised cost (Continued)

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

	Year ended 31 December 2022			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	222,062	242,777	865,773	1,330,612
Transfers:				
– to expected credit losses over the next 12 months	–	–	–	–
– to lifetime expected credit losses: not credit-impaired	–	–	–	–
– to lifetime expected credit losses: credit-impaired	–	(168,750)	168,750	–
Charge for the year	17,114	77,015	262,554	356,683
Transfer out	–	(137,753)	(201,622)	(339,375)
Balance at 31 December	239,176	13,289	1,095,455	1,347,920
	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at 1 January	418,975	232,000	899,977	1,550,952
Transfers:				
– to expected credit losses over the next 12 months	98,598	–	(98,598)	–
– to lifetime expected credit losses: not credit-impaired	(29,511)	29,511	–	–
– to lifetime expected credit losses: credit-impaired	–	(112,000)	112,000	–
(Reversal of)/Charge for the year	(266,000)	131,036	304,910	169,946
Transfer out	–	(37,770)	(352,516)	(390,286)
Balance at 31 December	222,062	242,777	865,773	1,330,612

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## 20. FINANCIAL INVESTMENTS (Continued)

(d) Financial investments are analysed as follows:

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

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## 20. FINANCIAL INVESTMENTS (Continued)

(d) Financial investments are analysed as follows: (Continued)

	31 December 2022	31 December 2021
Listed	58,182,859	44,050,004
Unlisted	44,070,778	48,516,665
<b>Total</b>	<b>102,253,637</b>	92,566,669

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

## 21. INTEREST IN AN ASSOCIATE

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 21. INTEREST IN AN ASSOCIATE (Continued)

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

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

## 22. INVESTMENT IN A SUBSIDIARY

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

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

# Notes to the Consolidated Financial Statements

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## 23. PROPERTY AND EQUIPMENT

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 24. DEFERRED TAX ASSETS

### (a) Analysed by nature

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	<b>5,890,436</b>	<b>1,472,609</b>	5,850,940	1,462,735
– Accrued staff costs	<b>841,872</b>	<b>210,468</b>	708,752	177,188
– Others	<b>647,552</b>	<b>161,888</b>	731,356	182,839
Subtotal	<b>7,379,860</b>	<b>1,844,965</b>	7,291,048	1,822,762
Deferred income tax liabilities				
– Fair value changes of financial assets	<b>(278,224)</b>	<b>(69,556)</b>	(448,464)	(112,116)
Subtotal	<b>(278,224)</b>	<b>(69,556)</b>	(448,464)	(112,116)
Net balances	<b>7,101,636</b>	<b>1,775,409</b>	6,842,584	1,710,646

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 24. DEFERRED TAX ASSETS (Continued)

### (b) Movements in deferred tax

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

Notes:

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

# Notes to the Consolidated Financial Statements

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## 25. OTHER ASSETS

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

# Notes to the Consolidated Financial Statements

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## 25. OTHER ASSETS (Continued)

### (a) Right-of-use assets

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

# Notes to the Consolidated Financial Statements

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## 25. OTHER ASSETS (Continued)

### (b) Intangible assets

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

# Notes to the Consolidated Financial Statements

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## 25. OTHER ASSETS (Continued)

### (c) Repossessed assets

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

### (d) Land use rights

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

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

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

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

### (e) Interest receivables

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

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

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## 26. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type of and location of counterparty

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

## 27. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2022	31 December 2021
Placements in Mainland China		
– Banks	–	210,000
Subtotal	–	210,000
Interest accrued	–	169
Total	–	210,169

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## 28. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### (a) Analysed by type and location of counterparty

	31 December 2022	31 December 2021
In mainland China		
– Banks	19,679,611	14,168,977
– Other financial institutions	517,801	1,169,533
Subtotal	20,197,412	15,338,510
Interest accrued	18,105	7,222
Total	20,215,517	15,345,732

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

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

# Notes to the Consolidated Financial Statements

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## 29. DEPOSITS FROM CUSTOMERS

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

## 30. DEBT SECURITIES ISSUED

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

# Notes to the Consolidated Financial Statements

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## 30. DEBT SECURITIES ISSUED (Continued)

### (a) Interbank deposits issued

- (i) During the year ended 31 December 2022, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB57,450 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.33% to 2.70% per annum.
- (ii) In 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB79,660 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.
- (iii) As at 31 December 2022, the fair value of interbank deposits issued was RMB27,208 million (31 December 2021: RMB52,334 million).

### (b) Financial bonds issued

- (i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon fixed interest rate per annum is 3.00%.
- (ii) As at 31 December 2022, the fair value of the financial bonds issued was RMB4,006 million (31 December 2021: RMB3,999 million).

### (c) Tier-two capital bonds issued

- (i) In January 2021, the Bank issued ten-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.
- (ii) As at 31 December 2022, the fair value of the tier-two capital bonds issued was RMB2,003 million (31 December 2021: RMB1,962 million).

## 31. OTHER LIABILITIES

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

# Notes to the Consolidated Financial Statements

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

## 31. OTHER LIABILITIES (Continued)

### (a) Accrued staff cost

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

### Supplementary retirement benefits

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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



## 31. OTHER LIABILITIES (Continued)

### (a) Accrued staff cost (Continued)

#### Supplementary retirement benefits (Continued)

(iii) *Principal actuarial assumptions of the Group are as follows:*

##### *Early retirement plan*

	31 December 2022	31 December 2021
Discount rate	<b>2.50%</b>	2.50%
Mortality	<b>Note (a)</b>	Note (a)
Annual increase rate of social insurance for existing early retirees	<b>7.00%</b>	7.00%
Annual increase rate of living expenses, housing fund and annuity for existing early retirees	<b>3.50%</b>	7.00%
Annual increase rate of other allowances for existing early retirees	<b>0.00%</b>	4.50%

##### *Supplementary retirement plan*

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

Note:

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

# Notes to the Consolidated Financial Statements

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

## 31. OTHER LIABILITIES (Continued)

### (b) Provisions

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

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

	Year ended 31 December 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit- impaired	Lifetime expected credit losses credit- impaired	
Balance at 1 January	647,981	15,614	741	664,336
Transfers				
– to expected credit losses over the next 12 months	91	(91)	–	–
– to lifetime expected credit losses not credit-impaired	(89)	89	–	–
– to lifetime expected credit losses credit-impaired	(44)	(1)	45	–
Reversal of the year	(319,581)	(14,263)	(51)	(333,895)
Balance at 31 December	328,358	1,348	735	330,441
	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit – impaired	Lifetime expected credit losses credit – impaired	Total
Balance at 1 January	660,151	16,378	1,242	677,771
Transfers				
– to expected credit losses over the next 12 months	245	(245)	–	–
– to lifetime expected credit losses not credit-impaired	(75)	75	–	–
– to lifetime expected credit losses credit-impaired	(86)	(401)	487	–
Reversal of the year	(12,254)	(193)	(988)	(13,435)
Balance at 31 December	647,981	15,614	741	664,336

# Notes to the Consolidated Financial Statements

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

## 31. OTHER LIABILITIES (Continued)

### (c) Lease liabilities

Undiscounted analysis of the maturity of lease liabilities:

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

### (d) Contract liabilities

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

## 32. SHARE CAPITAL

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 33. RESERVES

### (a) Capital reserve

	31 December 2022	31 December 2021
Share premium	6,568,558	6,568,558
Other capital reserve	59,044	59,044
<b>Total</b>	<b>6,627,602</b>	<b>6,627,602</b>

### (b) Surplus reserve

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

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

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

### (c) General reserve

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

### (d) Fair value reserve

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

# Notes to the Consolidated Financial Statements

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

## 33. RESERVES (Continued)

### (e) Impairment reserve

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

### (f) Remeasurement a net defined benefit liability

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

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

## 34. RETAINED EARNINGS

### (a) Appropriation of profits

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

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB581 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

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

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

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB349 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

# Notes to the Consolidated Financial Statements

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

## 34. RETAINED EARNINGS (Continued)

### (b) Movements in components of equity

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Net increase in cash and cash equivalents

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

### (b) Cash and cash equivalents

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

# Notes to the Consolidated Financial Statements

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

## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

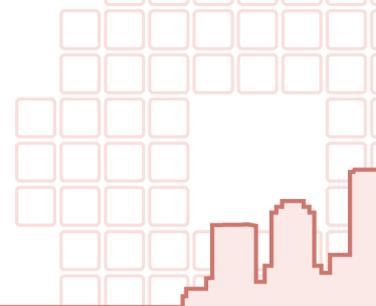
### (c) Reconciliation of liabilities arising from financing activities

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Reconciliation of liabilities arising from financing activities (Continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 36. CAPITAL MANAGEMENT

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

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

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

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

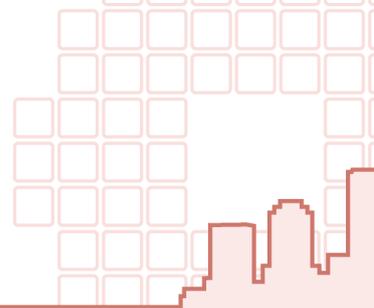
The former CBRC required commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". The Group is required to meet the requirements of the minimum ratios for core tier-one capital adequacy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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 36. CAPITAL MANAGEMENT (Continued)

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Related parties of the Group

#### (i) Major shareholders

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

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

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

Name	Place of registration	Registered Capital		Economic nature or type	Legal representative/head	Business scope	Number of shares	Proportion of shareholding	
		31 December 2022	31 December 2021					31 December 2022	31 December 2021
Shanxi Finance Bureau (山西省財政廳)	Taiyuan, Shanxi	N/A	N/A	Government agency	Wu Zhiyuan	N/A	715,109	12.25%	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beijing	9,800,000	9,800,000	Limited liability company	Ye Cai	Investment, asset management, and asset trusteeship service	600,000	10.28%	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	Taiyuan, Shanxi	N/A	N/A	Government agency	Tian Wenhao	N/A	466,142	7.98%	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南岸實業集團有限公司)	Changzhi, Shanxi	520,000	520,000	Limited liability company	Fan Yunfeng	Corporate headquarters management, corporate management consulting, property service, and construction work	450,657	7.72%	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	Changzhi, Shanxi	4,198,816	4,198,816	Limited liability company	Ma Junxiang	Production and sale of coal, accommodation service, catering service, and wood processing	359,092	6.15%	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	Taiyuan, Shanxi	6,000,000	6,000,000	Limited liability company	Liu Huicheng	Electric power business, electricity generation business, and the technology consulting of power transmission project	300,000	5.14%	5.14%

# Notes to the Consolidated Financial Statements

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## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### (a) Related parties of the Group (Continued)

#### (i) Major shareholders (Continued)

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

Name	Place of registration	Registered Capital		Economic nature or type	Legal representative/head	Business scope	Number of shares	Proportion of shareholding	
		31 December 2022	31 December 2021					31 December 2022	31 December 2021
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	Taiyuan, Shanxi	10,623,230	10,623,230	Limited liability company	Zhao Jianze	Mineral resources mining, coal mining, wholesale and retail steel.	291,339	4.99%	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	Changzhi, Shanxi	60,000	60,000	Limited liability company	Duan Xiaosi	Sale of hardware, mineral and building materials	234,570	4.02%	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	Jincheng, Shanxi	3,905,196	3,905,196	Limited liability company	Wang Suokui	Investment with its own funds, coal wholesale and engineering survey	200,000	3.43%	3.43%

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

#### (ii) Subsidiary of the Bank

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

#### (iii) Associate of the Bank

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

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a) or their controlling shareholders.

# Notes to the Consolidated Financial Statements

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## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

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

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

	2022	2021
Transactions during the year		
Interest income	10,660	17,042
Interest expense	54,241	25,746
Net fee and commission income	455	6,231
Operating expenses	90	219
	31 December 2022	31 December 2021
Balances at the end of the year		
Loans and advances to customers	164,321	177,913
Financial investments	-	20,906
Deposits from customers	2,402,325	3,981,737
Letters of credit	43,750	-

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

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

	2022	2021
Transactions during the year		
Interest expense	5,533	1,237
	31 December 2022	31 December 2021
Balances at the end of the year		
Deposits from banks and other financial institutions	495,775	160,728

# Notes to the Consolidated Financial Statements

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## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(Continued)

#### (iii) Transactions between the Bank and its associate:

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

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

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

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

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

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For the year ended 31 December 2022  
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## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### (c) Key management personnel

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

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

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

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

### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows

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

### (d) Loans and advances to key management personnel

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

# Notes to the Consolidated Financial Statements

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## 38. SEGMENT REPORTING

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

### Corporate banking

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

### Retail banking

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

### Treasury business

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

### Others

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

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

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 38. SEGMENT REPORTING (Continued)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 38. SEGMENT REPORTING (Continued)

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

# Notes to the Consolidated Financial Statements

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## 39. RISK MANAGEMENT

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

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

### Risk management system

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

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

### (a) Credit risk

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

#### Credit business

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### **Credit business** (Continued)

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

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

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

#### **Stages of risks in financial instruments**

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### Significant increase in credit risk

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

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

- the credit spread increases significantly;
- significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- application of a grace period or debt-restructuring;
- significant changes with an adverse effect in the borrower's business conditions;
- decrease in value of the collateral (for the collateral loans and pledged loans only);
- early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or
- the borrowing is more than 30 days past due.

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

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

# Notes to the Consolidated Financial Statements

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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### Definition of “default” and “credit-impaired assets”

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for securities because of financial difficulties of the issuer; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

#### Measurement of expected credit losses (“ECLs”)

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

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

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;
- the discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### Measurement of expected credit losses (“ECLs”) (Continued)

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios. In 2022, the key assumptions the Group has taken include gross domestic product (GDP), Broad Money Supply (M2), and consumer price index (CPI), etc. The GDP growth rate: the predicted value under the base scenario during the year of 2023 is 5.16%, the optimistic predicted value is 5.73%, the pessimistic predicted value is 4.77%. The Group measures relevant provision for loss by the weighted 12-month ECL (for Stage 1) or the weighted lifetime ECL (for Stage 2 and Stage 3). The above weighted credit losses are calculated by multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regular basis.

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

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

### (i) *Maximum credit risk exposure*

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

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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

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

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

\* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

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

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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

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

Financial assets (excluding interest accrued) analysed by credit quality

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

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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

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

Financial assets (excluding interest accrued) analysed by credit quality (Continued)

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

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For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

#### (iii) Credit rating

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

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

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For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk

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

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

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

#### Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial market business position.

#### Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movements in interest rates.

#### Trading interest rate risk

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

# Notes to the Consolidated Financial Statements

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

## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

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

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

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For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

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

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

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

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For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

#### (ii) Interest rate sensitivity analysis

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

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

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

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

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

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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

#### (ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis is based on the following assumptions: (Continued)

- At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

#### Foreign currency risk

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

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

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

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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

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

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

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## 39. RISK MANAGEMENT (Continued)

### (b) Market risk (Continued)

#### Foreign currency risk (Continued)

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

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

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## **39. RISK MANAGEMENT** (Continued)

### (c) Liquidity risk

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

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

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

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## 39. RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

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

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

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## 39. RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

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

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

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

# Notes to the Consolidated Financial Statements

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## 39. RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

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

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

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

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

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For the year ended 31 December 2022  
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## 39. RISK MANAGEMENT (Continued)

### (d) Operational risk

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

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

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of “robust” risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, and establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pays constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishments and incentives to encourage compliance and standard operations. Integral management will be implemented to personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

# Notes to the Consolidated Financial Statements

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## 40. FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

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

#### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

#### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

#### (iii) Debt securities issued and other non-derivative financial liabilities

Fair values of issued debt securities are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

#### (iv) Derivative financial instruments

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

### (b) Fair value measurement

#### (i) Financial assets

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

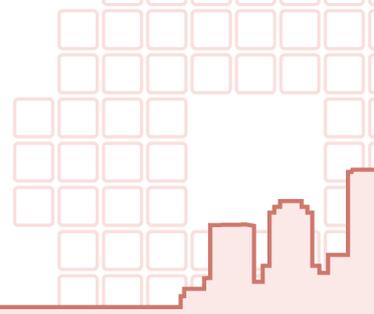
Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 40. FAIR VALUE (Continued)

### (b) Fair value measurement (Continued)

#### (ii) Financial liabilities

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

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

### (c) Fair value hierarchy

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

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

# Notes to the Consolidated Financial Statements

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

## 40. FAIR VALUE (Continued)

### (c) Fair value hierarchy (Continued)

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 40. FAIR VALUE (Continued)

### (c) Fair value hierarchy (Continued)

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

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## 40. FAIR VALUE (Continued)

### (c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2022 in the balance of Level 3 fair value measurements are as follows:

	Total gains or losses				Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year	
	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Recorded in other comprehensive income	Recorded in profit or loss	Issues	Sales		Settlements
<b>Assets</b>									
Financial investments at fair value through profit or loss									
- debt securities	94,390	-	-	2,358	-	-	-	-	96,748
- investment management products	2,036,552	166,455	-	(10,247)	-	-	-	-	2,192,760
<b>Subtotal</b>	<b>2,130,942</b>	<b>166,455</b>	<b>-</b>	<b>(7,889)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,289,508</b>
<b>Financial investments at fair value through other comprehensive income</b>									
- other investments	120,700	-	-	-	-	-	-	-	120,700
<b>Total</b>	<b>2,251,642</b>	<b>166,455</b>	<b>-</b>	<b>(7,889)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,410,208</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 40. FAIR VALUE (Continued) (c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

	Total gains or losses		Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales and settlements	
	1 January 2021	Transfer into Level 3	Transfer out of Level 3	31 December 2021		
<b>Assets</b>						
Financial investments at fair value through profit or loss						
- debt securities	108,407	-	-	-	-	94,390 (14,017)
- investment management products	2,240,068	-	-	-	(2,000)	2,036,552 (201,516)
- other investments	50,155	-	-	-	(50,000)	-
<b>Subtotal</b>	<b>2,398,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,000)</b>	<b>2,130,942 (215,533)</b>
Financial investments at fair value through other comprehensive income						
- other investments	135,453	-	-	-	-	120,700 - (14,753)
<b>Total</b>	<b>2,534,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,000)</b>	<b>2,251,642 (215,533)</b>

During the year ended 31 December 2022 and the year ended 31 December 2021, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 40. FAIR VALUE (Continued)

### (c) Fair value hierarchy (Continued)

The valuation technique used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2022	Valuation technique	Unobservable inputs
<b>Financial investments at fair value through profit or loss</b>			
– debt securities	96,748	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,192,760	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments at fair value through other comprehensive income</b>			
– other investments	120,700	Discounted cash flow	Risk-adjusted discount rate, cash flow
	Fair value as at 31 December 2021	Valuation technique	Unobservable inputs
<b>Financial investments at fair value through profit or loss</b>			
– debt securities	94,390	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,036,552	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments at fair value through other comprehensive income</b>			
– other investments	120,700	Discounted cash flow	Risk-adjusted discount rate, cash flow

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 40. FAIR VALUE (Continued)

### (c) Fair value hierarchy (Continued)

During the years ended 31 December 2022 and 2021, there was no significant change in the valuation techniques.

As at 31 December 2022 and 31 December 2021, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of favourable or unfavourable 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2022			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments at fair value through profit or loss</b>				
– debt securities	2,022	(1,981)	-	-
– investment management products	22,614	(22,023)	-	-
<b>Financial investments at fair value through other comprehensive income</b>				
– other investments	-	-	5,234	(4,940)

	At 31 December 2021			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments at fair value through profit or loss</b>				
– debt securities	2,001	(1,960)	-	-
– investment management products	36,819	(35,554)	-	-
<b>Financial investments at fair value through other comprehensive income</b>				
– other investments	-	-	7,317	(6,709)

# Notes to the Consolidated Financial Statements

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## 41. FIDUCIARY ACTIVITIES

### (a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2022	31 December 2021
Entrusted loans	5,233,630	9,752,254
Entrusted funds	5,233,933	9,752,741

### (b) Intermediary matchmaking service

As at 31 December 2022 and 31 December 2021, the balances of intermediary matchmaking service business were as follows:

	31 December 2022	31 December 2021
Intermediary matchmaking service business	-	5,416,684

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 42. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2022	31 December 2021
Loan commitments		
– Original contractual maturity within one year	1,758,637	9,413,161
– Original contractual maturity more than one year (inclusive)	7,292,468	5,351,831
Credit card commitments	6,309,324	6,557,794
Subtotal	15,360,429	21,322,786
Acceptances	39,084,645	43,989,895
Letters of credit	8,156,951	5,197,724
Letters of guarantee	198,493	201,844
Others	599,000	600,000
Total	63,399,518	71,312,249

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

### (b) Credit risk-weighted amount for credit commitments

	31 December 2022	31 December 2021
Credit risk-weighted amounts for credit commitment	24,435,472	35,111,798

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022  
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## 42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2022	31 December 2021
Contracted but not paid for	57,288	117,831
Authorised but not contracted for	9,586	–
<b>Total</b>	<b>66,874</b>	<b>117,831</b>

### (d) Outstanding litigations and disputes

As at 31 December 2022, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB28 thousand (31 December 2021: RMB3 million). The Group has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

### (e) Bond underwriting commitments and redemption obligations

The Group had no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of the PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2022 or 31 December 2021:

	31 December 2022	31 December 2021
Redemption obligations	2,617,991	3,006,715

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## 42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (f) Pledged assets

#### (i) Assets pledged as collateral

	31 December 2022	31 December 2021
For repurchase agreements:		
– Financial investments measured at amortised cost	20,149,532	12,136,216
– Discounted bills	2,462,061	4,136,042
<b>Total</b>	<b>22,611,593</b>	16,272,258

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

#### (ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 18. The fair value of such collateral accepted by the Group was RMB29,239 million as at 31 December 2022 (31 December 2021: RMB26,831 million). These transactions were conducted under standard terms in the normal course of business.

## 43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### (a) Structured entities sponsored by third party institutions in which the Group holds interests

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

# Notes to the Consolidated Financial Statements

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## 43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

### (a) Structured entities sponsored by third party institutions in which the Group holds interests (Continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets were recognised as at 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	<b>32,110,901</b>	<b>32,110,901</b>	31,156,284	31,156,284
Financial investments at fair value through other comprehensive income	<b>783,117</b>	<b>783,117</b>	691,541	691,541
Financial investments at amortised cost	<b>464,004</b>	<b>464,004</b>	1,748,543	1,748,543
<b>Total</b>	<b>33,358,022</b>	<b>33,358,022</b>	33,596,368	33,596,368

As at 31 December 2022 and 31 December 2021, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

### (b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2022 and 31 December 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the year ended 31 December 2022, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB205 million (for the year ended 31 December 2021: RMB178 million).

As at 31 December 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB48,231 million (for the year ended 31 December 2021: RMB52,081 million).

# Notes to the Consolidated Financial Statements

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



## 43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

### (c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2022

For the year ended 31 December 2022, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December was RMB3,213 million (for the year ended 31 December 2021: RMB2,495 million).

## 44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and deposits with the central bank		<b>16,893,166</b>	23,991,095
Deposits with banks and other financial institutions		<b>1,716,390</b>	1,430,479
Placements with banks and other financial institutions		<b>1,573,798</b>	2,700,264
Derivative financial assets		–	236
Financial assets held under resale agreements		<b>28,141,001</b>	26,351,992
Loans and advances to customers		<b>180,751,245</b>	150,885,748
Financial investments:			
Financial investments at fair value through profit or loss		<b>35,522,181</b>	35,783,091
Financial investments at fair value through other comprehensive income		<b>4,135,400</b>	5,430,753
Financial investments at amortised cost		<b>62,596,056</b>	51,352,825
Interest in an associate		<b>331,408</b>	318,624
Investment in a subsidiary	22	<b>25,500</b>	25,500
Property and equipment		<b>1,319,598</b>	1,394,406
Deferred tax assets		<b>1,773,149</b>	1,708,339
Other assets		<b>1,351,800</b>	1,277,698
<b>Total assets</b>		<b>336,130,692</b>	302,651,050

# Notes to the Consolidated Financial Statements

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

## 44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Continued)

	31 December 2022	31 December 2021
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Borrowing from the central bank	2,857,757	2,794,561
Deposits from banks and other financial institutions	615,845	1,297,221
Placements from banks and other financial institutions	–	210,169
Derivative financial liabilities	–	403
Financial assets sold under repurchase agreements	20,215,517	15,345,732
Deposits from customers	253,024,238	198,602,717
Income tax payable	149,077	64,839
Debt securities issued	33,534,258	58,967,189
Other liabilities	2,392,714	3,229,170
<b>Total liabilities</b>	<b>312,789,406</b>	<b>280,512,001</b>
<b>Equity</b>		
Share capital	5,838,650	5,838,650
Capital reserve	6,627,602	6,627,602
Surplus reserve	3,976,682	3,792,525
General reserve	3,732,265	3,151,208
Fair value reserve	(97,869)	(30,580)
Impairment reserve	14,994	3,448
Deficit on remeasurement of net defined benefit liability	(4,065)	(4,365)
Retained earnings	3,253,027	2,760,561
<b>Total equity</b>	<b>23,341,286</b>	<b>22,139,049</b>
<b>Total liabilities and equity</b>	<b>336,130,692</b>	<b>302,651,050</b>

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

<b>Hao Qiang</b> <i>Chairwoman of the Board</i>	<b>Zhang Yunfei</b> <i>Executive Director</i>	<b>Zhao Jiquan</b> <i>Officer in charge of Finance</i>	(Company chop)
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# Notes to the Consolidated Financial Statements

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



## 45. SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to the end of the reporting period and up to the date of approval of this Financial Statements.

# Unaudited Supplementary Financial Information

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

The information set out below does not form part of the consolidated financial statements and is included herein for the purpose of providing information only.

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

## 1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

### (a) Liquidity coverage ratio

	31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currencies)	208.87%	216.69%

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currencies)	322.30%	232.61%

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, the minimum regulatory requirement of liquidity coverage ratio is 100%.

### (b) Leverage ratio

	31 December 2022	31 December 2021
Leverage ratio	6.02%	6.18%

Pursuant to the *Administrative Measures on the Leverage Ratio of Commercial Banks* issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

# Unaudited Supplementary Financial Information

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

## 1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (Continued)

### (c) Net stable funding ratio

	31 December 2022	30 September 2022	31 December 2021
Net stable funding ratio	<b>128.32%</b>	141.87%	138.32%
Stable funds available	<b>208,056,120</b>	201,635,841	183,775,996
Stable funding required	<b>162,134,560</b>	142,124,749	132,859,594

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

## 2 CURRENCY CONCENTRATIONS

	31 December 2022			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	<b>36,249</b>	<b>2,369</b>	<b>156</b>	<b>38,774</b>
Spot liabilities	<b>(35,579)</b>	<b>(52)</b>	<b>(170)</b>	<b>(35,801)</b>
Net position	<b>670</b>	<b>2,317</b>	<b>(14)</b>	<b>2,973</b>

	31 December 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	33,683	2,168	155	36,006
Spot liabilities	(33,071)	(48)	(169)	(33,288)
Net position	612	2,120	(14)	2,718

As at 31 December 2022, the Group's structural position was RMB35 million (31 December 2021: RMB32 million).

# Unaudited Supplementary Financial Information

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

## 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims only include deposits from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2022		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,886	–	1,886
Europe	79	–	79
<b>Total</b>	<b>1,965</b>	<b>–</b>	<b>1,965</b>

	31 December 2021		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,071	–	1,071
Europe	76	–	76
<b>Total</b>	<b>1,147</b>	<b>–</b>	<b>1,147</b>

# Unaudited Supplementary Financial Information

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



## 4 GROSS AMOUNTS OF OVERDUE LOANS AND ADVANCES

	31 December 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	125,067	77,547
– between 6 months and 1 year (inclusive)	754,938	1,355,861
– between 1 year and 3 years (inclusive)	1,792,186	997,495
– over 3 years	231,831	167,276
<b>Total</b>	<b>2,904,022</b>	<b>2,598,179</b>
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.07%	0.05%
– between 6 months and 1 year (inclusive)	0.41%	0.87%
– between 1 year and 3 years (inclusive)	0.96%	0.64%
– over 3 years	0.12%	0.11%
<b>Total</b>	<b>1.56%</b>	<b>1.67%</b>

# List of Branches

As at December 31, 2022, the details of the branches of the Bank are as follows:

No.	Institution name	Institution address	Note
1.	Head office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province	4 sub-branches directly administered by the head office and 75 outlets under its jurisdiction
2.	Lvliang Branch	Intersection of Changzhi Road and Longfeng Street, Lishi District, Lvliang, Shanxi Province	7 outlets under its jurisdiction
3.	Yuncheng Branch	No. 989 Pu'an Street, Yanhu District, Yuncheng, Shanxi Province	8 outlets under its jurisdiction
4.	Linfen Branch	Block B, Guangqi Fortune Center, Hefen Road, Linfen, Shanxi Province	10 outlets under its jurisdiction
5.	Shuozhou Branch	North side of Zhenhua East Street, Shuozhou Economic Development Zone, Shanxi Province	11 outlets under its jurisdiction
6.	Datong Branch	No. 46, Weidu Avenue, Datong, Shanxi Province	7 outlets under its jurisdiction
7.	Changzhi Branch	No. 288 Chengdong Road, Changzhi, Shanxi Province	9 outlets under its jurisdiction
8.	Xinzhou Branch	Yiren Commercial Complex, Jianshe South Road, Xinfu District, Xinzhou, Shanxi Province	11 outlets under its jurisdiction
9.	Jincheng Branch	1/F – 2/F, Zizhulin Building, Fengtai West Street, Jincheng, Shanxi Province	6 outlets under its jurisdiction
10.	Jinzhong Branch	No. 678, Anning Street, Yuci District, Jinzhong, Shanxi Province	7 outlets under its jurisdiction
11.	Yangquan Branch	1/F – 5/F, Commercial Building, Wanlong International Phase I, Nanda East Street, Yangquan, Shanxi Province	3 outlets under its jurisdiction



**晋商银行**  
Jinshang Bank