兴业银行
INDUSTRIAL BANK CO.,LTD.
好银行 助生活更美好

2022
ANNUAL REPORT
CHINA'S FIRST EQUATOR BANK

Stock Code：601166

INDUSTRIAL BANK CO.,LTD.

2022 ANNUAL REPORT

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Important Notice

The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this annual report is free from false representation, misleading statement or material omission, and assume joint and several liabilities.

The fifteenth meeting of the tenth session of the Board of the Company was held on March 30, 2023. Ten directors shall attend the meeting, and ten directors actually attended it. The meeting considered and approved the 2022 annual report and the summary thereof.

The financial data and indicators contained in this annual report were prepared in compliance with the China Accounting Standards for Business Enterprises. Unless otherwise specified, they represented the consolidated data. The monetary sums were expressed in RMB in this annual report.

KPMG Huazhen LLP has audited the Company's 2022 financial statements in accordance with the Auditing Standards for CPAs of China and has issued an auditor's report with unqualified opinion.

The Company's Chairman Lyu Jiajin, President Tao Yiping and person in-charge of the accounting body Lai Furong hereby warrant that the financial statements in the 2022 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: cash dividend of RMB11.88 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: the total nominal value of the preferred shares of "Industrial P1" is RMB13 billion and proposed dividends to be paid for 2022 are RMB722 million with an annual dividend yield of 5.55%; the total nominal value of the preferred shares of "Industrial P2" is RMB13 billion and proposed dividends to be paid for 2022 are RMB602 million with an annual dividend yield of 4.63%; the total nominal value of the preferred shares of "Industrial P3" is RMB30 billion and proposed dividends to be paid for 2022 are RMB1.47 billion with an annual dividend yield of 4.90%.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to investment risks.

The Board of Directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

Chairman's Statement

In 2022, the 20th National Congress of the Communist Party of China successfully held, which sounded the grand horn of comprehensively promoting the great rejuvenation of the Chinese nation with Chinese modernization. Glory and dreams inspired all the staff of the Industrial Bank. We concentrated on gathering souls and anchored high-quality development and progress. At the end of the year, the total assets exceeded RMB9 trillion, the net profit exceeded RMB90 billion, and the non-performing loan ratio dropped to 1.09%. The increment of RMB loans, green loans, corporate inclusive loans and agriculture-related loans ranked first in joint-stock commercial banks, and the year-on-year growth rates of science and technology innovation loans, strategic emerging industries loans and manufacturing medium-and long-term loans exceeded 50%, 60% and 70% respectively. The underwriting scale of non-financial bonds ranked second in China banking industry, and the scale of CIB Wealth Management and the personal pension account ranked third in China banking industry. The Company has been rated as Grade A of the ESG rating of MSCI for four consecutive years, becoming the 10th designated operator of digital RMB in China, and ranking 16th in the global banking industry according to Tier 1 capital. With the coordinated development of scale, quality and benefit and the simultaneous improvement of economic, social and environmental benefits, the Company has handed over its second report card since the “14th Five-Year Plan”.

How to promote strategic transformation, achieve high-quality development, and ensure that the foundation will last forever is always a top priority. We make great efforts to explore, strive to grasp the certainty in uncertainty, find the optimal solution in multiple constraints, and write the answer sheet of the Industrial Bank on the road of financial development with China characteristics:

—We insist on taking the leadership and construction of the Party as the root and soul, strictly manage party members and the bank in an all-round way, deeply practice the political and people-oriented nature of financial work, take the initiative to turn “the country's most fundamental interests” into “the urgent task of doing business”, and make every effort to ensure that the road ahead is always the only way for Chinese modernization.

—We insist on taking the new development concept as the guide of action, consciously focus on the new identity of the national systemically important bank to establish new ideas, explore new models and open up new space, and make every effort to ensure that past success will not become a stumbling block to future success.

—We insist on taking development as the top priority, promote retail as a ballast stone, push corporate finance into the main battlefield, keep the moat in financial industry peers and investment finance, take subsidiaries as the new force, and make every effort to ensure more balanced and full development of all sectors.

—We insist on the overall tone of seeking progress while maintaining stability, strive to consolidate the “two basic directions” of real estate business and government credit business, actively lay out the “five new tracks” - inclusive finance, science and technology innovation finance, energy finance, automobile finance and industrial zone finance, and make great efforts to polish the “three business cards” -green bank, wealth bank and investment bank, and strive to ensure the smooth reconstruction of balance sheets in the process of breaking and construction.

—We insist on taking digital transformation as a life-and-death battle, continue to increase investment, cultivate talents, build scenarios, build platforms and expand customers, reconstruct the “five online platforms” - “Industrial Inclusion”, “ Industrial Steward”, “Industrial Living”, “Qianda Money Manager” and “Bank-to-Bank Platform”, implement the “five enterprise framework projects” -marketing, wealth, investment banking, operation and risk control, promote the “five standardizations” -process standardization, data standardization, model standardization, development standardization and operation standardization, and make every effort to ensure that the digital industrial dream of “connecting everything and ecological empowerment” come true.

—We insist on taking risk prevention as an eternal theme, forge a compliant business culture, strengthen comprehensive risk management, carry out a special asset management campaign, properly protect the rights and interests of financial consumers, help small and medium-sized banks improve their risk management capabilities, and make every effort to ensure their own safety and the overall stability.

—We insist on taking reform as a key measure to solve difficult problems, and implement a series of reforms in science and technology, retail, enterprise finance, Fujian region, administrative logistics, party building and discipline inspection and salary system, and make every effort to ensure that production relations adapt to the progress of productive forces.

—We insist on taking talents as the first resource, establish the Party School of Industrial Bank (Advanced Training Institute of Industrial Bank), The CIB Fintech Research Academy, and the Institute of Carbon Finance, implement the plan of 10,000 talents in science and technology and the plan of 10,000 talents in green finance, build the "Honghu Talent Project and the "Kunpeng Talent Project", strengthen the exchange of talents between the head office and branches as well as at home and abroad, pay more attention to the rejuvenation of cadres and the growth of young people, and make every effort to ensure the inheritance of industrial undertakings.

In the eventful years, the "Eight Perseverances" have recorded our journey of rapid and steady progress to keep pace with the times, and also borne the historical mission of the Industrial Bank to forge ahead into the future and create greater glories. We are also well aware of the "no sooner had the young lotus shot sprouts". Although the high-quality development of "four beams and eight pillars" has been gradually improved, there are still many tasks that have just started. The broad road ahead is not equal to a smooth undertaking path. To overcome various difficulties, we must sum up a thousand words in three words: grasp implementation!

—In the land where fireworks are rising, we should keep in mind "the utmost interests of the nation" and light up a better life with financial sparks. The economy is recovering, and the cooking smoke should be as usual. We should strengthen our confidence, continue to focus on serving the real economy for high-quality development, turn one entity enterprise into one consumption scenario, build an ecological closed loop, and open up the business chains of supply and demand, assets and liabilities, commercial banks and investment banks, and do our best to promote the inclusive finance, science and technology innovation finance, energy finance, automobile finance and industrial zone finance to run faster on the new track, provide a big stage for the "three business cards"-green bank, wealth bank and investment bank, consciously integrate us into the virtuous circle of "technology-industry-finance" and create more economic and social benefits in the general trend of green development, common prosperity and direct financing.

—In the era when everything is digital, we should bravely stand on the top of the wave and define the digital development with a future bank. Artificial intelligence is advancing by leaps and bounds, and the digital revolution is sweeping the world. The future has come and lies in front of us. In the past two years, we have promoted the digital transformation at the speed of life and death, doubled the investment in science and technology and the talents in science and technology, and initially formed the trend of running side by side with other joint-stock commercial banks. Looking elsewhere, it is still the endless frontier of science and technology. We should change the catch-up path in the industry, define the present with the future, and look forward to the bank in five or ten years' time, actively learn from the experience of government agencies, technology companies and entity enterprises, bravely try to rebuild the technology base with new technologies such as cloud native, metaverse and artificial intelligence, reshape the business structure and technical structure with "enterprise-level and standardization" as the starting point, break the "data island" and the "system chimney", make the system of the whole Bank work like a system, enable finance to empower thousands of industries and warm thousands of households more efficiently, and lay a solid foundation for digital transformation to catch up.

—In the highly competitive market, we should fight a well-prepared battle and keep the safety bottom line with strict defense. Economic globalization is still in a countercurrent, global monetary easing is beginning to ebb, climate issues continue to become important, scientific and technological revolution and creative destruction go hand in hand, traditional security factors and non-traditional security factors are intertwined, and "the world is peaceful" turns to "the world is not peaceful". We should stick to our roots, return to common sense, be honest and innovative, continue to take serving the real economy as a fundamental measure to prevent financial risks, expand the leading edge of green finance into a powerful role for transitional finance, expand the denominator of development, dilute the molecule of risks, promote the clearing of risks, strengthen the security management of networks, information, data and models, and strive to make all kinds of risks predictable, preventable and controlled all the time.

—In the channel where hundreds of boats compete for running, we should do our best to deepen the reform and grasp the strategic initiative. At present, large and medium-sized banks generally show the trend of strategic convergence, and all the "new blue oceans" are rapidly becoming the "full river red". If we want to be superior, we have to be one step ahead. We should focus on improving market insight and customer experience, continue to promote organizational evolution, implement middle- and back-office reforms on the basis of front-office reforms, establish a brand-new digital operation system on the basis of the traditional operation system, turn all segment-to-segment processes into end-to-end processes, empower our employees like empowering customers, effectively liberate people from repetitive work, do more innovative work, and gather the majestic power of everyone rowing and sailing big boats.

—In the journey of the sea of stars, we should strive to be friends of time and reshape the corporate culture with long-term doctrine. Rome was not built in a day, and greatness is achieved through years of hard work. The more we advance into the critical period of reform, tackling of difficulties and transformation, the more we should be educated, resolutely abandon any form of opportunism and short-sighted behavior, firmly convey the long-term value proposition, persist in growing together with customers, persist in doing difficult and correct things, persist in judging a person with cross-cycle performance, and persist in thanking investors for their company with sustainable returns.

The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China and the 35th anniversary of the establishment of the Industrial Bank. We are in the goal of being a powerful country in the second century and the development vision of "First-class Bank, Everlasting CIB", and our starry night journey has just started. History moves forward with great momentum, and high-quality development has only a starting point. We must start from the end, redouble our efforts, and make steady progress on the new road of catching the exam!

Chairman: 吕家进

President's Statement

In 2022, we still maintained the confidence and patience to cross the cycle, responded to the profound and complex changes in the internal and external environments with the pragmatic and entrepreneurial spirit of the staff of the Industrial Bank, adhered to the firm belief that a blueprint was drawn to the end, and forged ahead on the road of promoting high-quality development. At the end of the year, the Group's total assets exceeded RMB9 trillion for the first time, the operating income exceeded RMB220 billion for the first time, the net profit attributable to the parent company exceeded RMB90 billion for the first time, and the non-performing loan ratio dropped to 1.09%, continuing to make great strides towards the new round of five-year development goals.

We insisted on integrity and innovation, consolidated the basic direction and laid out a new track. The characteristics precipitated by successive struggles of generations of the staff of the Industrial Bank have become an important magic weapon to find certainty in uncertainty. We continued to polish the "three business cards" of green bank, wealth bank and investment bank, which have become the biggest foundation for our stable and sustainable development. Over the past year, the "double carbon" strategy has been pushed forward in depth, and we have integrated green into the industry. The establishment of the Institute of Carbon Finance of the Industrial Bank meant that we would carry out "research empowerment" to the end, and the professional service capacity of carbon finance in the whole market has been continuously improved. The balance of green financing was RMB1.63 trillion, and we had nearly 50,000 green customers. Common prosperity has become a consistent pursuit. We responded to the market fluctuations with professional ability and sincere service, and strove to let more high-quality wealth products enter the homes of ordinary people. The scale of wealth management exceeded RMB2 trillion for the first time, and the retail AUM of the Group exceeded RMB3 trillion. We took the investment drive as an important starting point, continuously consolidated our intermediary matching, investment, trading and market-making capabilities, made the characteristics more distinct and the advantages more prominent, and introduced more living water in the financial market into the real economy. The underwriting of non-financial bonds exceeded RMB680 billion, the custody scale exceeded RMB15 trillion, and the Group's FPA exceeded RMB7.8 trillion. Integrity is the key to ensuring the correct direction of progress, and innovation is the key to grasping the future. Embarking on a new journey, we will focus our financial services on the real economy, proactively lay out the "five new tracks" of inclusive finance, science and technology innovation finance, energy finance, automobile finance and industrial zone finance, improve the fit between our business structure and the national economic structure, reflect the responsibility bearing of systemically important banks with the mind of "the utmost interests of the nation", and make every effort to lay a solid foundation for winning the future.

Customers are the foundation of survival and development. We always regard satisfying customers' diversified financial needs as an inexhaustible motive force, and share the value growth in practicing the business logic of "customer-business-benefit". Over the past year, we have adhered to the principle of looking up at the road and sinking down to do things, optimized the hierarchical and classified service system for customers, and promoted the linkage between the east and the west, the linkage between the head office and branches, the linkage between parent company and subsidiaries, the linkage between lines, and the linkage between the front, middle and back offices, accelerated the public-private integration to reshape the customer journey, and provided personalized products and services of "thousands of people and thousands of faces" with digital technology. By the end of the year, the number of corporate customers exceeded 1.20 milllion, and the number of retail customers exceeded 91 million. Growing up with customers makes us more calmly cope with market changes, more capable of accelerating strategic transformation, and more determined to move towards high-quality development.

Science and technology are the primary productive forces. In the era of digital economy, digitalization is the biggest variable that determines future competitiveness. We adhere to the "technological development" and keep pace with the times, and strive to catch up in the construction of "digital development". Over the past year, driven by system reform, we have stimulated the vitality of scientific and technological organizations and promoted a series of strategic and basic work. The investment in science and technology increased by 29.65% year-on-year, the proportion of scientific and technological talents increased by 5.4 percentage points, The CIB Fintech Research Academy was established, and the key infrastructure and innovation base of science and technology were more solid. The "five online platforms" of "Industrial Inclusion", "Industrial Steward", "Industrial Living", "Qianda Money Manager" and "Bank-to-Bank Platform" were renewed and upgraded, and the number of brand customers and the monthly active users (MAU) increased steadily. The construction of the B-end scenario ecological platform in the fields of housing construction, medical care, education and transportation was accelerated, with more than 1,700 new projects. The number of monthly active users in mobile banking increased by 34% year-on-year, and the replacement rate of online financial counters reached 96%. The "technology empowerment" sped up and increased efficiency.

Risk prevention is a string that is always tense. We coordinate development and safety, and firmly establish a sense of risk management. Over the past year, we have adhered to the principle of risk-taking, focused on key regions, key industries, key customers and key products, increased the refined and differentiated management, proactively responded to policy changes, made every effort to reduce risk costs, and continued to maintain a good level of asset quality in the industry. We always revered the market, put safety first, effectively controlled new risks and firmly held the bottom line. We promoted the deeper integration of risk and business, explored a new model of digital risk control, and innovated and popularized the "technology flow" credit evaluation system, with the approved amount exceeding RMB1.2 trillion. Effective risk empowerment provided more powerful security for strategic transformation and new track layout.

In 2022, the 20th National Congress of the Communist Party of China was successfully convened, rallying the majestic strength of the whole Industrial Bank. Thanks to this era of progressive development, it provides a broad stage for everyone to work and start their own businesses. Great truths are always simple, and one of them is action speaks louder than words. We are convinced that there will be rewards for hard work. Our ESG rating of MSCI has been ranked as the highest A-level in China's banking industry for four consecutive years, ranking among the top 16 banks in the world, and we became the 10th designated operator of digital RMB, which will spur and inspire us to grow up with everyone with dreams and jointly “build Industrial Bank and strengthen the country to create a better world”.

The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. We will always keep in mind the original intention and mission of “exploring the path for financial reform and making contributions to economic development”, strengthen our strategic self-confidence, maintain our historical patience, unite our strength with the Industrial Bank's spirit of pragmatism, dedication, entrepreneurship and teamwork, and fully focus on five key points of customer building, structural optimization, digital transformation, risk management and coordinated development, so as to lay a solid foundation for sustainable operation and lay a solid foundation for high-quality development. Keep our original heart with perseverance and win the future with struggle!

President:

Chief Supervisor: **Chen Xinjian**

- **Sun Xiongpeng**

  Director,
  Vice president

- **Zhang Guoming**

  Supervisor

- **Zhang Min**

  Vice president

- **Zhang Ting**

  Vice president

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The US Magazine 《FORBES》

Ranked 55th among the "Top 2000 Global Companies"

The US Magazine 《Fortune》

Ranked 208th among the "Global 500"

The British Magazine 《THE BANKER》 Brand Finance

Ranked 29th among the "Top 500 Global Banking Brands"

Interbrand

Ranked 22nd on the "Best China Brands Ranking List"

MSCI

Rated A in the 2022 ESG Rating

China Enterprise Confederation China Enterprise Directors Association

Ranked 66th among the "Top 500 Chinese Companies"

Professional Wealth Management (PWM) Magazine

Best Private Banking Award for Digital Customer Services in Asia

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Best National Joint-Stock Bank Award

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Outstanding ESG Innovation Case of Enterprises

China Securities Journal

Golden Bull Award for Bank Wealth Management Company

National Business Daily

Most Socially Responsible Listed Companies

Ranked 58th among the "Top 100 on the Chinese Listed Companies Brand Value List in 2022"

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People.cn

"People's Corporate Social Responsibility Award"—Annual Enterprise Award

People's Corporate Social Responsibility Recommended Case—Rural Revitalization

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Xinhuanet

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Securities Times

The Gamma Award for High-Quality Development Bank of 2022 (Grand award in the comprehensive category)

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"Green to Gold" Green Financial Business System—Digital Operation Excellent Case of the Year

Create an Ecological Innovation Case for Open Banking—Digital Innovation Excellent Case of the Year

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Chinese Times

Annual Joint-Stock Commercial Bank

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Excellent Chinese Bank of the Year

Excellent Investment Bank of the Year

Excellent Asset Custody Bank of the Year

China National Brand Network

"My Favorite Chinese Brand 2021"

The Asian Banker

the "Best Credit Card Product in China"

The National Interbank Funding Center

Won 14 institutional awards including the
"Core Dealer"
"Money Market Dealer"
"Bond Market Dealer"
"CFETS Interbank Deposit Award"
"X-Bond Innovation Award"
etc.

Sina Finance

Best Joint-Stock Commercial Bank of the Year

Best Green Innovation Bank of the Year

Best Environmental (E) Responsibility Award

Best Bank Award for Responsible Investment

Best Green Investment Bank of the Year

Investment Times

2022 Extraordinary Investment Value Company

2022 ESG Green Company Star

hexun.com

Model of New Citizen Service of the Year

China Foreign Exchange Center Trade System

Won more than 10 awards including the "Market Innovation Award", "Annual Market Influence Awards", etc.

New Fortune

Won the "50 Best Listed Companies" and "Best ESG Practice Award"

The Paper

Best Financial Institution of the Year

The Economic Observer

Annual Outstanding Inclusive Financial Bank

JRJ.com

Won eight awards including the Outstanding Comprehensive Strength Award

the Award for the Outstanding ESG Role Model in the Industry

the Outstanding Green and Low Carbon Model Institution Award

the Outstanding Innovation Contribution Award, etc

INVESTOR.COM

Award for Commercial Bank Powering High-Quality Development with Innovation of the Year

the Southern Finance

"2022 Listed Companies of Excellence"

China Central Depository and Clearing Co., Ltd.

Won 10 awards including the Annual Bond Market Leader

the Outstanding Financial Bond Issuing Institution

the Outstanding ABS Initiator

the Outstanding Bond Underwriting Institution

the Outstanding Local Bond Underwriting Institution

the Outstanding Contribution Institution for the International Business

the Outstanding Asset Custody Institution, etc.

Definition

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank/the Company	Industrial Bank Co., Ltd.
Group/the Group	Industrial Bank Co., Ltd. and its subsidiaries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
KPMG Huazhen	KPMG Huazhen LLP
Industrial Financial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
CIB Wealth Management	CIB Wealth Management Co., Ltd.
Industrial Futures	Industrial Futures Co., Ltd.
CIB Research	CIB Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Industrial Inclusive Technology	Industrial Inclusive Technology (Fujian) Co., Ltd.
Ciit Asset Management	China Industrial International Trust Asset Management Company Limited
Yuan	RMB Yuan
"1234" strategy system	1. Light assets, light capital and high efficiency are the main lines of development. 2. Take the strategy of "commercial bank + investment bank" as the starting point, and adhere to the development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm". 3. Continuously improve the capacity building of settlement banks, investment banks and transaction banks. 4. Strengthen the strategic roles of key branches, key industries, key customers and key products.
Commercial bank + investment bank 2.0	The deepening and expansion of the strategy of "commercial bank + investment bank" includes the improvement of product system, coordination mechanism, risk model and evaluation mechanism.
Three business cards	green bank, wealth bank and investment bank
"Four stabilities and four progressives" strategy	Adhere to the steady growth of scale and the improvement of development quality; adhere to the stability of the traditional field and entering the new track; adhere to the "outlet development" to be stable and "digital development" to advance.
Five new tracks	inclusive finance, science and technology innovation finance, energy finance, automobile finance, industrial zone finance
Five online platforms	"Industrial Inclusion", " Industrial Steward", "Industrial Living", "Qianda Money Manager", "Bank-to-Bank Platform"
Five enterprise framework projects	marketing, wealth, investment banking, operation, risk control

Corporate Profile and Key Financial Indicators

I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

II. Legal representative: Lyu Jiajin

III. Contact persons and details

Secretary of the Board of Directors: Hua Bing

Representative of securities affairs: Lin Wei

Address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Tel: (86)591-87824863

Fax: (86)591-87842633

Email: irm@cib.com.cn

IV. Basic information

Registered address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

History changes in registered address of the Company:

Date of change	Before change	After change
August 15, 1997	17 Hualin Road, Fuzhou, PRC	154 Hudong Road, Fuzhou, PRC
March 15, 2022	154 Hudong Road, Fuzhou, PRC	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Office address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Postal Code: 350014

Website: www.cib.com.cn

For details of the change in the Company's registered address during the reporting period, please refer to the announcement published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on March 16, 2022.

V. Information disclosure and location of filing

Media and websites for disclosure of annual reports: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publishing annual reports: www.sse.com.cn

Location of annual reports filing: the Company's office of the Board of Directors

VI. Brief introduction of company securities

Classes of securities	The stock exchange	Abbreviation	Code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial P1	360005
		Industrial P2	360012
		Industrial P3	360032
Convertible corporate bonds	Shanghai Stock Exchange	Industrial convertible bonds	113052

VII. Other related information

Certified public accountants firm engaged by the Company: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 Dongchang'an Street, Dongcheng District, Beijing, PRC

Names of the signing accountants: Chen Sijie, Wu Zhongming

Sponsors performing continuous supervision duties: CSC Financial Co., Ltd.; China Industrial Securities Co., Ltd.

Office address: 9/F, Block B, Kaiheng Center, Chaoyangmennei Avenue, Dongcheng District, Beijing; 268 Hudong Road, Fuzhou, Fujian Province

Names of the signing sponsors: Yan Mingqing, Pan Qingming; Wang Haisang, Zhang Yi

Continuous supervision period: from January 14, 2022 to December 31, 2023

This report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

VIII. Key accounting data and financial indicators of the Company

(I) Key accounting data and financial indicators

Unit: RMB million

Item	2022	2021	Increase/decrease in 2022 compared with 2021 (%)	2020
Operating income	**222,374**	221,236	0.51	203,137
Profit before tax	**106,221**	95,310	11.45	76,637
Net profit attributable to the shareholders of the parent company	**91,377**	82,680	10.52	66,626
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**90,996**	82,206	10.69	66,218
Basic EPS (Yuan)	**4.20**	3.77	11.41	3.08
Diluted EPS (Yuan)	**3.87**	3.77	2.65	3.08
Basic EPS, after deduction of non-recurring gains and losses (Yuan)	**4.18**	3.75	11.47	3.06
ROA (%)	**1.03**	1.02	Up 0.01 percentage point	0.90
Weighted average ROE (%)	**13.85**	13.94	Down 0.09 percentage point	12.62
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**13.79**	13.86	Down 0.07 percentage point	12.54
Cost-to-income ratio (%)	**29.37**	25.68	Up 3.69 percentage points	24.16
Net cash flow from operating activities	**(344,587)**	(389,771)	Negative in the same period of last year	(34,228)
Net cash flow per share from operating activities (Yuan)	**(16.59)**	(18.76)	Negative in the same period of last year	(1.65)
Item	December 31, 2022	December 31, 2021	Increase/decrease in the end 2022 compared with the end of 2021	December 31, 2020
Total assets	**9,266,671**	8,603,024	7.71	7,894,000
Shareholders' equity attributable to the shareholders of the parent company	**746,187**	684,111	9.07	615,586
Owners' equity attributable to the ordinary shareholders of the parent company	**660,385**	598,309	10.38	529,784
Net assets per share attributable to the ordinary shareholders of the parent company (Yuan)	**31.79**	28.80	10.38	25.50
NPL ratio (%)	**1.09**	1.10	Down 0.01 percentage point	1.25
Provision coverage ratio (%)	**236.44**	268.73	Down 32.29 percentage points	218.83
Provision-to-loan ratio (%)	**2.59**	2.96	Down 0.37 percentage point	2.74

Notes: 1. Basic EPS and weighted average ROE were calculated based on "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)".

2. As at the end of the reporting period, the Company issued an aggregate of RMB56 billion preferred shares (Industrial P1, Industrial P2 and Industrial P3) with non-cumulative dividends. The dividends of the preferred shares for 2022 did not paid and will be distributed after approval by the general shareholders' meeting.

(II) 2022 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	**59,403**	**56,450**	**55,001**	**51,520**
Net profit attributable to the shareholders of the listed company	**27,578**	**17,309**	**26,921**	**19,569**
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	**27,525**	**17,200**	**26,873**	**19,398**
Net cash flow from operating activities	**(249,754)**	**(144,263)**	**64,400**	**(14,970)**

(III) Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2022
Gains and losses on the disposal of non-current assets	**12**
Government grants recognized in profit or loss	**483**
Net other non-operating income and expense	**56**
Impact on income tax	**(151)**
Total	**400**
Non-recurring gains and losses attributable to the shareholders of the parent company	**381**
Non-recurring gains and losses attributable to minority shareholders	**19**

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2022	December 31, 2021	December 31, 2020
Total liabilities	**8,509,373**	7,908,726	7,269,197
Placements from banks and other financial institutions	**275,808**	172,773	179,161
Total deposits	**4,736,982**	4,311,041	4,042,894
Including: Demand deposits	**1,779,273**	1,769,246	1,614,827
Time deposits	**2,608,223**	2,212,838	2,113,615
Other deposits	**349,486**	328,957	314,452
Total loans	**4,982,887**	4,428,183	3,965,674
Including: Corporate loans	**2,631,413**	2,223,895	2,043,500
Personal loans	**1,973,907**	1,879,932	1,714,471
Discounted bills	**377,567**	324,356	207,703
Loan loss provisions	**128,834**	130,909	108,661
Including: Loan loss provisions at fair value through other comprehensive income	**2,751**	1,032	593

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2022		December 31, 2021		December 31, 2020	
	Group	Bank	Group	Bank	Group	Bank
Net capital	**973,833**	**908,004**	878,172	820,158	762,803	710,825
Including: Core Tier 1 capital	**662,916**	**621,255**	599,661	565,344	529,366	502,701
Other Tier 1 capital	**86,052**	**85,802**	85,999	85,802	85,942	85,802
Tier 2 capital	**226,053**	**222,074**	193,617	190,070	148,409	143,209
Deductions	**1,188**	**21,127**	1,105	21,058	914	20,887
Total risk weighted assets	**6,746,229**	**6,427,244**	6,102,620	5,818,668	5,663,756	5,386,272
Capital adequacy ratio (%)	**14.44**	**14.13**	14.39	14.10	13.47	13.20
Tier 1 capital adequacy ratio (%)	**11.08**	**10.67**	11.22	10.83	10.85	10.54
Core Tier 1 capital adequacy ratio (%)	**9.81**	**9.34**	9.81	9.35	9.33	8.95

Note: data in this table are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and based on data reported to regulatory authorities.

(VI) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2022	December 31, 2021	December 31, 2020
Deposit-to-loan ratio (converted to RMB)	–	**96.21**	95.60	92.54
Liquidity ratio (converted to RMB)	⩾25	**64.45**	56.26	67.39
Proportion of loans to the largest single borrower	⩽10	**1.95**	1.52	1.67
Proportion of loans to the top ten borrowers	⩽50	**10.65**	9.53	10.61
Migration ratio of normal loans	–	**1.61**	1.49	1.54
Migration ratio of special mention loans	–	**27.46**	24.64	35.46
Migration ratio of substandard loans	–	**73.76**	57.98	75.74
Migration ratio of doubtful loans	–	**77.96**	56.29	66.05

Notes: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.

2. Data in this table are calculated based on data reported to regulatory authorities. Among which, the migration ratio of loans was calculated according to the Notice on Revising the Definition and Calculation Formula of Basic Indicators for Off-site Supervision of the Banking Industry issued by CBIRC in 2022 with corresponding adjustment to the data for previous period. As at the end of the reporting period, migration ratios of normal loans, special mention loans, substandard loans and doubtful loans calculated on the basis of original standard were 2.48%, 18.44%, 67.43% and 59.97%, respectively.

(VII) Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Amount at the end of last year	Increase during the period	Decrease during the period	Closing balance
Share capital	20,774	–	–	**20,774**
Other equity instruments	88,960	–	–	**88,960**
Capital reserve	74,914	1	6	**74,909**
Other comprehensive income	2,859	–	3,583	**(724)**
General reserve	97,944	11,013	–	**108,957**
Surplus reserve	10,684	–	–	**10,684**
Undistributed earnings	387,976	91,377	36,726	**442,627**
Equity attributable to the shareholders of the parent company	684,111	102,391	40,315	**746,187**

(VIII) Items measured at fair value

Unit: RMB million

<table>
<tr><th>Item</th><th>December 31, 2021</th><th>Changes in fair value for the period recognized in gains and losses</th><th>Accumulated changes in fair value recognized in equity</th><th>Provision for impairment made/(reversed) in the period</th><th>December 31, 2022</th></tr>
<tr><td>Precious metals</td><td>42</td><td>–</td><td>–</td><td>–</td><td>5</td></tr>
<tr><td>Derivative financial assets</td><td>34,460</td><td rowspan="2">4,673</td><td rowspan="2">–</td><td rowspan="2">–</td><td>35,253</td></tr>
<tr><td>Derivative financial liabilities</td><td>38,847</td><td>34,967</td></tr>
<tr><td>Loans and advances to customers</td><td>327,207</td><td>(15)</td><td>(248)</td><td>1,719</td><td>388,360</td></tr>
<tr><td>Trading financial assets</td><td>909,794</td><td>(3,670)</td><td>–</td><td>–</td><td>999,855</td></tr>
<tr><td>Other debt investments</td><td>484,624</td><td>(717)</td><td>(6,560)</td><td>701</td><td>548,007</td></tr>
<tr><td>Other equity instrument investments</td><td>3,148</td><td>–</td><td>(223)</td><td>–</td><td>3,453</td></tr>
<tr><td>Trading financial liabilities</td><td>47,830</td><td>18</td><td>–</td><td>–</td><td>49,578</td></tr>
</table>

Management Discussion and Analysis

I. Main businesses of the Company and conditions of the industry

(I) Main businesses

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on the Shanghai Stock Exchange. Currently, the Company has developed into a comprehensive financial service group with banking business as the core, covering business areas such as trust, financial leasing, funds, futures, asset management, consumption finance, wealth management, digital finance and research and consultation. The Company Continuously improved the diversified service network covering domestic and overseas, online and offline and has become a domestic systemically important bank. The Company ranked among the top 20 global banks in The Bankers and 208th among the Global 500 in the Fortune and was awarded "Bank of the Year in China for 2021" by The Banker.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the China banking regulation and administration agencies, concurrent-business insurance agency; import and export of gold and its products; public securities investment fund sales; securities investment fund custody.

(II) Conditions of the industry and development trend during the reporting period

In 2022, faced with the once-in-a-century profound evolution, China banking institutions adhered to the guidance of serving the real economy, coordinated development and security, improved the management structure, enhanced the technological empowerment, upgraded service capabilities, optimized business characteristics, and steadily improved the development quality.

Improve the efficiency of serving the real economy. The Company insisted on taking green as the background of high-quality development, accelerated the innovation of green financial products, built a multi-level and diversified green financial product system, and guided more financial resources to be allocated to low-carbon transformation and green development. The Company expanded the scale of medium and long-term loans and credit loans for manufacturing industries, focused on supporting high-tech manufacturing industries and strategic emerging industries, and supported the development of advanced manufacturing clusters. The Company changed the concept of risk credit, integrated financial and non-financial resources, and increased its efforts to serve new economy and new track enterprises such as biomedicine, clean energy, semiconductors and new materials, and grew with the enterprises.

Coordinate policy implementation and financial services. The Company actively implemented a package of policies to stabilize employment and entrepreneurship and stabilize market players, stepped up efforts to solve difficulties and help smooth the national economic cycle. The Company continued to increase investments in inclusive fields such as small and medium-sized enterprises and "agriculture, rural areas and farmers", built a new data-driven model with digital technology, improved service efficiency, accurately "transfused", assisted in "hematopoiesis", and enhanced business sustainability.

Support the stable development of the real estate market. The Company implemented the national real estate and finance policies, met the reasonable financing demand of the real estate industry, unblocked the financing channels of private housing enterprises, maintained the reasonable and moderate real estate financing through loans, merger and acquisition financing, rental housing financing, bond underwriting and equity financing, supported the rigid and improved housing demand, safeguarded the legitimate rights and interests of housing consumers, promoted the stable and healthy development of the real estate market from both ends of supply and demand, and made a smooth transition to a new development model.

Improve the service system based on the needs of residents. Focusing on the core scenarios of housing, medical care, education, employment and entrepreneurship, the Company optimized and refined the financial services for new citizens, built a financial service system that runs through the whole life cycle of new citizens, improved the availability, convenience and equality of basic financial services, and provided strong support for the foothold and growth of new citizens in cities. The Company grasped the bonus of pension financial policy, sped up the layout of pension financial services such as pension wealth management, pension savings and personal pension, and enriched the supply of pension products. The Company increased the effective supply of consumer credit and supported the people's reasonable consumption demand.

Promote the standardized and healthy development of wealth management business. The wealth management market has entered a new stage of comprehensive net worth operation, promoting the innovation of wealth management products based on customer demand, and accelerating the layout of theme products such as pension, cross-border and low carbon. The Company made great efforts to strengthen the building of investment and research capacities and the application of financial technology, accelerated the construction of investment advisory system, strengthened the investor education and services, and effectively responded to market fluctuations. The team of bank wealth management subsidiaries has steadily expanded, and joint venture wealth management companies have expanded their pilot projects, with more product categories.

Accelerate the construction of a new digital development model. Focusing on “data + technology + platform”, the Company continued to increase the resource investment in the field of digital transformation, expanded the team of scientific and technological talents, implemented digital transformation from the dimensions of business operation, data governance, financial technology, risk management and organizational structure, promoted the application of enterprise-level architecture, built a more stable and sustainable new model of digital development, and improved the development quality of digital transformation. The Company accelerated the research and development of digital RMB products and services, continued to expand the application scenarios of digital RMB, and strengthened the protection of users’ rights and interests.

Continue to improve the ability to prevent and resolve risks. The Company strengthened the bottom line thinking, strengthened risk management and control in key areas, intensified the disposal of non-performing assets, accelerated the digital and intelligent transformation of risk management mode, and stabilized the foundation of asset quality. Focusing on the changes in regional economy, industrial structure and customer behaviors, the Company strengthened professional research, further approached the market, built a differentiated and refined risk control system, better played the leading role of risk management policies in business development, and expanded the new space for risk empowerment. Breakthroughs have been made in the reform of risk resolution of small and medium-sized banking institutions, the pace of mergers and acquisitions of urban commercial banks has been accelerated, the reform of rural credit cooperatives has officially kicked off, and the industry's ability to resist risks has been enhanced.

II. Analysis of core competitiveness

Keeping in mind the original intention and mission of "exploring the path for financial reform and making contributions to economic development", guided by the ambitious goal of "First-class Bank, Everlasting CIB", the

Company is committed to becoming an excellent integrated financial service group. It has inherited and promoted the excellent business gene of striving for innovation and fighting spirits, continued to cultivate business characters and professional advantages, focused on the direction of high-quality development, firmly promoted the change of business philosophy from product driven to customer driven, from high-rate growth to high-quality development and from scale bank to value-based bank, which laid a solid foundation for the Company's long-term and healthy development and enhanced the Company's market competitiveness.

Clear strategic objectives. The Company has been committed to the fundamental starting point of "serving the real economy, preventing and controlling financial risks", accurately grasped the development trend of financial marketization, integration and diversification, and planned the layout based on its own resource endowment. From "large wealth products under large asset management of a large investment bank" to the construction of "settlement, investment and transaction" bank, to the "1234" strategy system, the Company established and enhanced three golden brands of "green bank, wealth bank and investment bank". With the consistent development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm" and "applying a unified blueprint", the Company has maintained its strategic determination and achieved a clear and mature implementation path and more remarkable operational results.

Distinctive business characteristics. The Company has been persisting in focusing on customer and enhancing its technological empowerment and prominent innovation capability according to their needs. The Company has built new products and businesses in many segmented business areas and opens its own "blue ocean" with distinct operation characteristics. The Company is the first among its domestic peers to lay out the capital market, explore the innovation of financing instruments such as bonds, trusts, financial leasing and asset securitization, and lead the development of new businesses such as FICC, investment banking, asset management and asset custody. As the first equator bank in China, the Company has taken the lead in elevating sustainable development to the level of corporate strategy and corporate governance and has made green finance a core strategic business of the Group. The Company has gradually built up an intra-group, multi-level and comprehensive green financial products and services system, pioneered the social responsibility practice model of "righteousness in profit", and was awarded the MSCI global ESG rating of A for four consecutive years.

Complete service functions. The Company sticks to the multi-market and comprehensive development. Based on two dimensions of expanding bank business and multi-industry operation, the Company steadily pushed forward the comprehensive and intra-group integrated process, established a modern comprehensive financial service system focusing on banking and covering business areas including trust, financial leasing, funds, futures, asset management, consumption finance, wealth management, digital finance and research and consultation. Each subsidiary was deeply integrated into the "1234" strategic system, focused on main business, refined expertise, complemented functions and developed differently so as to jointly build a high-quality, efficient and professional comprehensive financial service system.

Standardized and efficient operation. The Company has been persisting in improving internal operation efficiency through standardized, professional and scientific management and continued to improve the corporate governance mechanism of "leadership of the Party Committee, strategic decision-making by the Board of Directors, implementation by the senior management, and supervision by the Board of Supervisors in accordance with the law". In accordance with national policy guidance and changes in the market environment, the Company continued to adjust organizational structure, optimize institutional mechanism, built a process bank, and took the lead in the industry in establishing an inclusive financial business system. The Company established a management structure with relative separation of customer and product departments, traditional and new business. The Company optimized supporting mechanisms and processes to enhance the endogenous power of transformation and development.

Deep cultural heritage. The Company has continuously upheld the core values of rationality, innovation, people-based and sharing, inherited and carried forward the excellent cultural genes formed in the process of long-term development, forming a cultural heritage with the characteristics of business promotion. The Company actively promoted the culture of dedication to fulfill its responsibilities, the culture of striving to win, the culture of collaboration to be pragmatic and responsible, and the culture of homeland to work together, which are the common value orientation and code of conduct of the whole group and guarantee the Company's stability and sustainable development.

III. Strategy implementation

During the reporting period, the Company adhered to the main direction of serving real economy and high-quality development, firmly implemented the "1234" strategy, made greater efforts to consolidate the basic market based on the strategy of "four stabilities and four progressives", laid out a new track, established and enhanced three golden brands of "green bank, wealth bank and investment bank", deeply promoted digital transformation and steadily and effectively implemented strategies.

(I) Operating results improved steadily

The scale and efficiency increased simultaneously. The scale of the Group increased steadily and the structure continued to optimize. As at the end of the reporting period, the total assets of the Group exceeded RMB9 trillion and amounted to RMB9.27 trillion, representing an increase of 7.71% as compared with the end of last year. The balance of various loans amounted to RMB4.98 trillion, representing an increase of 12.53% as compared with the end of last year. During the reporting period, the increment of loans in strategic emerging industries, manufacturing, infrastructure industries accounted for 51.63% of the increment of corporate loans. Various deposits amounted to RMB4.74 trillion, representing an increase of 9.88% as compared with the end of last year. Among which, the balance of personal deposits exceeded RMB1 trillion for the first time and amounted to RMB1.09 trillion, representing an increase of 36.76% as compared with the end of last year. The operating results maintained stable. The operating income was RMB222.374 billion, representing a year-on-year increase of 0.51%. The non-interest net income accounted for 34.67% of the operating income, representing an increase of 0.52 percentage point as compared with the end of last year. The net profit attributable to the shareholders of the parent company was RMB91.377 billion, representing a year-on-year increase of 10.52%.

The customer base continued to consolidate. The hierarchical and classified customer management system was optimized, and the scale and quality of customers were gradually improved. The number of corporate finance customers exceeded 1.2 million, increasing by 14.30% from the end of last year to 1.2372 million. Among them, the number of valid and above customers increased by 14.79% from the end of last year to 511.3 thousand with the percentage of the number of corporate finance customers increasing to 41.33%. The number of green finance customers increased by 30.29% from the end of last year to 49.5 thousand. The number of science and innovation finance customers increased by 29.28% from the end of last year to 51.7 thousand. The number of retail customers increased by 15.82% from the end of last year to 91.752 million. Among which, the number of VIP customers increased by 9.58% from the end of last year to 4.0531 million and the number of private banking customers increased by 8.16% from the end of last year to 63 thousand. The coverage rate of interbank finance customers maintained at the level above 95%.

Risk empowerment achieved remarkable results. The Company maintained the stability of asset quality through a series of measures, such as strengthening risk management and control in key areas, optimizing the working mechanism of linkage solution and disposal, establishing special working classes and optimizing the operating mechanism of special capital. The Company continued to strengthen the integration of risk management and business development, established a chain-length working system, and implemented the differentiated credit guidelines of “one city, one policy” for regional characteristic industries. In view of the characteristics of science and technology-based enterprises that “light assets and value intelligence”, the Company innovated the evaluation system and application mode of “technology flow”.During the reporting period, the Company applied the "technology flow" to a total of 7,182 custormers, with a balance of RMB200.492 billion. As of the end of the reporting period, the Company's non-performing loan ratio was 1.09%, representing a decrease of 0.01 percentage point as compared with the end of last year; the provision coverage ratio was 236.44%, and the loan-to-provision ratio was 2.59%, remaining at a good level. During the reporting period, the Group wrote off RMB37.959 billion of non-performing loans, and the total amount of non-performing assets recovered was RMB31.552 billion, of which RMB11.188 billion was recovered from the non-performing assets wrote off.

Continuously improve the comprehensive strength. In the list of "Top 1000 Global Banks in 2022" published by The Banker, the Company ranked 16th according to Tier 1 capital, up 3 places as compared with the last year. The Company was one of the first batch of companies obtaining the qualification of conducting the individual pension insurance business. The Company became the 10th designated operator of digital RMB in China. The Company's global ESG rating of MSCI has maintained the highest domestic banking rating of A for four consecutive years.

(II) Continue to polish the "three business cards"

During the reporting period, the Company steadily promoted the construction of "three business cards", continuously strengthened the overall planning of the Group, optimized the organizational operation mechanism, and improved the professional and comprehensive service capabilities, achieving simultaneous improvement in quality and quantity.

1. Green banks led the transformation and development

The coverage and quantity of green businesses have been expanded and increased. The Company continue to focus on the major areas of "carbon reduction, pollution reduction, green expansion, and growth", accelerated the Group's comprehensive green transformation, enhanced the construction of green assets, and continued to improve the professional ability of green finance. During the reporting period, the balance of green financial financing on and off the balance sheet of the Group amounted to RMB1,629.76 billion, representing an increase of 17.53% as compared with the end of last year. Among which, there are 9 tier-one branches with the balance of green financing exceeding RMB50 billion. The balance of green loans in line with the People's Bank of China amounted to RMB637.072 billion, representing an increase of 40.34% as compared with the end of last year and maintaining the leading position in the industry. At present, the weighted interest rate of green loans and non-performing loan ratio under the PBOC was 4.47% and 0.25%, respectively, and the Company obtained the approved preferential funds of RMB26.563 billion for carbon emission reduction support tools and fully enjoyed the policy dividend.

"Comprehensive green" transformation was fully accelerated. The decision-makers took the initiative to assume the responsibility for green development, injected the new concept of "comprehensive green transformation throughout the Group" into the Company's green finance development, and accelerated the development of green finance business. During the reporting period, the financing scale of various green investment banking business amounted to RMB129.473 billion, representing a year-on-year increase of 12.00%. Green supply chain finance has made positive progress. As at the end of the reporting period, the balance of green supply chain finance amounted to RMB40.448 billion, covering 95 special green industries. The total balance of green leasing, green trust, green fund, ESG and green wealth management products and green private equity investment amounted to RMB185.070 billion.

The carbon financial service system is sound and well-established. The Company improved the green finance professional product system covering carbon reduction, pollution reduction, and carbon finance, strengthened the basic financial services of the carbon market, completed the technical work of interconnecting with the national carbon emission trading system, and constructed a carbon financial product system with "carbon credit + carbon sink" as the core. During the reporting period, the pledged financing business of national carbon emission quotas achieved RMB460 million and the pledged quotas amounted to 6.294 million tonnes. Carbon emission reduction, carbon footprint and other linked loans amounted to RMB2.532 billion. A total of 280 "environmental protection loans" with the amount of RMB11.750 billion have been granted, which demonstrated the implementation of innovative businesses such as carbon emission reduction loan financing guarantees.

Continue to improve the professional support ability. The Institute of Carbon Finance of the Industrial Bank was put into operation, focusing on key areas such as green finance, climate change and environmental economics, energy and industrial low-carbon transformation to carry out research, and strengthening the professional support of the Group's green business. The Company promoted the plan of 10,000 green financial talents, carried out of certification of cultivation and training, and built a hierarchical and classified portrait of green financial talents.

2. The wealth bank had strong growth momentum.

The financial management business built the core competitiveness. CIB Wealth Management continued to optimize the organizational model and collaborative linkage mechanism, the scale of wealth management products steadily increased, and the asset allocation structure was continuously optimized. The Company's wealth management scale increased by 17.21% to RMB2.09 trillion as compared with the last year, and its comprehensive wealth management ability ranked first among national commercial banks for 21 consecutive quarters. Among them, the proportion of new products that meet the new asset management regulations increased by 4.45 percentage points to 98.58%, and the scale of new products with fixed income increased by 30.55% to RMB2.00 trillion as compared with the last year. During the reporting period, the Company continuously enriched product types, accelerated brand remodeling, strengthened the guidance of long-term products, and focused on professional products. The scale of ESG products exceeded RMB90 billion, representing an increase of 167.95% as compared with the last year. The Company successfully issued the first phase of pension wealth management products, with a scale of RMB2.99 billion, and entered the first batch of pilot projects of personal pension business.

The whole product pedigree of the Group was more perfect. The Industrial Trust deeply cultivated the wealth management services such as family service trust, family trust, insurance trust and salary deferral, and actively built distinctive and differentiated boutique investment banks and private equity product lines such as fixed income+ and TOF. The Industrial Fund focused on economic transformation, industrial upgrading and scientific and technological innovation to increase the layout of equity funds, launched the A+H fund with the theme of digital economy, created the core broad-based Shanghai-Shenzhen 300 ETF connection fund, launched the CSI 500 Index Enhancement Fund for the first time, with rich and diverse product categories, built a hierarchical sales system and strengthened customer companionship. The Industrial Futures focused on active management of fixed income and CTA products, and the scale of futures and derivatives asset management products was expanded rapidly, and its performance continued to be better than that of similar strategies in the market. At the end of the reporting period, the balance of active management products created by the Industrial Trust, the Industrial Fund and the Industrial Futures was RMB429.527 billion.

Wealth sales channels were changed and upgraded. The Company accelerated the transformation from “single product sales” to “asset allocation”, expanded the wealth ecosystem, strengthened online and offline operations, expanded the sales network inside and outside the industry, and strengthened the scenario linking, traffic introduction and ecological co-construction. In the direction of building an online wealth sales platform, the Company accelerated the interconnection of online channels such as “Qianda Money Manager”, mobile banking, “Industrial Living”, “Industrial Steward” and “Bank-to-Bank Platform”. During the reporting period, the number of the monthly active users (MAU) of “Qianda Money Manager” increased by 307.4 thousand as compared with the end of last year, representing an increase of 153.24%. The “Bank-to-Bank Platform” sold wealth management products to retail customers of state-owned banks, joint-stock banks, regional banks and rural financial institutions, with a scale of RMB510.512 billion, representing an increase of 186.25% as compared with the end of last year.

Custody contributed significantly to the comprehensive income. The scale of asset custody business has grown steadily, the product structure has been continuously optimized and the comprehensive benefits have been remarkable. The Company made full use of the custody business platform, and the Group closely collaborated together to establish a full business chain of “investment, undertaking, sales and custody” to meet the comprehensive financial service needs of customers in the whole life cycle and the whole industry chain, and promote the coordinated development of businesses. At the end of the reporting period, the scale of the Company's asset custody was RMB15.26 trillion, representing an increase of 8.13% as compared with the end of last year, and the average daily balance of deposits related to custody business was RMB335.431 billion, representing an increase of 16.91% as compared with the end of last year.

At the end of the reporting period, the Group's retail AUM (asset under management) was RMB3.37 trillion, representing an increase of 18.33% as compared with the end of last year, of which off-balance sheet assets under management accounted for 67.70%. The wealth banking business grew steadily, and the handling fee income of wealth banking business with light capital and weak cycle was RMB25.814 billion, representing a year-on-year increase of 10.35%, of which the income of wealth management business was RMB15.565 billion, representing a year-on-year increase of 26.89%.

3. The investment bank kept ahead of the market

The investment bank continued to consolidate and strengthen the intermediary matching, investment, trading and market-making capabilities of large investment banks, and strengthened the linkage between the commercial bank and the investment bank to drive comprehensive income.

The ability to build assets in the whole market continued to improve. The Company's bond underwriting maintained a leading position in the market and continued to make innovation and breakthroughs. During the reporting period, the underwriting scale of non-financial bonds was RMB686.083 billion, ranking second in the market. The underwriting scale of overseas bonds was US$7.767 billion, representing a year-on-year increase of 4.44%, ranking first among Chinese joint-stock banks. The underwriting scale of green bonds was RMB35.45 billion, representing a year-on-year increase of 15.32%, ranking second among joint-stock banks. Closing following the pace of the market, the Company implemented a number of first-time businesses in the market, including the first batch of science and technology innovation notes in the market, the first green panda bonds of private enterprises, and the first social responsibility bonds. The Company has comprehensively deepened the cooperation with customers in business areas such as REITs, science and technology innovation notes, rural revitalization bonds, and special bonds for affordable rental housing. The diversified financing remained vigorous, and the merger and acquisition financing reached RMB162.135 billion, exceeding RMB100 billion for the first time in the year, representing a year-on-year increase of 77.01%. The capital market business reached RMB27.772 billion, representing a year-on-year increase of 83.06%. The syndicated financing reached RMB271.407 billion, representing a year-on-year increase of 61.06%. There were 171 equity “joint investment and loan” cooperative institutions, of which 62 listed in the China Venture Capital & Private Equity Annual Ranking 2022 released by Zero2IPO and the top 30 in sub-sectors in 2022. During the reporting period, the Company realized the investment banking income of RMB4.454 billion. The number of the Group's key customers in the investment banking business exceeded 606, driving the daily average settlement deposits of the Group's key customers to reach RMB586.094 billion, representing an increase of RMB107.729 billion as compared with the end of last year. The investment banking business supplied RMB313.392 billion of assets to relevant departments and subsidiaries within the Group, representing a year-on-year increase of 33.98%, and drove more than 40,000 pay-on-behalf customer customers, and more than 230 private bank customers were added. The implementation of strategy of “commercial bank + investment bank” achieved remarkable results.

The “commercial bank + investment bank” 2.0 was renewed and upgraded. Forging and strengths and making up for weaknesses, and further releasing the operating efficiency of “commercial bank + investment bank”. The Company focused on creating “fist” products such as capital market, fixed income and equity investment through the integration of the Group's license functions. The Company explored and marketed the wealth management needs of various customers and opened up the link of “big investment banks, big asset management and big wealth” through the integration of customer resources. The Company provided an all-round supporting system from the aspects of risk system, assessment mechanism, team building and digital transformation, so as to enhance the implementation efficiency of “commercial bank + investment bank”. The Company will provide customers with a deeper and more comprehensive package of financial services by relying on the "commercial bank + investment bank" 2.0.

The capacities of FICC bank and bond bank were enhanced. The interest rate bond underwriting increased by 25.50% year-on-year to RMB838.841 billion. At the same time, the Company combined bond investment transactions with customer demand. During the reporting period, the Company traded RMB307.225 billion of bond bidding and spot bond transactions with 342 counter parties, maintaining market leadership in the fields of bonds, interest rates, exchange rates and precious metals. The Company continued to increase market-making transactions and sales, promoted transaction empowerment and created a trading ecosystem. The Company served customers to operate exchange rate hedging business, carried out exchange rate business of RMB764.364 billion, and realized the income of the FICC business of on-behalf customers of RMB3.380 billion.

At the end of the reporting period, the Group's balance of finance product aggregate (FPA) was RMB7.84 trillion, representing an increase of 12.01% as compared with the end of last year, of which the balance of non-traditional off-balance sheet financing representing off-balance sheet investment banking business was RMB3.07 trillion, representing an increase of 13.27% as compared with the end of last year, which was higher than the growth rate of on-balance sheet financing, and the balance of traditional off-balance-sheet financing was RMB1.20 trillion, representing an increase of 6.79% as compared with the end of last year.

(III) Accelerate the promotion of digital transformation.

Digital development was accelerated in an all-round way. The Company integrated and upgraded the "five online platforms", which led to a steady increase in the number of customers and monthly active users (MAU). The number of customers of the "Industrial Steward" increased by 19.55% as compared with the end of last year to 992.9 thousand. The number of registered users of the "Qianda Money Manager" increased by 23.14% as compared with the end of last year to 14.9461 million, and the average monthly MAU increased by 153.24% year-on-year to 508 thousand. The number of the cooperative customers of the "Bank-to-Bank Platform" exceeded 5.1 thousand, and more than 6.3 thousand publicly offered fund products were provided. The number of registered users of the "Industrial Inclusion" was 68.3 thousand, representing an increase of 714.44% as compared with the end of last year, and the accumulated financing balance was RMB100.581 billion. The cumulative number of card-tied users of the "Industrial Living" increased by 33.70% as compared with the end of last year to 34.4174 million. The Company launched the Mobile Banking 6.0 project, and the number of monthly active users of mobile banking increased by 34.03% year-on-year to 20.9502 million, and the counter replacement rate of online finance reached 96.25%.

The base of science and technology continued to be consolidated. The Company continued to stimulate the vitality of science and technology organization mechanism, and continued to increase investment in science and technology, and the Group's investment in science and technology increased by 29.65% year-on-year. The Company accelerated the introduction and cultivation of high-end scientific and technological talents, and promoted the plan of 10,000 scientific and technological talents. The proportion of scientific and technological talents in the Group increased by 5.41 percentage points as compared with the end of last year to 11.87%. The Company carried out the construction of "five enterprise framework projects" and "five online platforms", established and improved the data management system, mechanism and process, and the leading power of science and technology continued to improve. The Company started the construction of Gui'an Data Center in Guizhou Province, successfully upgraded, expanded and launched the software and hardware of the core system, and started the construction of distributed core projects. The proportion of independent control systems increased by 3.95 percentage points to 78.55%, and the cloud rate on the cloud native technology system was 61.28%. The Company accelerated the construction of B-end scenario ecological platform around the fields of housing construction, medical care, education and transportation. During the reporting period, 1,762 new construction projects were added, covering an average daily settlement deposit of RMB278.363 billion, representing an increase of 38.40% as compared with the end of last year. The Company empowered corporate customer services through open API interface. As of the end of the reporting period, the Company had opened 1,510 API interfaces to corporate customers, representing an increase of 125.37% as compared with the end of last year. The CIB Fintech Research Academy was officially put into operation, and the key infrastructure and innovation base of science and technology were more solid.

(IV) System and mechanism reform released vitality

The "four beams and eight pillars" of the Company's system reform have basically taken shape. The Company promoted the system reform of implementing technology, retail, enterprise finance, Fujian region, middle and back offices, comprehensively optimized the hierarchical classification of customers, integrated public-private management and specialized management system of key industries, and gradually improved the capabilities of technology management, research and development, data management, operation and maintenance, digital security and basic technology research, and the organizational structure and management system were more scientific and reasonable. The Company implemented the division of labor mechanism of "strategic division of leadership + cross-setting of departmental responsibilities", and promoted the wide application of agile and flexible working mechanism. The awareness of "taking the lead, taking responsibility, participating and cooperating" was constantly enhanced, and the strategic planning, transmission, implementation and coordination were effectively improved. The Company further improved the supporting mechanisms such as assessment mechanism, resource allocation mechanism, incentive mechanism and constraint mechanism, and initiated the reform of the job level salary system, with a more refined and standardized operating mechanism. The Company strengthened the management of consolidated statements of the Group, optimized and standardized the management mode of subsidiaries, comprehensively strengthened the overall use of diversified financial licenses, upgraded Ciit Asset Management to a first-tier subsidiary for management, promoted the reform of CIB Research's systems and mechanisms, and enhanced the strategic coordination of "commercial bank + investment bank". The international development set sail steadily, and the preparatory work for the London representative office was promoted in an orderly manner.

IV. Key Operation Issues

(I) Asset-side management

In terms of credit business, the Company adhered to the general tone of "stability first, seeking progress while maintaining stability", comprehensively implemented various financial regulatory requirements, deepened strategic transformation, and optimized the asset structure. The loan increment and growth rate ranked among the top in joint-stock banks. In terms of the direction of credit supply, the Company accelerated the business layout in new areas according to the national macro-control policies and industrial development orientation. As of the end of the reporting period, the balance of medium- and long-term loans in manufacturing industry increased by RMB120.662 billion, representing an increase of 76.65% as compared with the end of last year; the balance of green loans with PBOC caliber increased by RMB183.132 billion, representing an increase of 40.34% as compared with the end of last year; the balance of loans to science and technology enterprises with PBOC caliber increased by RMB124.196 billion, representing an increase of 56.59% as compared with the end of last year; the balance of inclusive loans to small and micro enterprises increased by RMB105.389 billion, representing an increase of 35.27% as compared with the end of last year. The growth rates of the above loans were higher than the overall growth rate of loans, and the Company's ability to serve the real economy has been significantly improved. In terms of investment business, the Company strengthened the research and judgment of market situation, increased the circulation of bond assets in combination with the trend of interest rate changes, realized the spread income, and moderately increased the position opening of foreign currency bonds and other assets, reduced the scale of non-standardized business, and further optimized the investment structure.

Looking forward to 2023, the Company will maintain the stability of credit growth, accelerate the structural adjustment, improve the fit between business layout and economic entities, scientifically arrange the pace of investment in opening positions and actively seize trading opportunities. The Measures on Capital Management of Commercial Banks (Consultation Paper) issued in 2023 also aims to promote banks to improve their risk management levels and improve their quality and efficiency in serving the real economy. In the future, small and medium-sized enterprises, credit card loans, high-rated investment products and so on will have the property of capital saving, which is highly consistent with the idea of restructuring the balance sheet promoted by the Company at present, and is conducive to the adjustment of the Company's customer base structure and asset structure and operation optimization. In the next stage, the Company will continue to optimize the credit structure, serve the high-quality development of the economy and the people's yearning for a better life, and increase the asset ratio of small and medium-sized enterprises and retail business.

(II) Liability-side management

During the reporting period, the Company adhered to its strategic orientation, strengthened its strategy implementation, accelerated digital transformation, continuously adjusted and optimized liability structure and strove to increase the percentage of deposits to liabilities. As at the end of the reporting period, various deposits of the Company increased by RMB425.941 billion or 9.88% as compared with the end of last year, higher than the growth rate of total liabilities and representing an increase in the increment of RMB157.794 billion as compared with the same period of last year. Among which, the balance of personal deposits amounted to RMB1,089.028 billion, accounting for 22.99% of various deposits and increasing by 4.52 percentage points as compared with the end of last year. Meanwhile, the Company conducted forward-looking research and judgment on the market interest rate trend, combined asset investment and liquidity management needs and took cost control as the guide to make overall arrangements for market-oriented active debt absorption. During the reporting period, the overall liability cost of the Company recorded a year-on-year decrease of 3 BP.

Looking forward to 2023, the Company's liability business will be guided by cost control and stability, and manage volume and price balance. The Company will continue to consolidate the deposit base and optimize the deposit structure through measures such as enhancing customer management, product coverage and assessment guidance. At the same time, in light of changes in the macro-environment and market liquidity, the Company will rationally arrange liability business in the financial market to ensure liquidity security.

(III) Interest rate spread performance

During the reporting period, the Company's net interest margin was 2.10%, representing a year-on-year decrease of 19 BP, which was mainly due to the declined loan pricing, fierce deposits competition and relatively rigid costs affected by LPR downward adjustment and other factors. To alleviate the pressure of narrowing interest margin, the Company continued to optimize the asset-liability structure, focused on serving the real economy in the asset-side, increased the support of entities, and accelerated structural transformation and adjustment. During the reporting period, the average daily loan scale rose to 59.37% in the interest-earning assets. In terms of the liability-side, the Company highlighted customer management, followed the adjustment of deposit pricing mechanism and the change of customer risk preference, continued to maintain the expansion of settlement-based deposits, and guided the pricing of medium and long-term deposits to decline in an orderly manner through the reduction of listing interest rate, and the cost of time deposits decreased by 7 BP year-on-year. The Company seized the favorable environment of reasonable and abundant market liquidity to promote the optimization of market-oriented active liability structure and cost reduction through refined management. In the fourth quarter, the Company's net interest margin increased by 9 BP quarter-on-quarter, and the net interest income increased by 5.92% quarter-on-quarter. The asset-liability management and control policy achieved good results.

Looking forward to 2023, the Company will promote the reconstruction of balance sheet, optimize the asset structure, increase the proportion of relatively high-yield credit assets, gradually improve the risk pricing ability, control the cost of liabilities, increase the expansion of low-cost settlement-based deposits, and strengthen the pricing management of medium and long-term deposits to keep the interest margin at a satisfactory level.

(IV) Non-interest income

During the reporting period, the Company deepened its strategic transformation and further optimized its revenue structure, achieving a net non-interest income of RMB77.101 billion, representing a year-on-year increase of 2.04%. The net non-interest income accounted for 34.67% of the operating income, representing a year-on-year increase of 0.52 percentage point. Among which, the net fee and commission income was RMB45.041 billion, representing a year-on-year increase of 5.53%. Other non-interest net income was RMB32.060 billion, representing a year-on-year decrease of 2.49%. The year-on-year decrease of other non-interest net income was mainly due to the expected strengthening economic recovery, interim rising market interest rates, moderately adjustment to the bond market and depreciation of the net value of the Company's trading financial investment business since November.

In terms of handling fees and commission income, the wealth bank business grew steadily, and the handling fee income of the wealth management business with light capital and weak cycle and the retail wealth agency sales was RMB25.814 billion, representing a year-on-year increase of 10.35%, among which, the wealth management business accelerated its transformation and upgrading, achieving an income of RMB15.565 billion, representing a year-on-year increase of 26.89%. The investment bank business maintained a solid position in the market, with the investment bank business income reaching RMB4.454 billion, representing a year-on-year decrease of 1.66%, which was mainly due to the slight decrease in the bond underwriting fee. In line with customers' financial needs and the development trend of mobile payment, the bank card and payment settlement income reached RMB16.159 billion, representing a year- on-year increase of 4.59%.

Looking forward to 2023, the Company will continue to deepen its strategic transformation, deepen customer management, accelerate the establishment of core advantages, improve revenue-generating capabilities and enhance the diversity and stability of non-interest income. The Company will polish the business card of wealth bank, optimize the screening system of wealth bank products and managers, improve product supply capabilities and product persistent management capabilities and meet the diversified asset allocation needs of customers. The Company will promote the construction of a unified, open and shared wealth management platform, strengthen technology empowerment and data empowerment to achieve rapid improvement in production capacity. The custody business will firmly deploy public funds, follow up trust business innovation, and dig out business opportunities such as non-bank financial management and private equity. The Company will polish the business card of investment banking, seize business opportunities through product innovation and on the basis of consolidating the advantages of bond business to enhance the service capability and competitiveness in the fields such as REITs business, private debt, syndicated financing, M&A financing, capital market, etc. The Company will give full play to the traditional advantages of treasury business, strengthen research and empowerment, grasp the market rhythm in a forward-looking way, optimize the bond portfolio, continuously improve the trading level and layout ability of bond business, and promote comprehensive income. The Company will continue to maintain the dominant market position of interest rate bonds, interest rate derivatives and exchange rate derivatives, continuously improve FICC's core competitiveness and meet customers' increasing demand for wealth appreciation and hedging. With respect to the bank card business, the Company will make efforts on the customer entrance work with the agent issuing and acquiring business as the starting point, continue to carry out the "Network Weaving Project", deepen the cooperation in the scenario marketing with leading platforms, create a full-scenario, multi-level consumption feedback system to promote the growth in the online transaction volume of the bank card.

(V) Risk management and asset quality

1. Basic information

During the reporting period, the Company actively integrated into and served the new development pattern, optimized various risk policies, accelerated the promotion of digital transformation and strengthened risk empowerment for consolidating the basic market and laying out new tracks to facilitate high-quality development.

Firstly, the Company continued to promote the development of advantageous and characteristic industries of branches in key areas, and gave differentiated policy support to branches in accordance with the principle of “one city, one policy”, so as to promote the branches to “deeply cultivate and work” and promote business development around regional advantageous and characteristic industries. Secondly, the Company promoted the application of the credit evaluation system of “technology flow”, applied digital means such as data, systems and models according to the characteristics of science and technology enterprises, and implemented the management measures that were different from the credit control model “capital flow” in terms of customer access, credit process, authorization management, credit policy, duration management, assessment and evaluation, and responsibility determination, so as to effectively promote the business transformation. Thirdly, the Company strengthened the risk management and control in key areas, established agile teams such as real estate risk prevention and control team, local government financing risk prevention and control team, credit card risk prevention and control team and disposal team of key risk projects, integrated the professional strength of the whole Group, coordinated the parent company and subsidiaries, and coordinated the head office and branches to effectively promote the resolution and disposal of risk projects in key areas and maintain the stability of the quality indicators of key assets. Fourth, the Company promoted the online, procedural and standardized management, applied model algorithms and big data of property clues to empower collection and disposal, strengthened product innovation of special capital disposal, optimized the allocation of write-off resources, and effectively improved the quality and efficiency of special capital operation.

As at the end of the reporting period, the Company's non-performing loan balance was RMB54.488 billion, representing an increase of RMB5.774 billion from the end of last year; the non-performing loan ratio was 1.09%, representing a decrease of 0.01 percentage compare with the end of last year and maintaining at a relatively good level in recent years. As at the end of the reporting period, the loan provision coverage ratio was 236.44% and the provision-to-loan ratio was 2.59%. The risk compensation capacity maintained at a sound level.

At the end of the reporting period, the Company's indicator of overdue loans increased slightly compared with the end of last year, mainly due to the significant increase in overdue of credit cards. During the reporting period, the income level and repayment ability of some credit card holders declined. At the same time, the effect of collection effect was greatly affected due to the limited manpower and methods for collection, thus overdue and non-performing records of credit card business increased. The company has adopted a series of effective countermeasures to improve the joint risk prevention and control mechanism of retail credit business, strengthen risk management and control of credit card business, and implement "three enhancements" on risk asset quality management of credit card business: strategy optimization, data application, and collection improvement.

Looking forward to 2023, with the steady recovery of the domestic economy, the cash flow of enterprises and residents will gradually recover. At the same time, in recent years, the banking industry has actively supported the recovery of the real economy and resolved financial risks, which has also provided a solid guarantee for its own stable operation and risk prevention. The overdue situation of credit customers due to short-term cash flow shortage will be effectively alleviated, and the pressure on asset quality control will be reduced.

Recently, the Measures for the Risk Classification of Financial Assets of Commercial Banks were promulgated. Since the public consultation in 2019, the Company has deployed relevant work in advance, strengthened the prudent classification management of existing credit assets with reference to the new regulations, and strictly determined the bad standards from the dimensions of customer credit changes, cross-defaults and restructuring, and made provision for potential risks, gradually buffering the impact of the new regulations on asset quality. Subsequently, the Company will formulate a detailed work plan according to the arrangement of the regulatory transition period, and complete the classification and determination of the existing businesses in a planned and step-by-step manner before the end of 2025, and continue to maintain the stability of asset quality.

2. Asset quality in key areas

(1) Risk control of credit card business

During the reporting period, the overall asset quality of the credit card industry was under pressure, and the default amount of corporate credit card has also increased more than expected. As at the end of the reporting period, the balance of the Company's credit card loans was RMB452.772 billion, with a non-performing rate of 4.01%, representing an increase of 1.72 percentage points compared with the end of last year.

In view of the rising credit card risk, the Company actively responded to the changes in the business environment, based on the long-term development of credit cards, comprehensively strengthened credit card risk management, and maintained the balance between risk prevention and control and business development. Firstly, "preparing for the pre-lending". The Company continuously optimized and calibrated the application scoring model to increase the proportion of high-growth young customers and optimize the customer base structure. Secondly, "grasping the lending". The Company integrated the life cycle information of customer use cards, refined customer risk labels, built an integrated the lending management and control system, and strengthened the ability to identify and control risk customers. Thirdly, "strengthening the post-lending". The Company took advantage of the territorial management of branches, intensified judicial disposal, strengthened the management of outsourcing collection agencies, and improved the effectiveness of credit card risk disposal. Fourthly, "digitalization". The Company made a panoramic portrait of customers, optimized the strategies of case division, collection and account cancellation and files management, and promoted the implementation of digitalization in the whole process of risk management.

Looking forward to 2023, with continuous implementation and effect of various risk management and control measures of the Company, it is expected that the quality of credit card assets will remain stable, and the overall risk will be stable and under control.

(2) Risk management and control of real estate business

During the reporting period, the central government issued a series of policies to support the healthy development of real estate industry, which played a positive role in mitigating risks of real estate business, stabilizing market sentiment, and promoting the healthy development of real estate industry. The Company actively implemented relevant policies, distinguished between real estate group risks and project risks, promoted the risk resolution of real estate business through promoting the smooth development and sales of projects, mergers and acquisitions, and preservation of special assets in combination with the "three classifications" risk resolution strategy and based on the actual situation of the project. In order to improve policy execution, the Company set up a real estate agile group risk disposal special class, fully mobilized the professional strength of the whole group, and revitalized real estate risky projects through innovative methods such as real estate mergers and acquisitions, agent construction and sales, joint construction and management, and sales resolution to promote the disposal of a batch of risky projects.

As at the end of the reporting period, the balance of the Company's domestic self-operated loans, bonds, nonstandard and other businesses invested in the real estate sector was RMB1,650.89 billion, with a non-performing ratio of 1.48%, representing an increase of 0.14 percentage point compared with the end of last year, including:

The personal real estate mortgage loans were RMB1,097.324 billion, accounting for 66.47%. The personal real estate mortgage loans were mainly concentrated in tier 1 and tier 2 cities, the Pearl River Delta, Yangtze River Delta and the main urban areas of some economically developed cities in central China, accounting for 86%. The LTV value of personal housing mortgage (the ratio of the balance of personal housing mortgage loans to the total value of mortgaged property) was 44.04%, and the collateral was very sufficient.

The balance of public real estate financing business was RMB553.567 billion, accounting for 33.53%. Except for the bond investment of RMB80.953 billion (including RMB15.375 billion in bonds with high-quality real estate enterprises as the main issuers and RMB65.578 billion in mortgage-backed securitization products), the remaining RMB472.614 billion had corresponding real estate items and collateral, and the balance of items in first-tier cities such as Beijing, Shanghai, Guangdong and Shenzhen, provincial capitals and cities with more than one trillion GDP and stable real estate market, accounted for more than 80%. Other items were also concentrated in the main urban areas of economically developed cities such as Pearl River Delta and Yangtze River Delta. Each of items had a good development prospect and sufficient collateral.

The scale of off-balance sheet business of the Company involving no credit risk was generally small. As at the end of the reporting period, the Company's domestic businesses that do not bear credit risks, such as non-guaranteed wealth management, consignment sales and bond underwriting, had invested in the real estate sector totaling RMB124.469 billion, including RMB62.759 billion in bond underwriting, RMB49.095 billion in wealth management funds and RMB12.615 billion wealth management consignment sales. The main issuers or underlying asset financiers were central enterprises, local state-owned enterprises and well-managed leading real estate enterprises. The Company has established a strict audit system for the marketability of wealth management products. The underlying financiers of wealth management products were mainly the Company's credit customers, all of which were listed in the white list of real estate enterprises engaged in the Company's self-operated business, and the underlying financiers of wealth management products were mainly state-owned real estate enterprises with higher qualifications.

Looking forward to 2023, the Company will actively use the policy of “guaranteeing the delivery of buildings” on the basis of implementing the risk resolution strategy of “three classifications”, strengthen the linkage between the retail finance and the corporate finance, promote the completion of risky buildings, and accelerate the risk resolution in the real estate business. At the same time, based on the functional orientation of the real estate industry as a “people's livelihood industry” and on the basis of stabilizing traditional real estate, the Company will fully implement the requirements of “housing purchase and renting”, continue to exert efforts in the field of housing leasing and build a perfect housing leasing ecosystem. The Company will actively expand urban renewal, inefficient land use and other businesses, actively promote the transformation of real estate business structure, and continue to exert efforts in the field of green and low-carbon buildings to help the national “double carbon” strategy. At present, China is still in the stage of rapid urbanization, and the huge demand potential will also provide strong support for the development of real estate business and provide space for resolving real estate financial risks.

(3) Credit risk control of local government financing platform

During the reporting period, the Company promoted the orderly control of local government debt risk by serving the high-quality development of regional economy. For individual key risk areas, the Company strengthened the implementation of mitigation policies and measures, promoted substantial progress in the resolution of a number of long-standing and difficult risky projects, and improved asset quality as compared with the last year. Firstly, give full play to comprehensive financial advantages, support the high-quality development of regional economy, jointly maintain regional economic and financial stability, and ensure the sustainability of local government debt repayment source. Secondly, comply with the central government's policy and rhythm arrangement to resolve local government debt risks, actively communicate with local governments, give full play to the advantages of the Company's strategy of "commercial bank + investment bank", actively connect with various repayment sources and steadily reduce the stock business scale. Thirdly, strengthen risk investigation and forward-looking mitigation, and determine the source of repayment of debts for local government financing platform in advance, formulate risk prevention and mitigation plans through one household and one policy to effectively prevent and control the default risk. Fourthly, set up an agile group for risk prevention and control of local government financing business, connect with regional governments, focus on key issues, and promote substantial progress in risk mitigation in key areas and key project.

As at the end of the reporting period, the balance of the Company's local government financing platform debt was RMB220.878 billion (including actual and contingent credit, bond investment, self-operated and wealth management fund investment, etc.), representing a decrease of RMB86.837 billion compared with the end of last year. The ratio of non-performing assets was 1.23%, representing a decrease of 0.74 percentage point compared with the end of last year. The non-performing assets amounted to RMB2,723 million, representing a decrease of RMB3,339 million compared with the end of last year.

Looking forward to 2023, the local governments' investment and financing systems are undergoing profound changes. By promoting the virtuous circle of science and technology-industry- finance, local governments will gradually move towards industrial finance, providing new development space for government credit business. The Company will continue to adhere to the principles of compliance and marketization, promote business transformation and development and resolve the risks of existing businesses, and maintain the stable quality of business assets of local government financing platforms. The Company will take serving the high-quality development of regional economy as the breakthrough point, actively increase credit supply for green economy, housing lease, rural revitalization, new urbanization, local high-quality industries and advantageous areas, and promote transformation and development and asset revitalization. The Company will further improve the working mechanism of agile teams, prevent the default risks of local government financing platforms, and strengthen the quality control of the assets of existing businesses. Considering that the central government has clear political discipline requirements, systematic policy support, and reasonable term arrangement for the resolution of the debt risks of local governments, with the support of various policy measures such as real estate support measures, revitalizing existing assets measures, "steady growth" measures and proactive fiscal policies, it is expected that the financial pressure of local governments will be eased as compared with the previous year, and the risks of local government financing platforms will gradually converge.

V. Discussion and analysis on future development

(I) Industry pattern and trend

The year 2023 will be the first year to fully implement the spirit of the 20th CPC National Congress, ushering a new journey in a new era. The fundamentals of our economy, with great resilience, great potential and sufficient vitality, will remain unchanged. Policies will form a concerted effort to promote high-quality development and boost market confidence. The overall economic performance is expected to pick up. At the same time, it shall be noted that the international and domestic situations remain complicated and grim. From an international perspective, the unstable, uncertain and unsafe factors in the international political and economic situation have increased significantly, the process of "hard decoupling" of the international division of labor system and industrial system has been accelerated, and the operation fluctuations of the international bulk commodity market and financial market have increased. Due to the foregoing reasons, expectations of a global economic downturn are strong. Domestically, the foundation of our country's economic recovery is not yet firm, the "triple pressure" of demand contraction, supply shock and weak expectations is still large.

Under the new situation, banking institutions face strategic opportunities and risk challenges at the same time. In terms of opportunities, the macro economy is gradually stabilizing and rebounding, economic and social vitality is recovering and consumption is reviving. These will be conducive to promoting the rebound of credit demand, easing risk exposure, and bringing business opportunities in green finance, capital market, inclusive finance, auto finance, rural revitalization, consumer finance, science and technology finance, digital RMB, and pension finance. In terms of challenges, LPR continues to decline, market interest rates are expected to rebound gradually, and banks' interest margin is squeezed. Commercial banks' capital management methods, management methods for expected credit loss method and other regulatory policies put forward higher requirements for the refined management of capital and risk.

(II) 2023 Development Strategy of the Company

In 2023, the Company will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and deeply implement the spirit of the 20th CPC National Congress and the Central Economic Work Conference. We will adhere to the basic principle of "seeking steady growth" and strengthen our confidence in development. We will maintain our strategic determination and implement the "1234" strategy, focusing on the five key areas of structural optimization, customer building, digital transformation, risk management and collaborative development. We will persistently strengthen the "four empowerments" of research, technology, risk and synergy, better coordinate the effective improvement of quality and reasonable growth of quantity, solidify the foundation of sustainable operation, and lay the foundation for high-quality development.

Firstly, the Company will continue to increase the financial supply. We will actively implement the package of policies for stabilizing the economy and successive policies, allocate more resources to key sectors and weak links of the real economy, and strive to be the main force on the main road of high-quality development. We will focus on sectors of the real economy, seize the key strategic opportunity of expanding domestic demand, and significantly enhance the compatibility of business layout with the real economy. We will insist on making efforts and increasing our growth rate in new sectors. Specifically, we will seize the opportunities of manufacturing transformation and upgrading, high-tech industry and digital economy development, actively serve the modernized industrial system and increase the proportion and contribution of new sectors. We will consolidate and innovate our strengths in traditional industries, promote the accelerated development of retail and structural optimization, and enhance the stability and balance of development. We will continue to strengthen the advantages of investment banking, asset management, wealth management, financial markets, interbank finance, asset custody and other financial market services, and forge new capabilities and stimulate new momentum around the service construction of a new development pattern. We will insist on green transformation development, drive "comprehensive profit output" with "green services", and consolidate our position as the leader of green finance.

Secondly, the Company will significantly improve the quality and efficiency of its services. Adhering to the management logic of "customer - business - benefit", the Company will make customer construction a key task that must be adhered to in the long term, continuously enhance customer management awareness and improve customer management capabilities. The Company will insist on fine customer profiling, carry out comprehensive customer value analysis by combining new Basel III standards and with capital saving as the guide, provide good comprehensive financial services, and optimize business structure by changing customer structure. Adhering to the joint operation of customer groups and taking mechanism innovation as a breakthrough, the Company will continue to promote the joint operation of corporate finance, retail and interbank to expand and activate customers, increase customer stickiness and improve the quality and efficiency of comprehensive customer services.

Thirdly, the Company will adhere to science and technology to lead innovation. Insisting that science and technology is the first productive force, the Company will make every effort to promote the transformation of information technology from supporting security to leading innovation. Insisting on architecture leadership, the Company will integrate enterprise-level architecture thinking into group-wide operations. We will build and export group-level public capabilities, establish an architecture control system of clearly defined hierarchy and responsibilities, R&D system and service system, and respond to market demand efficiently. Adhering to the talent-based approach, we will actively advocate the management concept of data-driven processes and data-driven decisions, and continuously improve the digital awareness, quality and skills of our employees. Adhering to data empowerment, we will drive data governance with data applications and accelerate internal and external data integration. By doing so, we hope to effectively enhance data service capabilities and release data value.

Fourthly, the Company will strictly adhere to the bottom line of risk compliance. Insisting on risk prevention as the eternal theme of financial work, we will not only strengthen the bottom-line awareness, improve the foresight of risks, effectively prevent and resolve major risks, and be prepared to conduct business only. At the same time, we also need to break the inertia of thinking and innovate tools and ideas to effectively empower business development. For stock, we hope to achieve efficiency through asset disposal and continue to dispose of non-performing assets. For increment, we will comply with such transformation priorities as the adjustment of business structure and the acceleration of emerging sectors, promote the transformation of risk management from a "mortgage-based" model to a "credit-based" model, and obtain risk premiums through differentiated and refined risk management. Taking system construction as the starting point, we will do a good job in compliance management and risk prevention in a structured manner, promote the protection of consumer rights and interests, anti-money laundering, anti-terrorist financing and other work to a new level, and protect the stability of business development through compliance operation.

Fifthly, the Company will strengthen the synergic development of the Group. With the goal of building "strong head office, agile branches, specialized subsidiaries", we will promote the Group's synergic development from a higher starting point and achieve a substantial breakthrough in the synergic integration of corporate finance, retail finance and interbank finance, and the synergic integration of commercial bank and investment bank. By insisting on regional collaborative development, continuously optimizing the regional business layout, and insisting on higher requirements for branches in key regions, we will allocate more resources and require the indicators to reach a higher level of the Company. Branches which are not located in key regions also need to form regional characteristics, focus on the mainstream market in their regions and build differentiated advantages. By insisting on strengthening the functional positioning of our subsidiaries, we will not only focus on our core business to be the leader in the market, but also effectively feedback the Group, serve the Group's strategy and form a synergy to promote high-quality development.

(III) 2023 Business Plan of the Company

In 2023, the balance sheet restructuring requirements will be implemented in the Group's budget. We will set more aggressive targets for asset structure optimization and volume and price balance, strive to achieve stable growth in total assets, and improve the quality and effectiveness of our services to the real entities. In accordance with the principle of "reducing costs and increasing efficiency", we will reasonably control the cost-to-income ratio, and implement the responsibility of risk management to reduce old risks and control new risks. By doing so, we hope to effectively control the cost of risk and maintain a stable non-performing loan ratio. We will promote the development of personal loan business and enhance the stabilizing role in retail finance. We will consolidate and strengthen our strengths in the financial market business and continue to polish the "three business cards" of green bank, wealth bank and investment bank. By doing so, we hope to enhance the collaborative operational effectiveness of investment bank, wealth management and asset custody and improve non-interest income. We will expand the availability of green loans and inclusive small and micro enterprise loans to further serve the real economy.

VI. Major operations during the reporting period

(I) Overview

1. Overall operations

As at the end of the reporting period, the total assets of the Company reached RMB9,266.671 billion, representing an increase of 7.71% compared with the end of last year; the balance of local and foreign currency deposit was RMB4,736.982 billion, representing an increase of 9.88% compared with the end of last year; the balance of local and foreign currency loan reached RMB4,982.887 billion, representing an increase of 12.53% compared with the end of last year; total assets of overseas branches of the Company amounted to RMB219.842 billion, accounting for 2.37% of total assets.

(2) During the reporting period, the operating income of the Company recorded RMB222.374 billion, up 0.51% year-on-year, of which net fee and commission income reached RMB45.041 billion, up 5.53% year-on-year. Net profit attributable to the shareholders of the parent company reached RMB91.377 billion, representing a year-on-year increase of 10.52%. Weighted average ROE was 13.85%, representing a year-on-year decrease of 0.09 percentage point; total return on assets reached 1.03%, representing a year-on-year increase of 0.01 percentage point; cost-to-income ratio was 29.37%, representing a year-on-year increase of 3.69 percentage points.

(3) As at the end of the reporting period, the balance of the Company's NPLs stood at RMB54.488 billion,representing

an increase of RMB5,774 million compared with the end of last year with NPL ratio of 1.09%, down 0.01 percentage point compared with the end of last year. During the reporting period, the provisions amounted to RMB48.620 billion, the provision-to-loan ratio was 2.59% at the end of the reporting period, down 0.37 percentage point compared with the end of last year, and the provision coverage ratio was 236.44%, down 32.29 percentage points compared with the end of last year.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB222.374 billion, and its operating profit was RMB106.162 billion.

(1) The Company divided its regional branches into ten segments by importance and comparability, namely, head office (including the headquarters and its affiliated operating units), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Northeast and other regions, Western China and Central China. The operating income and operating profit of each regional branch are set out as follows:

Unit: RMB million

Segment	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	93,717	(0.38)	39,129	55.80
Fujian	29,760	5.08	12,694	(6.48)
Beijing	6,453	(0.78)	3,726	(13.29)
Shanghai	7,275	6.42	3,724	0.81
Guangdong	10,539	(16.46)	2,809	(56.03)
Zhejiang	10,158	10.56	5,980	16.75
Jiangsu	11,818	(4.21)	7,517	4.82
Northeast and other regions	19,363	7.79	11,799	7.33
Western China	13,909	(2.13)	7,224	2.61
Central China	19,382	1.03	11,560	(2.08)
Total	222,374	0.51	106,162	11.52

(2) The amount, proportion and year-on-year changes of the items of operating income

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/ decrease year-on-year (%)
Interest income from loans	225,468	54.96	6.45
Interest income from placements	10,761	2.62	23.38
Interest income from deposits in Central Bank	5,656	1.38	0.27
Interest income from deposits in banks and other financial institutions	1,426	0.35	(19.07)
Interest income from resale agreements	3,971	0.97	60.44
Gain and loss, and interest income from investments	106,480	25.95	(1.27)
Fee and commission income	49,462	12.06	3.98
Interest income from financing lease	5,034	1.23	(4.55)
Other income	2,010	0.48	(55.39)
Total	410,268	100	3.71

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2022	December 31, 2021	Increase/ decrease over previous year (%)	Brief description
Total assets	**9,266,671**	8,603,024	7.71	Steady growth in various asset business and overall optimization of asset structure
Total liabilities	**8,509,373**	7,908,726	7.59	Steady growth in various liability business and overall optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	**746,187**	684,111	9.07	Transfer of net profits for the current period
Item	2022	2021	Increase/ decrease over the same period of previous year (%)	Brief description
Operating income	**222,374**	221,236	0.51	Steady growth in the interest-bearing assets, year-on-year decrease in net interest margin, slight decline in net interest income; steady growth in net non-interest income
Net profit attributable to the shareholders of the parent company	**91,377**	82,680	10.52	Steady growth in operating income; increase in investment in strategic key areas such as digital construction, business transformation, brand and customer infrastructure construction, and increase in the cost-to-income ratio; making reasonable impairment provision to consolidate asset quality
Weighted average ROE (%)	**13.85**	13.94	Down 0.09 percentage point	The growth rate of net profit slightly lower than the growth rate of weighted average net assets and slight decline in weighted average ROE
Net cash flows from operating activities	**(344,587)**	(389,771)	Negative in the same period of last year	Steady growth in businesses and optimization of asset and liability structure

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2022	December 31, 2021	Increase/ Decrease over the end of previous year (%)	Brief description
Deposits with banks and other financial institutions	**94,114**	66,251	42.06	Increase in deposits with banks and other financial institutions
Financial assets purchased under resale agreements	**56,537**	141,131	(59.94)	Decrease in bonds purchased under resale agreements
Placements from banks and other financial institutions	**277,268**	173,778	59.55	Increase in placements from banks and other financial institutions
Financial assets sold under repurchase agreements	**353,626**	265,576	33.15	Increase in bonds sold under repurchase agreements
Provisions	**7,050**	4,085	72.58	Increase in credit loss of off-balance sheet assets
Other liabilities	**64,087**	49,324	29.93	Increase in other liabilities including notes payable
Other comprehensive income	**(724)**	2,859	(125.32)	Decrease in balance of fair value changes of other debt investment included in other comprehensive income

Unit: RMB million

Main accounting item	2022	2021	Increase/decrease over the same period of previous year (%)	Brief description
Investment gains	**30,222**	28,478	6.12	Being fairly interrelated, the overall gains from those three accounting items after consolidation amounted to RMB30.883 billion, representing a year-on-year decrease of 2.44%, keeping basically stable
gains and losses from changes in fair value	**(631)**	2,178	(128.97)	
Foreign exchange gains and losses	**1,292**	1,001	29.07	

(II) Analysis of the balance sheet

1.Asset

As at the end of the reporting period, the total assets of the Company stood at RMB9,266.671 billion, up 7.71% compared with the end of previous year, of which loans (excluding accrued interest) increased by RMB554.704 billion or 12.53% compared with the end of previous year; and various net investments increased by RMB160.059 billion or 5.33% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**4,869,879**	**52.55**	4,310,306	50.10
Investment note (1)	**3,162,387**	**34.13**	3,002,328	34.90
Financial assets purchased under resale agreements	**56,537**	**0.61**	141,131	1.64
Finance lease receivables	**107,224**	**1.16**	103,957	1.21
Deposits with banks	**94,114**	**1.02**	66,251	0.77
Placements with banks and other financial institutions	**352,043**	**3.80**	351,822	4.09
Cash and balances with Central Bank	**442,403**	**4.77**	447,446	5.20
Others note (2)	**182,084**	**1.96**	179,783	2.09
Total	**9,266,671**	**100**	8,603,024	100

Notes: (1) Included the trading financial assets, debt investments, other debt investments, other equity instrument investments and long-term equity investments.

(2) Included precious metals, derivative financial assets, right-of-use assets, fixed assets, construction in progress, intangible assets, goodwill, deferred income tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2022	December 31, 2021
Corporate loans	**2,631,413**	2,223,895
Personal loans	**1,973,907**	1,879,932
Discounted bills	**377,567**	324,356
Total	**4,982,887**	4,428,183

As at the end of the reporting period, corporate loans accounted for 52.81%, up 2.58 percentage points as compared with the end of previous year; personal loans accounted for 39.61%, down 2.84 percentage points compared with the end of the previous year; and discounted bills accounted for 7.58%, up 0.26 percentage point compared with the end of previous year. During the reporting period, the Company proactively grasped the situation of the changing economy and reasonably ascertained the credit layout for main businesses and continued to keep stable and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: "personal loans", "manufacturing", "leasing and commercial service", "discounted bills "and "real estate". The details of distribution are set out as follows:

Unit: RMB million

Industry	December 31, 2022			December 31, 2021		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**17,234**	**0.35**	**0.02**	9,608	0.22	1.37
Mining	**74,380**	**1.49**	**0.24**	67,626	1.53	0.62
Manufacturing	**585,275**	**11.74**	**0.50**	437,716	9.89	1.57
Production and supply of power, heat, gas and water	**166,203**	**3.34**	**0.16**	117,743	2.66	0.21
Construction	**163,364**	**3.28**	**1.25**	149,833	3.38	1.07
Transportation, logistics and postal service	**165,154**	**3.31**	**0.49**	146,287	3.30	1.28
Information transmission, software and IT service	**41,185**	**0.83**	**1.00**	28,450	0.64	1.91
Wholesale and retail	**263,437**	**5.29**	**4.29**	247,648	5.59	4.51
Accommodation and catering	**5,691**	**0.11**	**0.02**	5,025	0.11	0.35
Finance	**34,943**	**0.70**	**0.16**	27,562	0.62	0.00
Real estate	**356,027**	**7.14**	**1.30**	336,830	7.61	1.08
Leasing and commercial services	**458,017**	**9.19**	**0.41**	378,765	8.55	0.35
Scientific research and technical service	**27,332**	**0.55**	**0.91**	18,465	0.42	1.37
Water conservation, environment and public facility administration	**246,453**	**4.95**	**0.15**	231,926	5.24	0.45
Residential services, repair and other related services	**3,407**	**0.07**	**0.17**	1,972	0.05	3.11
Education	**5,272**	**0.11**	**0.00**	3,033	0.07	0.00
Sanitation and social services	**11,027**	**0.22**	**0.17**	8,968	0.20	3.81
Culture, sporting and entertainment	**6,710**	**0.13**	**3.86**	6,234	0.14	0.88
Public administration, social security and social organizations	**302**	**0.01**	**0.00**	204	0.01	0.00
International organization	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
Personal loans	**1,973,907**	**39.61**	**1.47**	1,879,932	42.45	1.01
Discounted bills	**377,567**	**7.58**	**0.00**	324,356	7.32	0.01
Total	**4,982,887**	**100**	**1.09**	4,428,183	100	1.10

During the reporting period, the Company proactively responded to the complicated internal and external economic situation, led by the new development concept, and strove to promote the integration of risk management and business development, implemented a differentiated credit policy of "ensuring, controlling and reducing", optimized the allocation of credit resources, and continued to promote structural adjustment. The Company respond to the requirement of "promoting high-quality development", continuously enhanced the Company's operations based on national policy guidance and the development of the real economy, and focused on supporting high-quality customers in the fields such as new infrastructure, strategic emerging industries, advanced manufacturing, domestic substitution, "specialized, sophisticated, distinctive and innovative" and "four economies" of Fujian province; based on the strategic drive of "internal circulation" and "dual circulation" and preferentially supported the upgrading people's livelihood consumption fields and new consumption fields such as automobiles, medicine, modern logistics, education, culture and sports, and household appliances; strengthened the management and control of major areas, optimized the business structure, adhered to the positioning of "housing is for living in, not for speculation", proactively accelerated business transformation and development, actively and steadily developed housing leasing business; conducted local government financing business with strict adherence to the bottom line of legal compliance, and actively seized business opportunities in terms of investment and financial consulting for local government income bonds projects; served major national and regional strategies and coordinated development strategies, actively supported the credit funding needs of major national strategic planning areas such as Guangdong, Hong Kong, Macao, the Yangtze River Delta, Beijing-Tianjin-Hebei, and the Yangtze River Economic Belt, as well as regions within Fujian Province, and actively integrated into the local mainstream economy; increased credit support for rural revitalization, inclusive small and micro enterprises, and science and technology innovation finance, expanded customers through risk empowerment for technology innovation enterprises with characteristics of "light on assets and heavy on intelligence" characteristics, actively created a "technology flow" evaluation system and application model to promote business development with "new ideas, new development"; further gave play to the leading advantages of its green finance around the national “double carbon” goal, focused on key areas of “pollution reduction and carbon reduction” such as clean energy, energy conservation and environmental protection, and carbon emission reduction technologies, accelerated the construction of green assets, expanded the coverage and increase the quantity, and continued to firmly polish the Company's green gold brand; refined the risk management and control of traditional high energy consuming industries, and put credit resources into high-quality subjects of energy security and supply, industrial upgrading and transformation, and green low-carbon and new energy green electricity production to meet the reasonable financing needs of basic production enterprises and the credit needs of green transformation and upgrading. During the reporting period, the Company's credit risk was still under certain pressure due to the adjustment of industrial structure, macroeconomic deleveraging and other factors. However, the Company complied with the regulatory guidance, maintained the high-pressure situation of asset quality control, improved the asset quality control mechanism, strengthened the risk monitoring in key areas, continued to increase the collection and disposal of non-performing loans, and increased the empowerment of financial technology, and the asset quality was stable and positive.

For details of the credit and environmental requirements of some industries in the above table, please refer to "Environmental and Social Responsibilities".

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2022		December 31, 2021	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**602,207**	**12.09**	511,398	11.55
Fujian	**545,812**	**10.95**	472,429	10.67
Guangdong	**577,166**	**11.58**	516,058	11.66
Jiangsu	**478,612**	**9.61**	429,137	9.69
Zhejiang	**448,161**	**8.99**	383,254	8.65
Shanghai	**240,738**	**4.83**	201,100	4.54
Beijing	**215,527**	**4.33**	221,082	4.99
Northeast	**155,556**	**3.12**	146,771	3.32
Western China	**595,508**	**11.95**	529,921	11.97
Central China	**675,603**	**13.56**	618,765	13.97
Other regions	**447,997**	**8.99**	398,268	8.99
Total	**4,982,887**	**100**	4,428,183	100

In line with the national regional development strategy, the Company actively supported the credit funding needs of major national strategic planning regions such as Guangdong, Hong Kong and Macao, Yangtze River Delta, Beijing, Tianjin and Hebei, and Yangtze River Economic Belt as well as regions within Fujian Province, continuously promoted the development of advantageous and characteristic industries in key areas in combination the characteristics of regional planning and industrial development, gave full play to the advantages of comprehensive services in all fields, all channels, all products, and multi-license groups and actively integrated into the local mainstream economy.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2022		December 31, 2021	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**1,392,814**	**27.94**	1,193,021	26.94
Guaranteed loans	**1,068,126**	**21.44**	876,315	19.79
Secured by mortgage	**1,795,822**	**36.04**	1,720,791	38.87
Secured by collateral	**348,558**	**7.00**	313,700	7.08
Discounted bills	**377,567**	**7.58**	324,356	7.32
Total	**4,982,887**	**100**	4,428,183	100

The Company further increased its support for inclusive finance, improved the accurate judgment on the repayment ability of financing entities, and reduced reliance on mortgage and collateral guarantees. As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 1 percentage point compared with the end of previous year; the proportion of guaranteed loans increased by 1.65 percentage points compared with the end of previous year; the proportion of loans secured by mortgage and collateral decreased by 2.91 percentage points compared with the end of previous year, while the proportion of loans secured by discounted bills increased by 0.26 percentage point compared with the end of previous year.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2022	Percentage in total loans (%)
Customer A	**17,750**	**0.36**
Customer B	**15,116**	**0.30**
Customer C	**11,755**	**0.24**
Customer D	**9,367**	**0.19**
Customer E	**7,904**	**0.16**
Customer F	**7,870**	**0.16**
Customer G	**7,000**	**0.14**
Customer H	**6,999**	**0.14**
Customer I	**6,552**	**0.13**
Customer J	**6,386**	**0.13**
Total	**96,699**	**1.95**

The loan balance of the Company's largest single borrower as at the end of the period was RMB17.750 billion, accounting for 1.95% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2022			December 31, 2021		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**1,097,324**	**55.58**	**0.56**	1,121,169	59.64	0.49
Personal business loans	**280,000**	**14.19**	**0.56**	203,102	10.80	0.52
Credit cards	**452,772**	**22.94**	**4.01**	436,482	23.22	2.29
Others	**143,811**	**7.29**	**2.18**	119,179	6.34	2.08
Total	**1,973,907**	**100**	**1.47**	1,879,932	100	1.01

The Company reduced its concentration on personal property mortgage loans and increased inclusive personal business loans. Personal housing and commercial housing loans decreased by 4.06 percentage points compared with the end of previous year. Personal business loans increased by 3.39 percentage points compared with the end of previous year. Credit card balances decreased by 0.28 percentage point compared with the end of previous year. As at the end of the reporting period, the NPL ratio of personal loans recorded 1.47%, representing an increase of 0.46 percentage point compared with the end of previous year.

The Company continued to promote the transformation and development of the personal loan business and the adjustment of the business structure, actively iterated the pre-lending, lending and post-lending models, and constantly improved the risk control strategy during the practical application, further improved the digital and intelligent risk control and management throughout the whole process, and comprehensively enhanced risk control efficiency and value to provide a strong guarantee for the steady development of personal loan business.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the Company's net investment increased by RMB160.059 billion or 5.33% from the end of previous year to RMB3,162.387 billion.

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Trading financial assets	**999,855**	**31.62**	909,794	30.30
Debt investments	**1,607,026**	**50.82**	1,601,030	53.33
Other debt investments	**548,007**	**17.33**	484,624	16.14
Other equity instrument investments	**3,453**	**0.11**	3,148	0.11
Long-term equity investments	**4,046**	**0.12**	3,732	0.12
Total	**3,162,387**	**100**	3,002,328	100

② Classification based on issuer

Unit: RMB million

Type	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**1,131,520**	**35.50**	1,096,245	36.25
Central bank bills and financial bonds	**196,521**	**6.17**	110,070	3.64
Corporate bonds and asset-backed securities	**457,420**	**14.35**	402,212	13.30
Other investments	**1,397,927**	**43.86**	1,411,694	46.69
Long-term equity investments	**4,046**	**0.12**	3,732	0.12
Total	**3,187,434**	**100**	3,023,953	100
Accrued interest	**20,399**		20,692	
Impairment provision	**(45,446)**		(42,317)	
Net value	**3,162,387**		3,002,328	

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB4,046 million, and the details are set out as follows:

① The Company held 294.40 million shares of Bank of Jiujiang Co., Ltd. with a proportion of equity interest of 12.23% and a book value of RMB3,568 million.

② Ciit Asset Management Co.,Ltd. held the book value of other long-term equity investment of RMB478 million at the end of the reporting period.

Deposits with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance (excluding accrued interests) of RMB94.138 billion in deposits with banks and other financial institutions, increased by RMB27.651 billion or 41.59% from the end of the previous year.

Unit: RMB million

Type	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**68,262**	**72.51**	35,529	53.44
Deposits with other domestic financial institutions	**8,501**	**9.03**	7,500	11.28
Deposits with foreign banks	**17,178**	**18.25**	23,368	35.15
Deposits with other foreign financial institutions	**197**	**0.21**	90	0.14
Total	**94,138**	**100**	66,487	100
Accrued interest	**110**		171	
Impairment provision	**(134)**		(407)	
Net value	**94,114**		66,251	

The placements with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB351.700 billion in placements with banks and other financial institutions (excluding accrued interest), decreased by RMB1.006 billion or 0.29% from the end of previous year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	**11,202**	**3.19**	16,092	4.56
Placements with other domestic financial institutions	**259,880**	**73.89**	220,639	62.56
Placements with foreign banks	**80,618**	**22.92**	115,975	32.88
Total	**351,700**	**100**	352,706	100
Accrued interest	**928**		542	
Impairment provision	**(585)**		(1,426)	
Net value	**352,043**		351,822	

Details of financial assets purchased under resale agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB56.589 billion in financial assets purchased under resale agreements (excluding accrued interest), representing a decrease of RMB85.723 billion or 60.24% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**56,589**	**100**	142,312	100
Total	**56,589**	**100**	142,312	100
Accrued interest	**59**		66	
Impairment provision	**(111)**		(1,247)	
Net value	**56,537**		141,131	

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB8,509.373 billion, representing an increase of RMB600.647 billion or 7.59% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks and other financial institutions	**1,628,254**	**19.13**	1,710,879	21.63
Placements from banks and other financial institutions	**277,268**	**3.26**	173,778	2.20
Financial assets sold under repurchase agreements	**353,626**	**4.16**	265,576	3.36
Deposits from customers	**4,788,754**	**56.28**	4,355,748	55.08
Bonds payable	**1,158,007**	**13.61**	1,120,116	14.16
Others note	**303,464**	**3.57**	282,629	3.57
Total	**8,509,373**	**100**	7,908,726	100

Note: included borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions, lease liabilities, deferred income tax liabilities and other liabilities.

The specific composition of customer deposits is set out as follows:

As at the end of the reporting period, the Company's balance of customer deposits (excluding accrued interest) was RMB4,736.982 billion, representing an increase of RMB425.941 billion or 9.88% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**1,779,273**	**37.56**	1,769,246	41.04
Including: Corporate	**1,389,479**	**29.33**	1,434,288	33.27
Personal	**389,794**	**8.23**	334,958	7.77
Time deposits	**2,608,223**	**55.06**	2,212,838	51.33
Including: Corporate	**1,912,484**	**40.37**	1,754,633	40.70
Personal	**695,739**	**14.69**	458,205	10.63
Other deposits	**349,486**	**7.38**	328,957	7.63
Subtotal	**4,736,982**	**100**	4,311,041	100
Accrued interest	**51,772**		44,707	
Total	**4,788,754**		4,355,748	

The deposits from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB1,621.172 billion in deposits from banks and other financial institutions (excluding accrued interest), representing a decrease of RMB82.630 billion or 4.85% compared with the end of previous year.

Unit: RMB million

Counterparty	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**368,240**	**22.71**	350,262	20.56
Deposits from other financial institutions	**1,252,932**	**77.29**	1,353,540	79.44
Subtotal	**1,621,172**	**100**	1,703,802	100
Accrued interest	**7,082**		7,077	
Total	**1,628,254**		1,710,879	

Placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB275.808 billion in placements from banks and other financial institutions (excluding accrued interest), representing an increase of RMB103.035 billion or 59.64% compared with the end of previous year.

Unit: RMB million

Counterparty	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements from banks and other financial institutions	**248,871**	**90.23**	142,964	82.75
Placements from other financial institutions	**26,937**	**9.77**	29,809	17.25
Subtotal	**275,808**	**100**	172,773	100
Accrued interest	**1,460**		1,005	
Total	**277,268**		173,778	

Details of financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB353.429 billion in financial assets sold under repurchase agreements (excluding accrued interest), representing an increase of RMB88.009 billion or 33.16% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**333,662**	**94.41**	233,230	87.87
Bills	**19,767**	**5.59**	32,190	12.13
Subtotal	**353,429**	**100**	265,420	100
Accrued interest	**197**		156	
Total	**353,626**		265,576	

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in interest-bearing assets and liabilities and costs under effective control. Due to the decline in return on assets, net interest income decreased slightly year-on-year. Net non-interest income maintained a steady growth. The Company increased investment in strategic key areas such as digital construction, business transformation, brand and customer infrastructure construction and made reasonable provision for impairment to consolidate asset quality. The net profit attributable to shareholders of the parent company reached RMB91.377 billion, up 10.52% year-on-year.

Unit: RMB million

Item	2022	2021
Operating income	**222,374**	221,236
Net interest income	**145,273**	145,679
Net non-interest income	**77,101**	75,557
Business tax and surcharges	**(2,278)**	(2,207)
Operating and administrative expense	**(64,843)**	(55,468)
Impairment loss	**(48,620)**	(67,010)
Other operating costs	**(471)**	(1,352)
Net non-operating income and expense	**59**	111
Profit before tax	**106,221**	95,310
Income tax	**(13,807)**	(11,494)
Net profit	**92,414**	83,816
Profit and loss of minority shareholders	**1,037**	1,136
Net profit attributable to the shareholders of the Company	**91,377**	82,680

1.Net interest income

During the reporting period, the net interest income of the Company was RMB145.273 billion, representing a year-on-year decrease of RMB406 million or 0.28%.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**219,395**	**66.74**	205,997	65.36
Interest income from discounted bills	**6,073**	**1.85**	5,810	1.84
Interest income from investments	**76,258**	**23.20**	79,370	25.18
Interest income from the amount due from the Central Bank	**5,656**	**1.72**	5,641	1.79
Interest income from placements with banks and other financial institutions	**10,761**	**3.27**	8,722	2.77
Interest income from resale agreements	**3,971**	**1.21**	2,475	0.79
Interest income from deposits in banks and other financial institutions	**1,426**	**0.43**	1,762	0.56
Interest income from financing lease	**5,034**	**1.53**	5,274	1.67
Other interest income	**172**	**0.05**	107	0.04
Subtotal of interest income	**328,746**	**100**	315,158	100
Interest expense				
Interest expense on borrowings from the Central Bank	**2,495**	**1.36**	7,133	4.21
Interest expense on deposits	**103,703**	**56.52**	90,866	53.61
Interest expense on bonds issuance	**32,033**	**17.46**	30,783	18.16
Interest expense on deposits from banks and other financial institutions	**36,916**	**20.12**	33,873	19.99
Interest expense on placements from banks and other financial institutions	**5,366**	**2.92**	4,230	2.50
Interest expense on repurchase agreements	**2,459**	**1.34**	2,278	1.34
Other interest expenses	**501**	**0.27**	316	0.19
Subtotal of interest expense	**183,473**	**100**	169,479	100
Net interest income	**145,273**		145,679	

The net interest spread was 1.83%, representing a year-on-year decrease of 19 BP; the net interest margin was 2.10%, representing a year-on-year decrease of 19 BP. The daily average balance, annualized average yield and cost rate of the Company's asset and liability items are as follows:

Unit: RMB million

Item	2022		2021	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**4,692,083**	**4.81**	4,207,300	5.03
Based on loan type:				
Corporate loans	**2,424,898**	**4.25**	2,220,033	4.33
Personal loans	**1,920,775**	**6.06**	1,767,219	6.22
Discounted bills	**346,410**	**1.75**	220,048	2.64
Based on loan term:				
General short-term loans	**1,626,215**	**5.75**	1,525,117	5.81
Medium and long-term loans	**2,719,458**	**4.63**	2,462,135	4.77
Discounted bills	**346,410**	**1.75**	220,048	2.64
Investments	**2,053,836**	**3.66**	1,946,030	3.96
Deposits in the Central Bank	**365,238**	**1.55**	359,700	1.57
Deposits in and placements with banks and other financial institutions (including financial assets purchased under resale agreements)	**681,890**	**2.39**	539,336	2.42
Finance lease	**109,738**	**4.59**	121,970	4.32
Total	**7,902,786**	**4.14**	7,174,336	4.36

Item	2022		2021	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing liabilities				
Deposits from customers	**4,591,659**	**2.26**	4,100,923	2.22
Corporate deposits	**3,696,632**	**2.27**	3,369,962	2.22
Demand deposits	**1,598,741**	**1.31**	1,430,186	1.10
Time deposits	**2,097,891**	**3.00**	1,939,776	3.03
Personal deposits	**895,027**	**2.23**	730,961	2.25
Demand deposits	**335,237**	**0.28**	310,511	0.30
Time deposits	**559,790**	**3.38**	420,450	3.68
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**2,116,563**	**2.12**	1,855,965	2.18
Borrowings from the Central Bank	**90,363**	**2.76**	238,374	2.99
Bonds payable	**1,147,562**	**2.79**	1,044,343	2.95
Total	**7,946,147**	**2.31**	7,239,605	2.34
Net interest spread		**1.83**		2.02
Net interest margin		**2.10**		2.29

Standard for measuring net interest margin:

1.Gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2.The Company has adopted the New Financial Instruments Standard since January 1, 2019. The interest income of trading financial assets was not presented within interest income and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB77.101 billion, representing a year-on-year increase of RMB1.544 billion or 2.04%.

Unit: RMB million

Item	2022	2021
Net fee and commission income	**45,041**	42,680
Gain and loss from investment	**30,222**	28,478
Gain and loss from changes in fair value	**(631)**	2,178
Gain and loss from exchange	**1,292**	1,001
Gain from disposal of asset	**9**	(10)
Other income	**483**	613
Income from other businesses	**685**	617
Total	**77,101**	75,557

During the reporting period, the Company realized fee and commission income of RMB45.041 billion, up RMB2.361 billion or 5.53% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value, and gain and loss from exchange were highly interrelated. After consolidation, the overall profit and loss reached RMB30.883 billion, representing a year-on-year decrease of 2.44%.

The specific composition of net fee and commission income is set out as follows:

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**2,775**	**5.61**	2,268	4.77
Fee income from bank cards	**13,384**	**27.06**	13,182	27.71
Fee income from agency business	**5,258**	**10.63**	7,153	15.04
Fee income from guarantee commitment	**1,408**	**2.85**	1,544	3.25
Fee income from trading business	**570**	**1.15**	1,235	2.60
Fee income from custody business	**3,551**	**7.18**	3,553	7.47
Fee income from consulting service	**19,454**	**39.33**	14,668	30.84
Fee income from trust business	**564**	**1.14**	1,099	2.31
Fee income from lease business	**421**	**0.85**	560	1.17
Other fee income	**2,077**	**4.20**	2,305	4.84
Subtotal	**49,462**	**100**	47,567	100
Fee and commission expense	**4,421**		4,887	
Net fee and commission income	**45,041**		42,680	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB64.843 billion, up RMB9.375 billion or 16.90% year-on-year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**38,196**	**58.91**	34,689	62.54
Depreciation and amortization	**6,480**	**9.99**	5,551	10.01
Lease expense	**162**	**0.25**	430	0.78
Other general and administrative expenses	**20,005**	**30.85**	14,798	26.68
Total	**64,843**	**100**	55,468	100

During the reporting period, centering on the financial resources allocation principle of "steady progress, transformation and innovation", the Company increased the investment in the strategic key areas such as digital construction, business transformation, brand and customer infrastructure construction with operating expenses increased.

4. Impairment loss

During the reporting period, the Company's impairment loss was RMB48.620 billion, down RMB18.390 billion or 27.44% year-on-year.

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**37,819**	**77.78**	45,484	67.87
Impairment loss of debt investments	**9,572**	**19.69**	20,931	31.24
Impairment loss of other debt investments	**701**	**1.44**	356	0.53
Impairment loss of off-balance sheet assets	**2,936**	**6.04**	(1,309)	(1.95)
Impairment loss on finance lease receivable	**(204)**	**(0.42)**	(154)	(0.23)
Other impairment loss	**(2,204)**	**(4.53)**	1,702	2.54
Total	**48,620**	**100**	67,010	100

During the reporting period, the Company made adequate provision for loan losses in accordance with the relevant provisions of the Accounting Standards for Business Enterprises based on the expected credit loss model as well as quantitative parameters of risk such as the customer's default probability and default loss rate, taking into consideration macro forwarding adjustments.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 13.00%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2022
Profit before tax	**106,221**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**26,555**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(13,826)**
Non-deductible items	**881**
Adjustment on the tax of previous years	**197**
Income tax expense	**13,807**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2022	2021
Cash flow from operating activities	**(344,587)**	(389,771)
Cash flow from investing activities	**(2,059)**	79,654
Cash flow from financing activities	**(22,248)**	124,588

During the reporting period, the net cash outflow from operating activities was RMB344.587 billion. The Company's various businesses developed steadily, and the net cash outflow from operating activities decreased compared with the same period of last year.

Net cash outflow from investing activities was RMB2.059 billion, as compared with net inflow of RMB79.654 billion for the same period of previous year, mainly due to a year-on-year increase in the increment of investment business.

Net cash outflow from financing activities was RMB22.248 billion, as compared with net inflow of RMB124.588 billion for the same period of previous year, mainly due to the year-on-year decrease in cash received from issuance of bonds during the current period.

(V) Analysis of loan quality

1. Five-category loan classification

Unit: RMB million

Item	December 31, 2022		December 31, 2021		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**4,854,384**	**97.42**	4,312,002	97.38	12.58
Special mention	**74,015**	**1.49**	67,467	1.52	9.71
Substandard	**20,951**	**0.41**	23,461	0.53	(10.70)
Doubtful	**20,303**	**0.41**	15,421	0.35	31.66
Loss	**13,234**	**0.27**	9,832	0.22	34.60
Total	**4,982,887**	**100**	4,428,183	100	12.53

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB54.488 billion, up RMB5,774 million from the end of the year with NPL ratio of 1.09%, down 0.01 percentage point from the end of last year. The balance of special mention loans was RMB74.015 billion, up RMB6.548 billion from the end of last year. The proportion of the special mention loans in the total loans was 1.49%, down 0.03 percentage point from the end of last year. During the reporting period, credit risks in certain regions and industries continuously became exposed due to deleveraging in macro economy, transformation of economic structure and adjustment in industrial structure. The Company increased the efforts on risk prevention and control and mitigation, established and improved an asset quality control system for potential risky projects, enriched and improved the monitoring dimension, strengthened forward-looking risk mitigation in key areas and the collection and disposal of non-performing loans, and improved the asset quality steadily.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**130,909**
Provision during the reporting period	**37,819**
Write-off and transfer-out during the reporting period	**(46,745)**
Write-back during the reporting period of write-off in previous years	**8,214**
Changes in exchange rates and others	**(1,363)**
Closing balance	**128,834**

The Group uses new financial instrument standards and has recorded adequate loan loss allowance on the basis of forward-looking adjustment in macro-economic outlook, expected credit loss model, customer default probability, loss given default and other quantitative risk metrics.

3.Changes in overdue loans

Unit: RMB million

Counterparty	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**37,001**	**44.46**	27,371	42.13
91-360 days (inclusive) overdue	**32,781**	**39.38**	23,436	36.06
361 days-3 years (inclusive) overdue	**11,407**	**13.70**	12,407	19.09
Over 3 years overdue	**2,048**	**2.46**	1,769	2.72
Total	**83,237**	**100**	64,983	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB83.237 billion, up RMB18.254 billion from the end of last year, of which overdue corporate loans increased by RMB1.310 billion and overdue personal loans increased by RMB3.756 billion respectively, and credit cards overdue increased by RMB13.188 billion. The main reason for the increase in overdue loans was due to the fact that with the impact of the slowdown of external economy and shrinking consumer demand and other unfavorable factors, the number of enterprises with operating difficulties and declining solvency increased and the income of some individual customers has been greatly affected, resulting in an increase in the overall balance of overdue loans.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Restructured impairment loans	**2,766**	**0.06**	5,823	0.13

In accordance with regulatory principle and judgment on substantive risks, the Company strengthened the collection and resolution of restructured loans. As at the end of the reporting period, the Company's restructured impairment loan balance stood at RMB2,766 million, decreasing by RMB3,057 million from the end of last year, and accounting for 0.06% of total loan balances (down 0.07 percentage point from the end of last year). In accordance with relevant regulatory requirements, the Company continuously consolidated restructuring quality.

5. Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2022		December 31, 2021	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**547**	**152**	537	124
Including: Buildings	**546**	**151**	527	123
Land use rights	**–**	**–**	9	–
Others	**1**	**1**	1	1
Less: Impairment provision	**(152)**	**–**	(124)	–
Net value of foreclosed assets	**395**	**–**	413	–

During the reporting period, the balance of foreclosed assets of the Company increased by RMB10 million from the end of last year, and the provision for impairment of the Company increased compared with the end of last year.

(VI) Capital management

1. Capital management overview

During the reporting period, the Company focused on the "1234" strategy, implemented the main development line of "light capital, light assets and high efficiency", rationally arranged the total amount of risk-weighted assets according to the annual capital adequacy ratio management target set by the board of directors, optimized the allocation and control mechanism of risk-weighted assets, and devoted the limited capital resources to green, inclusive and new customers, industries and regions as well as qualified customers, industries and regions under the "four keys" strategy, thus promoting the continuous improvement of capital use efficiency. As at the end of the reporting period, the Group's core Tier 1 capital adequacy ratio was 9.81%, keeping flat with the beginning of the period, and the Company continued to practice the development path of supporting business with internal fund.

During the reporting period, according to the medium-term capital planning arrangement, the Company initiated the issue of secondary capital bonds, completed the issue of RMB25 billion secondary capital bonds, and completed the replenishment plan on RMB100 billion secondary bonds during the reporting period. As at the end of the reporting period, the capital adequacy ratio of the Group was 14.44%, up 0.05 percentage point compared with the beginning of the period, and the capital adequacy level was greatly improved, which provided necessary capital guarantee for ensuring the sustainable growth of various businesses and enhancing the ability to resist risks.

During the reporting period, the Company strengthened the Group's consolidated capital management by centrally considering the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracking and monitoring the capital allocation and use of consolidated subsidiaries, and maintaining a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries. During the reporting period, each capital regulatory indicators of consolidated subsidiaries met the regulatory requirements.

During the reporting period, the Company ranked the third group in the latest list of systemically important banks in China, with an additional core Tier 1 capital requirement of 0.75 percentage point. The Company earnestly fulfilled the requirements of domestic systemically important bank supervision, formulated the management plan of the Group's recovery plan and disposal plan for 2022, constantly improved the capacity of risk prevention and mitigation, and guaranteed the financial security and stability.

In 2023, the Company will continuously enhance the capital management, proactively promote the implementation of the new Capital Rules for Commercial Banks, and take this opportunity to further refine the capital management and risk management. The Company will also comply with the change of the new rules for capital management, prospectively promote the adjustment and optimization of business structure in accordance with management requirements of capital intensive operation, fully play the role of the assessment baton and deepen the concept of capital saving to all levels to effectively improve the level of capital return ensure that the capital adequacy level achieves the targets for medium-term capital management.

2. Capital management and measurement

The Company has long been highly concerned about the construction of capital management. The Company has constructed a relatively sound first pillar framework system and the second pillar framework system in the early stage, which has effectively improved the risk and capital management capability. On this basis, in order to comply with the latest capital supervision trend at home and abroad and promote capital intensive operation, the Company launched the construction of Basel Accord III projects in 2020.

During the reporting period, the construction of projects of the Company continued to be smoothly advanced and achieved remarkable results. Firstly, the empowering the construction of capital measurement system with the digital transformation and the establishment of the standards for three major risks, namely credit, market and operational risks, have been basically completed, weighted capital, three major risk-weighted capital measurement system has been launched and the capital measurement systems has been implemented as a whole, which greatly improved data quality and system performance and laid a good foundation for the implementation of domestic new capital regulations. Secondly, the Company continued to deepen the improvement of the internal assessment system, comprehensively enhanced model development, parameter adjustment and optimization, system improvement, actively promoted the application of relevant results of the internal assessment, and effectively strengthened the refined and professional management of risks. Thirdly, the Company steadily pushed forward the preparation of complying application with advanced methods, completed the comprehensive audit on the advanced methods for capital management and capital measurement, organized and conducted self-assessment on the advanced methods for capital measurement, and developed and improved a platform on documents for the complying application. After the release of the Measures on Capital Management of Commercial Banks (Consultation Paper) (the "Domestic New Capital Regulation") in 2023, the Company immediately carried out the interpreted and analyzed on the new regulation and policy and adjusted benchmarking to ensure that the smooth implementation of the measurement system under the new standard and stable acceleration of complying application with advance methods.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2022		December 31, 2021	
	Group	Bank	Group	Bank
Total capital	**975,021**	**929,131**	879,277	841,216
1. Core Tier 1 capital	**662,916**	**621,255**	599,661	565,344
2. Other Tier 1 capital	**86,052**	**85,802**	85,999	85,802
3. Tier 2 capital	**226,053**	**222,074**	193,617	190,070
Capital deductions	**1,188**	**21,127**	1,105	21,058
1. Core Tier 1 capital deductions	**1,188**	**21,127**	1,105	21,058
2. Other Tier 1 capital deductions	**–**	**–**	–	–
3. Tier 2 capital deductions	**–**	**–**	–	–
Net capital	**973,833**	**908,004**	878,172	820,158
Minimum capital requirement	**539,698**	**514,179**	488,210	465,493
Reserve capital and counter-cyclical capital requirement	**168,656**	**160,681**	152,565	145,467
Core Tier 1 capital adequacy ratio (%)	**9.81**	**9.34**	9.81	9.35
Tier 1 capital adequacy ratio (%)	**11.08**	**10.67**	11.22	10.83
Capital adequacy ratio (%)	**14.44**	**14.13**	14.39	14.10

(1) The table above and data of this chapter were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting, with the capital adequacy ratio.

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd. and financial institutions complying with requirements on the calculation range of the consolidated capital adequacy ratio in Section I, Chapter II of the Capital Rules for Commercial Banks (Provisional) promulgated in 2012. To be specific, this applied to the banking group jointly comprised of Industrial Bank Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd. and CIB Wealth Management Co., Ltd.

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting

period, under the off-site regulation reporting system of CBIRC, the Company recorded the total credit risk exposure was RMB10,374.724 billion, and the credit risk weighted assets reached RMB6,119.792 billion, up 10.74% year-on-year, among which the balance of securitized assets was RMB163.201 billion, the risk exposure was RMB163.010 billion and the risk weighted assets reached RMB50.740 billion.

The Company adopted the standard approach for market risk measurement. As at the end of the reporting period, the total amount of the market risk capital requirement was RMB18.829 billion. The market risk-weighted asset was 12.5 times of the market risk capital requirement. The amount of market risk-weighted assets was RMB235.361 billion.

The Company adopted the basic indicator approach for operating risk measurement. As at the end of the reporting period, the total amount of operating risk capital requirement was RMB31.286 billion. The operating risk-weighted asset was 12.5 times of the operating risk-weighted capital requirement. The amount of operating risk-weighted assets was RMB391.076 billion.

4. Leverage ratio

As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net Tier 1 capital	**747,780**	731,937	705,882	711,695
Balance of on- and off-balance sheet assets after adjustment	**11,044,186**	10,945,731	10,790,645	10,495,395
Leverage ratio (%)	**6.77**	6.69	6.54	6.78

The Company has disclosed detailed information such as the capital composition table, the explanation table of related subjects and the main features of capital instruments in the reporting period in the 2022 Capital Adequacy Ratio Report of Industrial Bank Co., Ltd.. In accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the Company further disclosed the details of the leverage ratio during the reporting period. Please refer to the Investor Relations column of the Company's website (www.cib.com.cn) for details.

(VII) Liability quality management

The Company has established and improved the management system of liability quality, and the board of directors and senior management have effectively managed and monitored the liability quality. The board of directors bears the ultimate responsibility for the liability quality management, and the senior management bears the specific management of liability quality. For liability quality management, the Company adheres to the principles of comprehensiveness, initiative, compliance and coordination, and the liability quality management strategy is compatible with its own business strategy, risk preference and overall business characteristics. The core elements of liability quality management include six aspects: the stability of liability source, the diversity of liability structure, the rationality of matching liability with assets, the initiative of liability acquisition, the appropriateness of liability cost, and the authenticity of liability items, which meet the requirements of the Measures for Liability Quality Management of Commercial Banks. The identification, measurement, monitoring and control system of liability quality is perfect. During the reporting period, all indicators of the Company's liability quality management are normal, meeting the requirements of the current rules and regulations.

1. Liquidity coverage ratio

In accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2022
Qualified high-quality current assets	**1,149,681**
Net cash outflow during the next 30 days	**1,042,843**
Liquidity coverage ratio (%)	**110.24**

2. Net stable funding ratio

In accordance with the Measures for Information Disclosure regarding Net Stable Funding Ratio of Commercial Banks, information about the Company's net stable funding ratio was as follows:

Unit: RMB million

Item	December 31, 2022	September 30, 2022	June 30, 2022
Net stable funding ratio (%)	**104.40**	104.18	106.20
Available stable funding	**5,154,883**	5,058,531	5,100,803
Required stable funding	**4,937,783**	4,855,444	4,803,126

(VIII) Other financial information disclosed according to regulatory requirements

1. Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities which were not consolidated but managed by or entitled to equity by the Company, refer to the Notes VII.45 to the FINANCIAL STATEMENTS.

2. Information of financial bonds held

(1) Categories and par value of financial bonds held as at the end of the reporting period

Unit: RMB million

Category	Par value
Bonds of policy banks	**36,413**
Commercial bank bonds	**119,089**
Bonds of non-banking financial institutions	**30,017**
Total	**185,519**

(2) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	4,512	3.58	21/11/2032
Bond 2	3,000	3.20	08/11/2025
Bond 3	3,000	2.91	21/06/2023
Bond 4	2,000	2.90	14/07/2023
Bond 5	2,000	2.90	29/06/2023
Bond 6	2,000	2.99	19/05/2023
Bond 7	2,000	2.85	24/03/2023
Bond 8	2,000	2.91	05/07/2023
Bond 9	1,500	2.45	21/01/2027
Bond 10	1,400	3.29	31/05/2025

3. Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	2,096,757	22,057	(21,666)
Interest rate derivatives	4,688,389	11,950	(11,903)
Precious metals derivatives	51,688	1,221	(1,366)
Credit derivatives and others	5,747	25	(32)
Total		35,253	(34,967)

4. Situation of interest receivable

According to the requirements of Notice of Revising and Issuing the Format of 2018 Consolidated Financial Statements issued by the Ministry of Finance, the interest of financial instruments accrued by the Company based on the effective interest rate method is reflected in the corresponding financial instrument statement Item, and the interest that has expired but has not yet been collected is listed in "other assets".

Withdrawal of bad debt provision for interest receivable: during the reporting period, based on the expected credit loss model, the Company checked the interest receivable and made provision for loss of corresponding financial instruments.

Write-off procedures and policies: the write-off of bad debts of the Company shall be carried out in strict accordance with the conditions stipulated in the Administrative Measures for Write-off of Bad Debts of Financial Enterprises (2017 Edition) issued by the Ministry of Finance, and submitted to the authorized approver for approval according to the Company's internal authorization regulations. For items that meet the conditions of bad debt write-off, the Company will handle them according to the procedures of reporting by branches and approval by the head office: the relevant departments of the branch will organize the reporting and examination of bad debt write-off, which will be reported to the head office after being approved by the branch leader; after being reviewed by relevant departments of the head office, depending on the amount of bad debts, the bad debts will be written off after being submitted to the president, the strategy committee of the board of directors or the board of directors for approval. In the write-off of bad debts, the Company abides by the principle of "meeting the recognition conditions, providing valid evidence, keeping the account write-off on file, and urging the power". After the bad debts are written off, the Company will strictly implement the management responsibility after the write-off, and take various means to continue to pursue the projects with recourse.

Unit: RMB million

Item	December 31, 2021	Increase in the period	Recovered in the period	December 31, 2022
Interest receivable	36,520	323,712	322,215	**38,017**

Note: include accrued interest of cash and balances with Central Bank, deposits with banks and other financial institutions, placement with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, debt investments and interest receivable of other debt investments, and interest receivable of other assets.

5. Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2022	December 31, 2021	Provision for impairment	Provision method
Other receivables	**21,985**	14,588	1,941	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis

6. Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2022	December 31, 2021
Letters of credit	**247,776**	158,352
Letters of guarantee	**93,375**	106,912
Bank acceptance	**834,853**	835,418
Unused credit cards commitments	**518,344**	466,625
Irrevocable loan commitments	**22,610**	21,714

VII. Business Overview

(I) Business institutions

1. Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province	**1**	**4,805**	**3,101,389**
Financial Markets	167 Yincheng Road, Pudong New District, Shanghai	**1**	**143**	**1,475,651**
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	**1**	**1,134**	**421,606**
Private Banking Department	167 Yincheng Road, Pudong New District, Shanghai	**1**	**95**	**635**

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	79	2,544	586,351
Tianjin Branch	11 Baoding Road, Heping District, Tianjin	73	1,290	91,871
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	59	1,784	95,138
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	75	1,759	136,781
Hohhot Branch	4 Daxue East Street, Saihan District, Huhhot	41	1,062	74,945
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	44	1,241	66,495
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	21	549	61,126
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	30	1,289	49,169
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	934	62,878
Shanghai Branch	168 Jiangning Road, Jing'an District, Shanghai	86	2,886	660,690
Nanjing Branch	2 Changjiang Road, Xuanwu District, Nanjing	140	3,924	397,986
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	19	865	79,478
Hangzhou Branch	40 Qingchun Road, Shangcheng District, Hangzhou	105	3,038	372,001
Ningbo Branch	905 Baizhang East Road, Yinzhou District, Ningbo	29	769	72,686
Hefei Branch	99 Fuyang, Fuyang District, Hefei	48	1,461	99,565
Fuzhou Branch	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou	69	1,608	240,949
Xiamen Branch	78 Hubin North Road, Siming District, Xiamen	29	1,383	147,106
Putian Branch	199 Liyuan Middle Road, Licheng District, Putian	12	354	23,964
Sanming Branch	Building 362, Qianlong New Village, Meilie District, Sanming	13	409	19,890
Quanzhou Branch	Industrial Bank Building, Fengze Street, Fengze District, Quanzhou	36	1,198	93,155
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	21	641	50,443
Nanping Branch	399 Binjiang Middle Road, Yanping District, Nanping	17	367	20,444
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	15	444	31,432
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	350	42,678
Nanchang Branch	369 Lushan South Avenue, Honggutan District, Nanchang	47	989	63,992
Ji'nan Branch	7000 Jingshi Road, High-tech District, Ji'nan	119	3,125	229,002
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	29	676	72,876
Zhengzhou Branch	288 Jinshui Road, Jinshui District, Zhengzhou	44	1,825	154,832
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	74	1,707	140,209
Changsha Branch	192 Shaoshan North Road, Furong District, Changsha	45	1,598	119,604
Guangzhou Branch	101 Tianhe Road, Tianhe District, Guangzhou	134	3,570	367,711
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	60	1,951	338,932
Nanning Branch	15 Songxiang Road, Liangqing District, Nanning	28	1,053	71,046
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	13	370	14,000
Chongqing Branch	1 Honghuang Road, Jiangbei District, Chongqing	59	1,385	94,769
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	119	2,152	139,444
Guiyang Branch	2 Tongbao Road, Guanshanhu District, Guiyang	17	639	55,353

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	27	1,000	66,343
Xi'an Branch	1 Tangyan Road, Yanta District, Xi'an	77	1,526	124,270
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	13	429	24,187
Xining Branch	54 Wusi West Road, Chengxi District, Xining	5	202	12,042
Urumqi Branch	898 Weitai South Road, Toutunhe District, Urumqi	38	761	68,081
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	4	181	8,542
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	2	126	8,744
Hong Kong Branch	1 Harbour View Street, Central, Hong Kong	1	262	206,988
Netting and summation adjustment within the system				(1,930,378)
Total		2,062	63,853	9,027,091

Note: data in the table above do not include subsidiaries. Only Tier 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of Tier 2 branches and other sub-branches are included in the data of Tier 1 branches according to the management structure.

2. Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	9,000	124,842	21,939	3,559	3,431	2,538
China Industrial International Trust Limited	10,000	65,027	22,561	4,908	318	274
CIB Fund Management Co., Ltd.	1,200	4,792	4,334	1,125	499	383
Industrial Consumer Finance Co., Ltd.	5,320	76,297	9,441	10,115	3,284	2,493
CIB Wealth Management Co., Ltd.	5,000	12,794	12,272	4,421	4,051	3,111

(1) Industrial Bank Financial Leasing Co., Ltd.

Industrial Bank Financial Leasing Co., Ltd. was established in August 2010 with registered capital of RMB9 billion and is a wholly-owned subsidiary of the Company. Its business scope includes financial leasing, transfer and acquisition of financial leasing assets, fixed-income security investment, receipt of lease deposits of lessees, establishment of project companies in domestic bonded areas for conducting finance lease business, etc. As at the end of the reporting period, Industrial Financial Leasing has total assets of RMB124.842 billion. Owners' equity amounted to RMB21.939 billion. During the reporting period, operating income was RMB3.559 billion and the net profit was RMB2.538 billion.

During the reporting period, Industrial Financial Leasing promoted the digital transformation, took advantage of its license, collaborated with the Group to serve the real economy and focused on promoting the development of green lease, inclusive lease and other businesses. **In terms of green lease**, the Company continued to promote key businesses in the photovoltaic, wind power, and new energy vehicle industry chains. The investment in green projects of Industrial Financial Leasing accounted for 1/3 with percentage of low-carbon field more than 90%. The percentage of the distributed new energy and power batteries field grew rapidly. The first environmental information disclosure report in the financial leasing industry has been published, filling the gap in the country.

In terms of inclusive lease, the inclusive lease system group was put into operation to support 1,562 transactions with respect to the engineering machinery and vehicle terminal business with total amount of RMB3.84 billion, which supported small and micro enterprises and individual industrial and commercial households to solve financial difficulties. During the reporting period, 23 branches of the Company carried out project cooperation with Industrial Financial Leasing, and introduced more than 70 corporate finance customers to the Group through lease business.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited was established in March 2003 with a registered capital of RMB10 billion and is a holding subsidiary of the Company. The Company holds 73% of the equity interest. Its business scope includes fund trust, chattel trust, real estate trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the CBIRC. As at the end of the reporting period, Industrial Trust's total assets amounted to RMB65.027 billion, and owners' equity was RMB22.561 billion. During the reporting period, the operating income was RMB4.908 billion and the net profit was RMB274 million.

During the reporting period, Industrial Trust accelerated its transformation, and reconstructed the logic and business model of trust business by closely combining with the new trust business classification. **Developed the brand-new trust service capability**. Industrial Trust accelerated its return to its original source, and built a wealth management service trust product system in various scenarios, such as household service trust, family trust, salary deferred trust and insurance trust. At the end of the reporting period, the existing scale exceeded RMB19 billion. Industrial Trust gave full play to the advantages of trust license, explored the fields of risk disposal service trust, collateral service trust, etc., and played an active role in strengthening risk prevention, resolution and disposal for the Group. **Continued to enrich the product shelve of private equity asset management**. Industrial Trust built a boutique investment bank product line with trust characteristics and advantages by focusing on the Group's strategy of “commercial bank + investment bank” and relying on the original advantages of trust. Industrial Trust improved the professional ability of management of private equity assets, provided differentiated asset supply for the Group, and enriched the product shelve of the Group. As at the end of the reporting period, the asset under management and the subsisting size of trust business of Industrial Trust amounted to RMB230.748 billion and RMB188.067 billion, respectively. Among which, the subsisting size of active management trust business reached RMB65.677 billion, accounting for 34.92%.

(3) CIB Fund Management Co., Ltd.

CIB Fund Management Co., Ltd. was established in April 2013, with a registered capital of RMB1.2 billion. It is a holding subsidiary of the Company and the Company holds 90% of its shareholding. Its business scope includes fundraising, fund sales, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, the total assets of CIB Fund reached RMB4.792 billion, and owner's equity was RMB4.334 billion. During the reporting period, the operating income was RMB1.125 billion and the net profit was RMB383 million.

During the reporting period, Industrial Fund highlighted its professional ability, cultivated distinctive brands, played its functional role, served the Group's strategy, and firmly promoted the digital transformation. **Continued to improve the product layout**. Industrial Fund managed 84 publicly offered funds, and its product types covered money funds, bond funds, various hybrid funds, active stock funds, passive index and quantification funds, FOF funds, etc., enriching the shelves of wealth products of the Group and helping the Group to polish its business card of “wealth bank”. **Accelerated the digital transformation**. Industrial Fund has built 18 business management systems covering the front, middle and back office fields, and launched 38 robotic process automations (RPA), and the process of platformization and intelligence has been accelerating. Industrial Fund increased the construction of online marketing system, integrated the online marketing and the offline marketing, strengthened the customer companionship, and continuously improved the customer investment experience. The proportion of the online business was increased by about 11% as compared with the end of last year. **Consolidated the foundation of compliance risk control management**. Industrial Fund established a corporate risk portrait, and integrated the Group's risk tips and the early warning information into the risk management system, thus further improving the overall risk management and control capabilities. As at the end of the reporting period, public funds under the management of CIB Fund amounted to RMB283.024 billion, representing an increase of 11.41% as compared with the end of the previous year. Of which, the size of non-monetary funds under management was RMB169.903 billion, representing an increase of 10.10% as compared with the end of the previous year.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. was established in December 2014 with a registered capital of RMB5.320 billion. It is a controlling subsidiary of the Company and the Company holds 66% of its shareholding. Its business scope includes provision of personal finance loans, deposit-taking from shareholders' domestic subsidiaries as well as domestic shareholders, lending from domestic financial institutions, approved issuance of financial debts, domestic interbank lending, advisory and agency services related to consumer finance, fixed income securities investment and other business approved by the banking regulatory authorities. As at the end of the reporting period, the total assets of Industrial Consumer Finance amounted to RMB76.297 billion and owner's equity was RMB9.441 billion. During the reporting period, the operating income was RMB10.115 billion and the net profit was RMB2.493 billion.

During the reporting period, Industrial Consumer Finance focused on the field of consumer credit, actively innovated products and services, effectively met the consumer credit demand of residents, expanded the scale of the Group's retail customers, and promoted the continuous increment and expansion of inclusive finance, helping to expand domestic demand and upgrade consumption. **Continued to increase the release of consumer loans**. Industrial Consumer Finance constantly optimized the sales organization system, guaranteed the approval and release of loans within one day by providing pure credit unsecured consumer loans, realized complementary development with the parent bank, created flexible, convenient and high-quality consumer financial services, and actively served customers such as individual industrial and commercial households and self-employed persons, which are difficult to be covered by traditional banks. During the reporting period, Industrial Consumer Finance completed the release of loans of RMB63.7 billion. **Responded to the call of the State to strengthen financial services for new citizens**. Industrial Consumer Finance further improved the product plans such as "Xing Cai Plan" and "Li Ye Plan", help working young people improve their academic qualifications, and met the financial needs of new citizens such as life transition, rental expenses and vocational training during their first arrival in cities. The "Xing Cai Plan" has provided the higher education loans of more than RMB2.2 billion in total to nearly 50,000 college students' families, and the "Li Ye Plan" has provided the loans of nearly RMB1.5 billion in total to more than 100,000 new citizens, which has been commended by the regulatory authorities. **Accelerated the digital transformation and development**. Industrial Consumer Finance has built an enterprise-level business collaboration system, iteratively upgraded the intelligent examination and approval system, realized 100% independent research and development of the core backbone production system, and applied for and obtained 246 intellectual property rights. Industrial Consumer Finance has introduced the digital RMB payment mode in the loan process, actively built a closed-loop system of "credit-payment-consumption", and completed the release of the first digital RMB consumer loan in Fujian Province. Drained customers for the Group. Industrial Consumer Finance actively helped customers to establish and improve the credit information in the process of serving customers such as individual industrial and commercial households, self-employed persons and new citizens, and guided more long-tail customers to integrate into the Group's comprehensive financial service system and further grow into high-quality retail customers of the Group. As at the end of the reporting period, the balance of various loans of Industrial Consumer

Finance amounted to RMB74.922 billion, representing a year-on-year increase of 29.05%. The total number of customers who are provided with services exceeded 15 million since its establishment and accumulative consumer finance credit loans exceeded RMB240 billion.

(5) CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. was established in December 2019 with a registered capital of RMB5 billion. It is a wholly-owned subsidiary of the Company. Its business scope includes the public issuance of wealth management products to the unspecified social public, and investment and management of entrusted investor properties; the non-public issuance of wealth management products to qualified investors, and investment and management of entrusted investor properties; financial advisory and consulting services; other businesses approved by the CBIRC. As at the end of the reporting period, total assets of CIB Wealth Management amounted to RMB12.794 billion and owner's equity was RMB12.272 billion. During the reporting period, the operating income achieved RMB4.421 billion and net profit was RMB3.111 billion.

During the reporting period, CIB Wealth Management actively played the pivotal role of "asset construction-asset allocation-product sales" to meet the financing needs of the real economy and the wealth needs of customers through public-private linkage and inter-bank linkage. **Promoted the improvement of professional ability**. CIB Wealth Management strengthened the professional construction of talent team and the construction of investment and research system. At present, more than 92% employees have master's degree or above, and the average age of employees is about 32 years old. The talent team is characterized by high quality and youthfulness. For the investment and research system, CIB Wealth Management continuously optimized the two-wheel drive mode of "independent investment + entrusted investment", and built an investment and research ecosystem with excellent external asset management companies to share the investment and research resources. **Served the financing needs of customers**. CIB Wealth Management integrates itself into the investment banking ecosystem of the Group, and serves the financing needs of the real economy. During the reporting period, CIB Wealth Management invested more than RMB470 billion in corporate credit bonds, and increased the construction of alternative assets to meet the diversified financing needs of enterprises. In the new investment and financing businesses during the reporting period, new energy photovoltaic, biomedicine, semiconductors and other emerging industries invested by CIB Wealth Management accounted for 60.72%, so as to accelerate its entry into new tracks. **Served customers' wealth needs**. CIB Wealth Management integrated itself into the Group's investment ecosystem, gave full play to the advantages of the whole product system of "eight cores and three characteristics", and increased the creation of amortized cost products during the period of intensified fluctuations in the stock market and bond market to stabilize net value fluctuations. CIB Wealth Management actively expanded the channels outside the bank, and sold wealth products of more than RMB500 billion through state-owned stock banks and small and medium-sized banks, reaching RMB510.512 billion, and representing an increase of RMB332.169 billion and an increase of 186.25% as compared with the end of last year, with obvious market competitiveness. As at the end of the reporting period, the scale of CIB Wealth Management products amounted to RMB2.09 trillion, representing an increase of RMB307.283 billion as compared with the end of last year.

OTHER IMPORTANT SUBSIDIARIES

(6) Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. was reorganized and established in 2014 with a registered capital of RMB500 million and is an indirect holding subsidiary of the Company. Its business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management business, etc. As at the end of the reporting period, Industrial Futures has total assets of RMB11.381 billion and owner's equity was RMB676 million.

During the reporting period, Industrial Futures focused on the brokerage business, accelerated the promotion of asset management, and continued to give full play to the license functions and professional advantages of bulk commodities and financial derivatives to serve group customers. **Enhanced the "green bank" business card of the Group**. It gave full play to the professional advantages of futures risk management and research, carried out 44 "insurance + futures" projects in 33 cities and counties across the country, and innovatively launched the "bank + insurance + futures" business to create a new model for rural revitalization. It provide research, strategy and product services on bulk commodities such as industrial silicon and lithium carbonate to industrial customers of the Group's new energy track, adding new momentum to the green development of real enterprises. **Enhanced the "investment bank" business card of the Group**. It gave full play to futures, options and other derivatives trading of the core functions of the generalized investment bank, took hedging, risk hedging, and OTC options as new approaches and new products for the Group to serve industrial customers and deepened the implementation of strategies. **Enhanced the "wealth bank" business card of the Group**. It set up more and better derivatives characteristic asset management products by leveraging on the advantages of derivatives and quantitative transactions to enrich the Group's wealth management product, thereby becoming an important part of the Group's "large wealth" sector. **Supported the asset and liability management of the Company**. It vigorously developed financial derivatives trading and market-making business and strengthened the management and control capabilities of interest rate risk and equity market risk through financial derivatives. As at the end of the reporting period, the scale of asset management business amounted to RMB11.975 billion, ranking sixth in the industry. It was rated as "A" class future company for three consecutive years.

(7) CIB Economic Research and Consulting Co., Ltd.

CIB Economic Research and Consulting Co., Ltd. was established in June 2015 with a registered capital of RMB60 million. It is the first and sole research company with a bank serving as an independent legal person in China and an indirect holding subsidiary of the Company. Its business scope includes investment consulting (excluding brokerage), financial consulting, business consulting, corporate management consulting, financial data processing, etc. As at the end of the reporting period, the total assets of CIB Research amounted to RMB141 million, and the owner's equity was RMB46 million.

During the reporting period, CIB Research comprehensively enhanced the research empowerment of the Group and its customers, and became the “telescope” of the Group's strategic decision-making, the “compass” of the Group's business development and the “microscope” of the Group's risk judgment with objective, neutral, professional and in-depth research, and made great efforts to promote the integration of research and businesses and realize the cooperation between investment and research. **Made a comprehensive layout of “strategic research, market research and industry research”**. CIB Research has 12 research departments and 90 researchers. During the reporting period, CIB Research initiated the establishment of the Institute of Carbon Finance of the Industrial Bank and the Southeast Asia Institute of the Industrial Bank. On the basis of strengthening macro-research, financial research, green finance research, fixed income, foreign exchange and staple commodities, equity market and fund research, CIB Research has made great efforts to strengthen industry research, and initially achieved the full coverage of major industries in the national economy, among which research advantages have been formed in the fields of new energy for power equipment, medicine, chemicals, new materials, automobiles and high-end equipment manufacturing. **Served the investment and research collaboration of the Group**. CIB Research provided the comprehensive and in-depth research support for the Company's deployment of “consolidating the overall performance” and “laying out new tracks”. CIB Research provided the situation analysis and strategic suggestions for the Company's operation and management, assets and liabilities, risk management, fixed income strategy and wealth business strategy in a normalized manner, and supported the strategy and decision-making at the group level. CIB Research participated in the formulation and revision of the Company's annual industry risk access policy, the research of expert team of “technology flow” and the industrial chain of “chain length system”, and provided professional suggestions for major projects, supporting the business conduct and research and judgment at the industry, regional and project levels. CIB Research properly made the "converter" from professional research to business implementation through the "investment and loan collaboration" area of its APP, and supported the strategy of "commercial bank + investment bank" to firmly build a sustainable development model. During the reporting period, the coverage rate of services provided by CIB Research reached 100% for 26 departments of the Head Office, 95.6% for 43 branches and 90.9% for 10 subsidiaries, and CIB Research became a brainpower for external customers including national ministries, local governments, industry associations, entities and financial institutions. CIB Research completed 1,199 customized research tasks within the Group, provided 7,187 pieces (times) of reports and services within the Group, with the per capita output reports and services of the Company's researchers being 77 pieces (times), and carried out 587 times of roadshow training.

(8) CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. was established in December 2015 with a registered capital of RMB350 million. It is the first financial technology subsidiary of a bank in China and an indirect holding subsidiary of the Company. The Company indirectly holds 53.19% of its shareholding. Its business scope includes financial data processing, economic information consulting services, application software development and operation services, system integration services, etc. As at the end of the reporting period, the total assets of CIB FINTECH amounted to RMB1.21 billion and owner's equity was RMB271 million.

During the reporting period, CIB FINTECH continued to strengthen the integration of technology and business, consolidated the basic capabilities of technology, provided support for the implementation of strategies and business development of the Company, actively promoted the transformation of technology capabilities from self-use to sharing and empowered the digital transformation of peers. **Enhanced services of the Group**. It set up 12 first-level R&D centers, 7 directly affiliated departments, and 133 technical teams, and introduced experts in key technical fields such as cloud computing, artificial intelligence and metaverse. During the reporting period, there are 1,006 new employees and total number of employees amounted to 2,821. 78 projects have been put into operation, achieving a year-on-year increase of 82% in requirements, and greatly improving service efficiency. It empowered the development of "Three business cards" and "Five new tracks" with technology, facilitated the transformation of business model of the Group, improved customer experience and operational efficiency. **Strengthened the output of science and technology.** It promoted the construction of the "1+N" financial technology ecosystem and relied on the "Industrial Cloud" to cover "N" scenario-based ecological service such as payment and settlement, sales of wealth management products, investment and financing, digital RMB, and actively provided digitization transformation solutions for peers and enhanced depth of customer services. A total of 318 small and medium-sized financial institutions and 188 custodian banks have been launched for the output of science and technology. **Strengthened the base construction of new technology.** It focused on strengthening the layout of key technology fields such as cloud native, artificial intelligence, and multi-interaction (Metaverse) and actively developed basic capabilities of fields including cloud computing, privacy computing, open API, robotic process automation (RPA) and blockchain and enhanced operational quality and efficiency and customer interaction experience.

(9) China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd., a holding subsidiary of the Company with a registered capital of RMB1.95 billion, was registered with the approval of the People's Government of Fujian Province and the former CBRC and has the qualification to massively acquire and dispose non-performing assets of financial institutions as a provincial asset management company. Its business scope includes: participating in massive acquisition, transferring and disposal of financial institutions' non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions' non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; investment and asset management; asset securitization; fund custody management, among others. As at the end of the reporting period, Industrial Asset Management had total assets of RMB25.28 billion. During the reporting period, it achieved a net operating income of RMB832 million and a net profit of RMB369 million.

During the reporting period, Industrial Asset Management was successfully approved to participate in the pilot project for transfer of non-performing loans, laying the foundation for subsequent collection and disposal of single-account corporate non-performing loans and batches of personal non-performing loans. It accelerated the transformation and innovation of special-funded business, initiated the establishment of private equity investment fund for green special opportunities with focusing on supporting asset revitalization, liquidity improvement and debt risk mitigation of green enterprises in Fujian Province; initiated the establishment of Xingrui M&A private equity fund with focusing on serving distressed enterprises in Fujian Province, and supported the bankruptcy restructuring, acquisition and reorganization and industrial integration of the real economy with investment banking ideas and private fund platforms. It established a multi-product bond financing system and successfully issued the first local AMC perpetual mid-term note of RMB2 billion in China. During the reporting period, Industrial Asset Management collected and deposited various types of special assets involving creditor's right of a total amount of approximately RMB9.044 billion, representing a decrease of RMB12.426 billion as compared with last year; and disposed of various types of special assets involving creditor's right of a total amount of approximately RMB12.244 billion, representing an increase of RMB6.108 billion as compared with last year.

(10) China Industrial Inclusive Digital Financial Services Co., Ltd.

China Industrial Inclusive Digital Financial Services Co., Ltd. (formerly known as Fujian Financial Services Cloud Co., Ltd.) is a holding subsidiary of the Company with a registered capital of RMB100 million. Its business scope includes: software development, data processing and storage support services, information system operation and maintenance services, information technology and process outsourcing services (excluding financial information services) entrusted by financial institutions, information technology consulting services, financing consulting services, etc.

During the reporting period, CIB Inclusive Digital Finance deeply cultivated the construction and operation of the ecological platform of inclusive finance scenarios, and alleviated the financing issues of small and medium-sized enterprises through driving by big data and financial technology and through digital financial services. **Built and operate the "Financial Service Cloud" Platform, and linked the G-side-F-side-B-side**. CIB Inclusive Digital Finance has built the Fujian "Financial Service Cloud" Platform, which is positioned as an important financial infrastructure in Fujian Province and the first choice for government departments to implement various financial policies that benefit enterprises. Since the launch of the "Financial Service Cloud" Platform in 2019, 118 financial institutions have settled in the "Financial Service Cloud" Platform, and it has 255.4 thousand registered users. The "Financial Service Cloud" Platform has solved a total of 61.3 thousand financing needs, with inclusive loans to small and medium-sized enterprises accounting for over 98%, and solved a total financing amount of RMB210.151 billion, with the average amount of each financing being RMB3.431 million. At present, the Company's branches in Fujian Province have added 9,769 enterprise finance customers through the "Financial Service Cloud" Platform, of which 2,972 were added during the reporting period, representing a year-on-year increase of 44%. The "Financial Service Cloud" Platform solved the financing demand of RMB62.6 billion in total, and during the reporting period, it newly solved the financing demand of RMB26.925 billion, representing a year-on-year increase of 129%. At present, the independent versions of the "Financial Service Cloud" Platform built for Ningxia Autonomous Region and Yunnan Provincial Government have been put into operation. **Built and operated the platform of "CIB Inclusive", facing the national inclusive finance scenarios.** As one of the Company's "five online platforms", the platform of "CIB Inclusive" relies on the six functional systems of "Industrial Financing", "Industrial Registration", "Industrial Account Opening", "Industrial Account Agency", "Industrial Payment and "Industrial Wealth" to open up the "online + offline" businesses, connect “city + countryside” and integrate “corporate industries + retail”, and connects with 725 external ecological scenarios to provide comprehensive services covering “finance + non-finance” for small and medium-sized enterprises, individual industrial and commercial households and small and micro business owners. During the reporting period, there were 68.3 thousand registered users of the " CIB Inclusive" platform, and a total of 177.3 thousand financing requirements were posted, with an amount of RMB551.529 billion. 33.9 thousand various financing requests were satisfied in total, with an amount of RMB100.581 billion.

(11) Ciit Asset Management Co., Ltd.

Ciit Asset Management Co., Ltd. was established in April 2013 with a registered capital of RMB3.4 billion and is an indirect holding subsidiary of the Company. Its business scope includes asset management, equity investment, industrial investment, investment management and investment consulting. During the reporting period, Ciit Asset Management was upgraded to a first-tier subsidiary of the Company.

During the reporting period, Ciit Asset Management strove to exert the overall effect of investment-loan synergy, investment-private synergy, and investment-research synergy based on the strategies of the Group. **The main business of PE investment has been advanced steadily**. Facing the complex internal and external situations, Ciit Asset Management focuses on new energy, high-end manufacturing, medical care, corporate services, consumption upgrading and other fields, and achieved steady progress in the PE investment business. **The investment-loan synergy has achieved the overall development.** Multiple equity investment projects obtained sound gains in terms of commercial banks. It steadily promoted the investment-loan synergy strategy and **conscientiously carried out the government fund projects.** The Group has achieved remarkable synergy effects as well as good social and economic benefits.

(II) Business analysis

1. Corporate finance business

During the reporting period, the corporate finance business focused on serving the high-quality development of the real economy, worked intensively in key areas such as manufacturing, green finance, strategic emerging industries, inclusive finance and cross-border finance centering on the construction of a modern industrial system. It actively exerted efforts in steady growth and structural adjustment, continued to consolidate the basic market, and accelerated the development of new tracks. It enhanced the professionalism, synergy, and efficiency for serving customers, including integrating green into customer services, so as to promote the Group's "comprehensive green" transformation; created "commercial bank + investment bank" 2.0 to enhance the complex investment and financing capabilities for serving customers; promoted inclusive finance and science and technology innovation finance through digitalization to construct a new service model; facilitated the development of trade financing, payment and settlement and international business through the establishment of an ecological platform; served institutional customers through the construction of a comprehensive operation system. During the reporting period, the corporate financial business achieved the optimization and improvement of customers, assets, liabilities and capabilities.

(1)Basic corporate finance

The hierarchical and classified management system for customers has been optimized, and the scale and quality of customers have steadily improved. The Company focused on the three goals of “scale quantity, quality improvement and active customers” by focusing on customers, and strove to build a regular triangle enterprise finance customer structure with “strong head, robust waist and stable bottom”. The Company firmly followed the strategic orientation, followed the direction of regional economic growth and used digital means to broaden the high-quality and efficient customer acquisition path. As at the end of the reporting period, the customers of corporate finance business exceeded 1.2 million, increasing by 14.30% as compared with the end of last year. Among them, the number of valid and above customers increased by 14.79% from the end of last year to 511.3 thousand. During the reporting period, the number of new value and core customers was 20.9 thousand, representing a year-on-year increase of 2.83 thousand in the increment, and the turnover rate of existing core customers decreased by 1.93% year-on-year. The cooperative corporate customers of key customers at the head office level amounted to 16,115, representing an increase of 1,152 or 7.70% as compared with the end of last year.

In terms of assets, the Company accelerated the layout of strategic emerging industries, inclusive finance, green finance and other fields, deepened the "region + industry" operation, actively promoted to shift the focus downward and optimized the loan structure. As at the end of the reporting period, the balance of corporate loans in local and foreign currency amounted to RMB3,013.614 billion, representing an increase of RMB459.749 billion or 18% as compared with the end of last year. The Company focused on the transformation and upgrading of the manufacturing industry, the development of high-tech industries, the development of green industries as well as increase in loan supply. Among them, manufacturing loans increased by 33.71%, green finance loans of the PBOC increased by 40.34%, the loans of science and technology innovation, loans of strategic emerging industry, and medium and long-term loans of manufacturing industry increased by 56.59%, 67.14%, and 76.65%, respectively, contributing to the increment in loans significantly. The Company focused on key customer groups. The corporate loans in local and foreign currency (excluding discounting) of key customers at the head office level amounted to RMB873.327 billion, representing an increase of RMB157.715 billion as compared with the end of last year.

The Company continued to deepen the construction of Net Weaving Project, the construction of the scenario-based ecosystem, and the upgrading of payment and settlement tools, etc., to improve the level of customer operation services and strengthen the ability to expand settlement deposits based on the principle of customer-oriented. Under the premise of the steady growth of deposit scale, the Company actively promoted the optimization of deposit structure. As at the end of the reporting period, the balance of corporate deposits in local and foreign currency amounted to RMB3,648.860 billion, representing an increase of RMB133.166 billion as compared with the end of last year, of which the balance of settlement deposits in local and foreign currency amounted to RMB1,911.246 billion, representing an increase of RMB81.983 billion as compared with the end of last year. The average daily settlement deposits in local and foreign currency increased by RMB248.8 billion compared with the previous year, and settlement deposits accounted for 50%. The active liability management capabilities have been improved, and the cost of certificates of large-amount deposits and structured deposits has decreased by 11 BP and 13 BP respectively. Although the pricing of inter-bank certificates of large-amount deposits was generally higher than that of time deposits with the same term, the pricing of the Company's 3-year unit certificates of large-amount deposits was 5 BP lower than the time deposit with the same term. The average daily deposits of key customers at the head office level amounted to RMB958.618 billion, representing an increase of RMB140.823 billion as compared with the end of last year.

(2) Green finance business

During the reporting period, the green finance business of the Company has improved in quality and growth. As at the end of the reporting period, the balance of green finance business in the on-balance and off-balance sheet amounted to RMB1,629.760 billion, increasing by RMB243.057 or 17.53% billion from the end of the previous year. In particular, the balance of green loans of the PBOC was RMB637.072 billion, representing an increase of RMB183.132 billion or 40.34% compared with the end of the previous year.

Focused on key areas. The Company focused on supporting "carbon reduction, pollution reduction, and green expansion" fields of green finance. On the basis of consolidating the traditional advantages in the field of "water, soil, and air" pollution prevention and control, the Company accelerated the deployment of clean energy, such as wind power and photovoltaics. As at the end of the reporting period, the balance of green loans in the clean energy industry amounted to RMB132.571 billion, representing an increase of 82.44% compared with the end of the previous year. Upon the introduction of carbon emission reduction support tools by the central bank, the Company obtained the approved preferential funds of RMB26.563 billion for carbon emission reduction support tools and fully enjoyed the policy dividend. At the same time, the Company focused on key areas and invested a total of RMB1,062.796 billion in the nine green finance contracted provinces and regions. The green finance financing balance of the branches along the Yangtze River Basin amounted to RMB726.299 billion, and the green finance financing balance of the branches along the Yellow River Basin amounted to RMB298.658 billion.

Strengthened the "financing + intelligence" service. The Company actively docked with and participated in the national climate investment and financing pilot work and carried out the construction of climate investment and financing capacities. The Company improved the infrastructure in the carbon market, accelerated the layout of the carbon financial product system, replicated and promoted carbon emission reduction-linked loans and carbon asset pledged loan products, and initiated the construction of carbon accounts. A total of 29 national carbon quota pledge financing transactions have been implemented, with pledged quotas of 6.294 million tons, and the pledged financing amount of RMB460 million. The Company promoted the innovation of green financial products and service models, implemented innovative businesses such as carbon emission reduction loan financing guarantees, marine fishery carbon sink transactions and green loans based on green building performance guarantees. As at the end of the reporting period, a total of 1,346 projects of the Company were subject to the Equator Principles, with a total investment of RMB5,173.939 billion.

(3) Investment banking business

During the reporting period, the Company's investment banking business continued to improve the coordination mechanism, product system and customer service solutions to create the "commercial bank + investment bank" 2.0. Based on customer needs, the Company integrated the license functions of the Group, focused on capital market, equity business and other products, thereby providing customers with more complete comprehensive financial solutions. Meanwhile, the Company focused on synergy within the Group, connected the asset side and wealth side, product side and capital side to realize the closed loop of capital and further stimulate the synergy and empowerment effect of "commercial bank + investment bank".

In terms of bond underwriting business, underwriting scale of non-financial corporate debt financing instruments amounted to RMB686.083 billion, ranking second in the market; the underwriting scale of overseas bonds amounted to USD7.767 billion, ranking first among Chinese-funded stock banks. The underwriting scale of green non-financial corporate debt financing instruments amounted to RMB35.45 billion, ranking second among joint-stock banks. The Company launched innovative products such as the first batch of sci-tech innovation bills, the first social responsibility bonds, and the first private enterprise green panda bonds in the market.

In terms of asset circulation business, the Company established the external circulation mechanism of market funds through the circle of partners of the investment banks. During the reporting period, the asset circulation amounted to RMB436.513 billion. Among them, credit asset securitization and asset circulation of BCARC ranked second in the banking industry and first in joint-stock banks. The Company continued to create an open and integrated agency promotion business model and syndicated business to satisfy the diversified financing needs of customers in an integrated and multi-channel manner.

In terms of M&A and capital market business, the M&A business focused on high-end manufacturing, new energy and big health fields. During the reporting period, M&A business amounted to RMB162.135 billion, representing a year-on-year increase of 77.01%. In terms of capital market business, the Company built a full-cycle capital market service system to provide services to customer groups and shareholders of proposed listed companies and listed companies. During the reporting period, the capital market business amounted to RMB27.772 billion, representing a year-on-year increase of 83.06%

In terms of equity business, the Company integrated the equity investment functions and teams within the Group to develop a more compliant, professional and systematic comprehensive capability and brand in relation to equity investment. During the reporting period, the projects mainly involved in ten segments including semiconductors, new energy vehicles, photovoltaics, energy storage and industrial Internet.

The commercial-investment linkage has achieved significant benefits. During the reporting period, there were 606 key group customers of the investment banking business, representing an increase of 96 over the previous year. The average daily settlement deposits of key group customers of the investment banking business amounted to RMB586.094 billion, representing an increase of RMB107.729 billion over the previous year. In terms of the investment banking business, assets of RMB313.392 billion were jointly provided by various departments and subsidiaries within the Group. There are more than 40 thousand customers for payroll agency and more than 230 new private banking customers. The commercial-investment linkage has achieved remarkable results.

(4) Inclusive finance business

During the reporting period, the Company took the initiative to integrate into the new development pattern and renamed the Department of Small and Medium-sized Enterprises as the Department of Inclusive Finance (Department of Rural Revitalization), actively deployed inclusive finance and sci-tech innovation finance, built a new model of financial services for rural revitalization and supported real economy for high-quality development. As at the end of the reporting period, the balance of inclusive loans for small and micro enterprises under CBIRC amounted to RMB404.161 billion, representing an increase of RMB105.389 billion or 35.27% over the end of the previous year. The number of customers of inclusive loans for small and micro enterprises was 198.4 thousand, representing an increase of 45.1 thousand compared with the end of the previous year. During the reporting period, the cumulative weighted average interest rate of inclusive loans for small and micro enterprises was 4.14%, and the non-performing rate was 0.63%. The Company has 2,058 outlets, including 1,063 traditional sub-branches and 830 community sub-branches.

"CIB Inclusive" has been upgraded and rejuvenated driven by digitalization and high efficiency. The Company iterated and upgraded "CIB Inclusive", completed the construction of four online financing product systems of "credit type", "mortgage type", "supply chain type" and "guarantee type" for small, medium and micro enterprises, and continued to enrich online financing products in combination with industrial chain, rural revitalization, sci-tech innovation finance, public and private linkage and other scenarios. As at the end of the reporting period, the online financing loans balance of small, medium and micro enterprises amounted to RMB29.381 billion, representing an increase of RMB20.110 billion from the end of the previous year. "CIB Inclusive" has satisfied a total of 33.9 thousand financing requirements, with an amount of RMB100.581 billion.

The sci-tech innovation finance achieved improvement in efficiency and quantity by leveraging on "technology flow". The Company focused on key branches, gave full play to the advantages of "commercial bank + investment bank", made full use of the "technology flow" evaluation model to enrich the whole-life cycle products of sci-tech innovation finance, provided financial support for sci-tech innovation enterprises to achieve the increase both in the number of customers and scale. As at the end of the reporting period, there were 51.7 thousand cooperative sci-tech innovation enterprises, representing an increase of 11.7 thousand from the end of the previous year, and the loan balance amounted to RMB343.659 billion, representing an increase of RMB124.196 billion or 56.59% from the end of the previous year.

Served the national strategy to develop rural revitalization financial services with "Industrial Characteristics". The Company centered on the agricultural product wholesale market, innovated and established the intelligent agricultural wholesale system, created and launched financial service projects with the science and technology commissioners, replicated and promoted the live-animal mortgage loan model, and provided financial services around regional characteristic industries. As at the end of the reporting period, the balance of agriculture loans amounted to RMB580.982 billion, representing an increase of RMB114.813 billion from the beginning of the reporting period; the balance of inclusive agriculture loans amounted to RMB40.841 billion, representing an increase of RMB12.786 billion from the beginning of the reporting period.

(5) Institutional business

During the reporting period, the Company promoted the establishment of a comprehensive business service system for institutional customers, coordinated and managed the development, management, maintenance and application promotion of products relating to institutional business, and established an institutional business department on the basis of the original secondary department. The Company strengthened the head office-to-head office docking of major businesses to effectively improve the comprehensive financial services for institutional customers, and promote the quality and quantity of financial agency business. The Company realized central-level business of RMB125.3 billion, representing a year-on-year increase of 20.71%. As at the end of the reporting period, the number of institutional customers was 51,393, representing an increase of 13,487 from the end of the previous year; the average daily deposit amounted to RMB1,013.2 billion, representing an increase of RMB12.647 billion from the end of the previous year. The leading position of the institutional business in the same type of joint-stock banks continued to be solid.

Expanded financial downstream customers and increased the settlement deposits by taking financial chain marketing as the starting point. During the reporting period, the Company undertook the chain marketing of financial funds of RMB390.6 billion, representing an increase of 8.32% year-on-year. The Company undertook marketing for 2,914 downstream key collection units, resulting in the average daily increase of downstream corporate customers by RMB17.9 billion compared with the end of the previous year.

Built the bank with first inquiry accountability for special debt and financial advisory business, and strengthened on introduction and acquisition of customers. The issuance amount of special bond financial advisory services was RMB542.384 billion, accounting for 13.47% of service scale in the market. Funds to deposit back amounted to RMB279.709 billion, representing a year-on-year increase of 23% and accounting for 6.93% in the market.

The linkage of the three terminals strengthened the ecological construction of the industry. The Company promoted the three-terminal linkage of G (government) B (enterprise) and C (retail) of the ecosystem in key industries, consolidated the advantageous fields and cultivated new momentum to achieve a total of 599 items in respect of industry ecological construction, platform linkage, and qualification acquisition, representing a year-on-year increase of 65.47%. The Company obtained the qualifications for displaying electronic medical insurance certificate codes in 29 provincial-level regions, the qualifications for medical insurance mobile payment in 10 provincial-level regions, and the qualifications for education and training fund supervision banks in 22 provincial-level regions, and effectively introduced corporate finance and retail customers in batches through qualifications of institutional customer.

(6)Transaction banking business (International business)

During the reporting period, the Company thoroughly implemented the national strategy of high-level opening up and building a new development pattern of domestic and international dual circulation, integrated the Group's service resources, established a transaction banking department (international business department) on the basis of the transaction banking department, and promoted the development of trade financing, payment and settlement and international business.

Accelerated the digital transformation of supply chain finance and optimized and upgraded the one-stop supply chain finance platform of the whole network. The Company continued to promote the online, automation and intelligent level of supply chain business. As at the end of the reporting period, the qualified balance of supply chain financing was RMB373.765 billion, representing an increase of RMB48.549 billion or 14.93% over the end of the previous year; 775 core cooperative enterprises introduced 11,660 upstream and downstream customers, representing an increase of 2,023 or 20.99% over the end of the previous year.

Enriched the innovative products and broadened the bill trading ecology. The Company built a full-scenario service ecosystem for bills and continued to stabilize the Company's position as the main settlement bank for customers' bills. As at the end of the reporting period, the pooling volume of the bill pool business was RMB302.868 billion, representing an increase of RMB10.328 billion or 3.53% over the same period of the previous year. The business volume of bill pool financing was RMB271.299 billion, representing an increase of RMB25.501 billion or 10.37% over the same period of the previous year.

Strengthened the application of digitalization and built a scenario-based service ecosystem. By taking the strategy of "embedding scenarios and building platforms" as a breakthrough, the Company has comprehensively improved the digital service level of scenario ecology, independently built the ecological platforms of scenario in key industries such as "Cai Zi" cloud platform, education cloud platform and housing rental fund supervision platform, and gradually formed a new pattern of business linkage development among F-side (interbank), G-side (government), B-side (enterprise) and C-side (retail). As at the end of the reporting period, a total of 4,716 scenario-based ecology projects were implemented, of which 1,762 were implemented during the reporting period, representing a year-on-year increase of 73.60%.

Promoted the integrated construction of Industrial Steward to effectively improve customer service experience. The Company released the brand of "Industrial Steward". The channel side aggregated various service forms such as PC side, mobile side, direct connection side, WeChat official account and applet, and the product side aggregated various financial and non-financial services. The Company realized the sharing and interconnection with various scenarios and ecology with the concept of open banking, and helped the digital transformation of economic society and customer operation. As at the end of the reporting period, the number of electronic channel customers of the "Industrial Steward" corporate finance reached 992.9 thousand, representing a year-on-year increase of 19.55%.

Improved the international business product system to meet the needs of customers for cross-border financial services. The Company strengthened the promotion of international syndicates and overseas loans to assist large-scale enterprises in the construction of projects in key areas such as the "Belt and Road Initiative" and RCEP; innovated and launched "cross-border financing for small and micro enterprises" products to enrich inclusive financial support for small and micro enterprises engaged in foreign trade business; optimized and upgraded the global fund management series products, built a domestic and overseas integrated cross-border treasury management system and enhanced the services for new foreign trade business through digital transformation. As at the end of the reporting period, the cross-border settlement amount of corporate finance in local was USD311.376 billion, representing a year-on-year increase of 13.45%; the cross-border RMB receipt and payment amount of corporate finance reached1,386.290 billion, representing a year-on-year increase of 49.88%; the average daily deposits of domestic corporate finance in foreign currency amounted to USD16.034 billion, representing a year-on-year increase of 18.57%; the average daily loans of domestic corporate finance in foreign currency amounted to USD15.059 billion, representing a year-on-year increase of 31.27%.

2. Retail finance business

During the reporting period, the retail finance business focused on serving the aspiration of the people to live a better life, optimized customer hierarchical and classified management, enriched the retail product system, upgraded the service model, actively deployed the pension finance business, strengthened the construction of the wealth and private banking team and accelerated the development of credit card scenario-based ecology. The Company took the opportunity of the reform of system and mechanism to deepen the integration of public and private operations, accelerated the empowerment of digital transformation, promoted the integration of online and offline and continued to expand the service scope. During the reporting period, the Company achieved good results in expanding its basic customer base and converting value customers.

(1) Basic retail

Consolidated the retail customer base. As at the end of the reporting period, the number of retail customers was 91.752 million, representing an increase of 12.5321 million or 15.82% over the end of the previous year; the number of active customers of the mobile banking was 49.2039 million, representing an increase of 5.9436 million over the end of the previous year, and the number of monthly active users was 20.9502 million. The replacement rate of Internet financial counter transaction was 96.25%.

Enhanced the scale of personal deposits. The Company strengthened the coordination and promotion, relied on key customer groups, focused on the agency business and the achievement of key products in acquiring and stabilizing customers and made every effort to expand the scale of low-cost settlement deposits. As at the end of the reporting period, the balance of personal deposits was RMB1,089.028 billion, representing an increase of RMB292.693 billion from the end of the previous year, of which the balance of settlement deposits was RMB484.934 billion, representing an increase of RMB118.474 billion from the end of the previous year.

Vigorously expanded long-tail customers. Relying on digital means, the Company strengthened online and offline cooperation. Through centralized operation of the platform and the construction of scenario–based ecology, the Company established ecological connections with external platforms and interconnected with high-frequency scenarios to realize more payment settlements and effectively satisfy the financial and non-financial needs of retail long-tail customers. As at the end of the reporting period, the Company opened 813.3 thousand digital RMB personal wallets, of which 625.9 thousand were real-name wallets of three types and above. The accumulative number of effective card-binding customers for two-card fast payment was 48.5536 million, representing an increase of 5.9731 million or 14.03% from the end of the previous year; the overall card binding rate was 55.33%, representing an increase of 3.10 percentage points from the end of the previous year. The accumulative number of two-card fast payment transactions was 3.029 billion, representing a year-on-year increase of 5.14%. Total transaction amount was RMB1,481.382 billion, representing a year-on-year increase of 7.64%. The number of mobile payment customers of UnionPay cloud flash payment was 23.1724 million, representing an increase of 3.137 million or 15.66% from the end of the previous year.

Accelerated the layout of personal pensions. As the first batch of institutions approved to carry out personal pension business, the Company gave full play to the advantages of agile mechanism, formulated marketing plans, optimized business processes, strengthened integrated operations and coordinated the promotion of personal pension business, thereby achieving good results. As at the end of the reporting period, the Company has opened a total of 2.2916 million personal pension accounts, ranking third in the industry, with a market share of more than 10%.

(2) Retail loans

During the reporting period, the Company continued to promote the diversified development of retail credit, accelerated the digital transformation of retail loans, expanded business channels, innovated loan products and promoted the integration of public and private operations. The scale of retail loans increased steadily and the business structure continued to be optimized. As at the end of the reporting period, the balance of the corporate retail loans (excluding credit cards) amounted to RMB1,445.211 billion, representing an increase of RMB60.74 billion or 4.39% over the end of the previous year. Among them, the balance of personal business loans amounted to RMB280 billion, representing an increase of RMB76.897 billion or 37.86% from the end of the previous year; the balance of personal consumption loans amounted to RMB67.888 billion, representing an increase of RMB7.687 billion or 12.77% from the end of the previous year; the corporate non-mortgage loans accounted for 24.07% of retail loans, representing an increase of 5.05 percentage points from the end of the previous year.

Improved the construction of mortgage business channels and strengthened the cooperation of the head office to head office business. The Company promoted the head office to head office cooperation with the leading real estate developers and housing intermediaries by combining with the changes of market environment and regulatory policies and taking the public-private integration as the starting point, and constantly broadened the breadth and depth of mortgage business channels. **Focused on core enterprises and promoted the development of retail non-mortgage loans.** The Company promoted the “Hundred Thousand Plan” to promote the development of scenario finance by focusing on the upstream and downstream operation needs of the supply chain of core enterprises and the consumption needs of high-quality employees of public enterprises and relying on self-operated online industrial flash loan products. As of the end of the reporting period, the balance of self-operated industrial flash loan business was RMB18.045 billion, representing an increase of RMB12.122 billion and an increase of 204.66% as compared with the end of last year. **Served the rural revitalization and vigorously promoted the “Photovoltaic Loan” and the “Agricultural Wholesale Loan”**. As of the end of the reporting period, the balance of the Company's photovoltaic loan business was RMB1.04 billion. The Company created the exclusive product for retail agricultural wholesale loan, and through the sand table operation for 200 agricultural wholesale markets, the Head Office and branches jointly promoted this business. At the end of the reporting period, the balance of agricultural wholesale loans was RMB938 million. **Made a layout of the car finance ecosystem, and achieved a new breakthrough in retail car finance loans.** The Company completed the construction of the car label system for existing customers and improved the accurate portrait of customers. The Company relied on the “Industrial Living” to develop specialized area for “Car Living” and build a platform for car owners to interact and enjoy their rights and interests. The Company launched the function of tying cars in the "Industrial Living" and mobile banking, improving the data construction of car owners and cars, and realizing the function of tying cars to get customers. The Company launched the key projects such as Genius Auto and Tuhu Car Maintenance.

(3) Wealth management

During the reporting period, for the wealth business, the Company adhered to taking the customer's demand as the core and the digital transformation as the starting point, integrated and adjusted the former Retail Wealth and Liability Management Department, established the Wealth Management Department, and transferred the "Qianda Money Manager" that originally belonged to the bank cooperation center to the Wealth Management Department, realizing the comprehensive integration of the "Qianda Money Manager" and the retail wealth, providing customers with the whole journey of wealth management, and firmly polishing the business card of "wealth bank". As at the end of the reporting period, the balance of retail comprehensive financial assets amounted to RMB2,824.516 billion, representing an increase of RMB215.506 billion or 8.26% over the end of the previous year; the number of VIP customers was 4.0531 million, representing an increase of 354.2 thousand or 9.58% over the end of the previous year, and a year-on-year increase of 117 thousand in increment; the number of registered users of Qianda Money Manager was 14.9461 million. During the reporting period, the number of monthly active users (MAU) was 508 thousand, representing a year-on-year increase of 153.24%.

Improved the operation of customer groups. The Company accelerated the digital transformation, improved the KYC and label system, provided accurate wealth management services to customers by relying on rich and three-dimensional portraits of customer groups, and continued to operate the customer journey of "Industrial Growth" to drive the growth of customer groups. **Enriched the product supply.** The Company strengthened the screening and introduction of high-quality assets and comprehensively enriched the product shelves. As of the end of the reporting period, the Company had reached the sale agency cooperation with 309 institutions, with more than 40,000 surviving products and more than 10,000 products on sale, providing customers with diversified product configuration options. The Company has built a product system of "Industrial Pension Yan Xuan" and introduced 125 personal pension investment products, which are at the forefront of the market in pertinence and richness. **Accelerated the digital transformation.** The Company empowered the operating capabilities of customer groups, and accurately penetrated and excavated the customer groups around the customers' operation journey. The Company empowered the product supply ability and realized that the product system covered five categories and dozens of subcategories. The Company empowered the wealth planning capability, built the KEY asset allocation system, and launched the function of "wealth examination", examining a total of 910 thousand person-times of customers and purchasing products with the amount exceeding RMB10.5 billion. **Strengthened the brand and team building.** During the reporting period, the Company held more than 10,000 wealth activities to achieve the comprehensive coverage of wealth customers. The Company strengthened the building of wealth team from the three dimensions of "quantity", "quality" and "efficiency", and empowered financial managers digitally to make the customer wealth services more professional, accurate and intelligent.

(4) Private banking

During the reporting period, the Company's first joint-stock private banking franchise which had been approved for establishment was officially opened, aiming to be a boutique private bank with distinctive industrial characteristics. As at the end of the reporting period, the average daily private banking customers were 63,008, representing an increase of 8.16% from the end of the previous year. The monthly average daily comprehensive financial assets of private banking customers amounted to RMB803.347 billion, representing an increase of 8.20% from the end of the previous year.

The Company's private banking business focused on entrepreneur high-net-worth persons and the enterprises and families behind them, and shaped the capability of sustainable development. **Strengthened the refined customer management.** Focusing on all stages of private bank customers' life cycle, the Company has created a brand-new online marketing system of "Xing Zuan Growth", with 22,613 private bank customers reaching the standards and an average increase of AUM of RMB9.0503 million. At the same time, the Company improved the service level of high-net-worth customers and met the comprehensive financial service needs of customers through various ways, such as enriching diversified asset allocation options, innovating and optimizing the family office business, and iteratively upgrading the value-added services. **Strengthened the public-private integrated operation.** The Company launched a new private-public integration operation model of "Xing Qi Hui" to promote collaborative customer acquisition. During the reporting period, the number of new diamond customers of the enterprise finance linkage private banks increased by 7,102, and the number of new enterprise finance customers opening accounts with the enterprise finance linkage private banks was 2,169. At the same time, the Company actively promoted the optimization and reform of the public-private integrated operation system of the pilot branches and explored the construction of direct sales centers for private banks to serve the real economy. **Strengthened the digital upgrading.** The "Private Bank Business Intelligent Investment Consulting Service System" independently developed and designed by the Company was officially launched, providing customers with financial steward services such as investment strategy consulting, wealth product selection and asset allocation portfolio scheme on the mobile APP, and giving full play to the new advantages of wealth consulting services empowered by financial professionals.

(5) Credit cards

During the reporting period, while maintaining a sound business development momentum, the Company promoted product and service upgrading from the perspective of customers to achieve high-quality, sustainable and healthy development of the credit card business. As of the end of the reporting period, the Company had issued a total of 66.3042 million credit cards, representing an increase of 11.06% over the end of the previous year. During the reporting period, there are 6.6041 million new cards. During the reporting period, the cumulative transaction amount amounted to RMB2,774.663 billion, representing a year-on-year increase of 5.19%.

Accelerated the ecological construction of scenarios. The Company focused on high-quality customer acquisition scenarios, strengthened the linkage between debit cards and credit cards and the public-private linkage, and met the card use demand of young customers and high-quality correspondent customers. The proportion of card issuance in large-scale supermarkets, hot-spot cultural tours, stationary points of high-quality enterprise and other scenarios was steadily increasing. The Company deepened the marketing cooperation with many leading Internet platforms such as Taobao and JD, improved the scenario ecology, and expanded the number of leading brands of the "6 points" activity rights system to 59, so as to enhance the customers' consumption transaction experience. The Company accelerated the layout of the new auto finance track, increased cooperation with auto manufacturers and dealers such as NIO, ZEEKR and HiPhi, and launched a series of marketing activities such as online live broadcast, offline test drive and holiday gratitude feedback. The transaction scale grew rapidly.

Improved the digital capability. The "Hao Xing Dong" APP was upgraded to the "Industrial Living", opening up the special functions of mobile banking and "five online platforms". The Company launched the specialized area for "Car Living", created functional sections such as car binding, maintenance, new energy and mobility, put up car coupons, and built a one-stop car service scenario, further improving the level of online financial services. As of the end of the reporting period, the number of registered users of the "Industrial Living" exceeded 37 million, and the average monthly MAU exceeded 12 million. The Company completed the upgrading of important systems such as data mart and "Xing Si Nan" and the construction of digital marketing tool projects. The Company reconstructed the credit card risk management system, improved the digital risk control capability, accelerated the construction of quantitative models for pre-loan A card, interim-loan B card and post-loan C card, improved the model discrimination capability, and adopted differentiated strategies according to the risk and income performance of existing customers to promote customer replacement and achieve structural optimization.

Protected the rights and interests of consumers. The Company established and improved a full-process consumer protection system, strengthened the protection of consumer rights and interests, maintained financial order and better utilized consumer protection resources to help customers in real difficulties.

3. Interbank and financial market business

During the reporting period, the interbank and financial market business took serving the real economy and customer needs as its own responsibility. Insisting on the positioning of "integrated service provider for financial institutions" and "integrated operator of financial markets", the Company gave full play of the advantage of the basic business system of "entire customer base, entire market, all products and entire chain", and launched financial market business based on interbank cooperation to provide in-depth services to interbank customers, financial markets and the real economy. During the reporting period, the capacity of comprehensive financial service of "clearing and settlement + depository and custody", "investment + financial market" and "investment banking + wealth management" has been improved. The Company continued to expand the circle of partners in the same industry, accelerated the integration of the ecosystem, continuously consolidated the advantages of asset management, capital business, and asset custody business, continuously strengthened the synergy, and further expanded the space for transformation and development to achieve the continuous improvement in comprehensive value and efficiency.

(1)Interbank customer service

Expanded the partners circle in the same industry. The Company constantly adhered to the principle of the customer-centered and provided comprehensive and in-depth services to various fields of the financial industry. In terms of services in the financial factor market, the Company continued to provide efficient and stable clearing and settlement services and carried out in-depth cooperation in the fields such as financing services, investment transactions and system construction. During the reporting period, the settlement volume of securities funds exceeded RMB20 trillion, the settlement volume of various futures exchanges exceeded RMB2 trillion, and the settlement volume of Shanghai Clearing House exceeded RMB1.6 trillion. In terms of cooperation with financial institutions in the same industry, the Company established a hierarchical and classified service system to provide comprehensive financial solutions for different types of financial institutions. During the reporting period, the cooperation coverage rate of interbank legal person customers in major domestic industries maintained above 95%. The Company established a global banking cross-border service network with 1,172 banks in 89 countries and regions around the world. 153 Chinese-foreign banks became indirect participants of the Cross-Border Interbank Payment System (CIPS) through the Company.

Accelerated the promotion of ecological integration. The Company actively implement the "commercial bank + investment bank" strategy, and cooperated with leading non-bank institutions to carry out the construction of an "investment bank + investment" ecosystem. On one hand, the integrated operation of "investment, underwriting, sales, and custody" jointly served "customers of interbank customers". Innovative businesses such as IPO of red-chip enterprises and public offerings of REITs have taken the lead in the market, and the direct financing needs of bond issuance and underwriting and M&A loan services were accurately matched. On the other hand, the Company comprehensively integrate superior products, channel resources and technology capabilities, reshaped the digital brand - Bank-to-Bank Platform, and promoted customer relationship management and digitization of products, sales, transactions and services.

Transformation and reconstruction of assets and liabilities. The Company was committed to the development of "clearing and settlement + depository and custody" interbank liabilities to match the settlement and financing needs of interbank customers and the financial market and maintained a stable scale of interbank liabilities and proper cost control. The asset allocation of major categories in the industry continued to be optimized, and the proportion of standardized products remained at a high level. The Company diversified qualified counterparties, and leveraged on investments to effectively promote the coordinated development of depository, custody, and investment banking businesses, further enhancing trading capabilities.

Bill business achieved a breakthrough growth. During the reporting period, the Company vigorously developed special products such as green bills, sci-tech innovation bills, private bills, etc., which promoted the growth of bill discount business. The discount business volume exceeded RMB1 trillion during the reporting period. At the same time, the Company strengthened the research and judgment on the interest rate market, vigorously developed bill transactions, further facilitated corporate financing and effectively served the real economy.

(2)Bank-to-Bank cooperation business

In 2007, the Company took the lead in launching the interbank financial brand "Bank-to-Bank Platform" in the industry. Over the years, the Company has been committed to cooperation with various types of interbank customer and formed a huge interbank "partner circle". With the in-depth advancement of digital transformation, the Bank-to-Bank Platform has been upgraded with the concept of open banking and innovative technologies. Centering on three core positioning of a unified portal for financial institutions and financial products, an investment transaction hub and a financial service supermarket and with serving "three business cards" of green banks, wealth bank and investment bank as strategic guidance, it provided customers in the same industry with one-stop investment and financing, capital transactions, wealth management, FICC, cross-border business, payment and settlement, open operation, financial information, technology output and other comprehensive services, extended and empowered corporate and retail customers of interbank customers, so as to form a unique "interbank+" ecosystem. As of the end of the reporting period, there were more than 5,100 cooperative customers in the Bank-to-Bank Platform.

Supported the multi-level payment and settlement needs of interbank customers and always maintained a leading edge in the market. The Company supported the RMB internationalization strategy, provided agency services for 153 domestic and foreign banks to access the RMB cross-border payment system and acted as an agent for 14 bond-connect cooperation institutions, ranking in the forefront of similar banks. The Company carried out cooperation with 100 small and medium-sized banks on the international version of the Bank-to-Bank Platform for cross-border linkage business such as agency foreign currency settlement, fund lending, foreign currency debt investment, and FICC. The Company provided digital RMB services for 2.5-tier cooperative banks. The number of contracted institutions has exceeded 80, covering various types of customers such as joint-stock banks, provincial associations, urban and rural commercial banks and private banks. "Hui Shou Fu" focused on providing exclusive inter-bank collection and payment services for customers of non-bank financial institution, and the settlement volume reached RMB4.6 trillion, representing a year-on-year increase of 53%.

Provided financial institutions with intensive investment and financing services to meet liquidity and wealth appreciation needs. The Company gave full play to the advantages of the customer base of the Bank-to-Bank Platform, shared wealth management services with the customer groups of small and medium-sized banks, provided high-quality wealth management products for third- and fourth-tier cities and rural areas, and provided the support in respect of system construction, personnel training, intelligent operation and other empowerment for small and medium-sized banks, improved the quality and efficiency of wealth business of small and medium-sized banks, jointly developed the local wealth market, increased residents' property income, supported rural revitalization to achieve common prosperity. As of the end of the reporting period, there were more than 300 service agencies.

In terms of green banks, provided integrated banking solutions for interbank customers. The Company realized the sharing economy through the intensive operation of the core system, and delivered special single-product service such as the green banking system, bill discounting, robotic process automation (RPA), disaster backup, shared the Company's technology capabilities and advantages of green finance. As of the end of the reporting period, there were 245 institutions in respect of the output of science and technology.

(3) Asset management business

The asset management business of the Company developed steadily. At the end of the reporting period, the scale of products under management exceeded RMB2 trillion, reaching RMB2.09 trillion, representing an increase of RMB307.283 billion compared with the end of the previous year. The scale of products under management ranked third among banks in the market. The balance of new products meeting the new asset management regulations exceeded RMB2 trillion, accounting for 98.58% of the total balance of wealth management products. The Company gave full play to the role of the "hub" in the Group's wealth chain, coordinated the Group to build assets around the investment map, and promoted the increase in corporate finance and retail customers, so as to achieve the obvious synergy effect within Group.

Deepened the combination of investment research and empowerment, and improved the multi-asset and multi-strategy layout. On the basis of in-depth research, the Company improved the construction of "strategy pool", continued to build a competitive strategy system in the industry, actively deployed and applied the hedging strategy, arbitrage strategy, trading strategy, risk parity strategy, trend strategy, etc., simultaneously promoted the construction of convertible bond investment pool, and expanded the investment boundary. On the product side, the Company continued to enrich the product system of "eight cores and three characteristics", built a new product line with the shortest holding period, and launched new products including structured wealth management, foreign currency wealth management and "Xing Dong" index.

Expanded the asset coverage of the "new track", and promoted the transformation and reconstruction of the wealth management business. On the basis of giving full play to the investment advantages of the fixed-income side of wealth management, the Company integrated its investment and research strength, selected high-quality funds for storage, and formed a fund pool covering over 2,000 primary and secondary bond funds, interest rate bond funds and credit bond funds on the bond investment side. The Company actively innovated the business varieties and created a number of "first order" demonstration effects. The asset structure was continuously optimized, and the capital market business continued to increase, with a year-on-year increase of over 140%. The public offering REITs investment achieved the full coverage of market issuance.

The rectification of cash products ended successfully, and the investment and payment scenarios were integrated and upgraded. The Company completed the rectification of cash products, promoted the integration and upgrading of investment and payment scenarios according to the income of standardized cash products and the characteristics of customer groups, and deeply and thoroughly made "small change management". The Company launched the "Tian Tian Bao" 7x24 uninterrupted combination service, which supported various payment scenarios and quick redemption within a certain amount, and met the liquidity needs of customers while providing profitability. According to the customers' needs, the Company launched the cash short-term bond products to serve customers' diversified needs. With the advantages of cash products, the Company drained the redemption funds and gave full play to the role of scale stabilizer.

Accelerated the process of system construction and comprehensively improved the technology empowerment. In terms of investment research, the Company launched outsourcing management module, major asset allocation module, asset value analysis module and team cockpit module, and upgraded functions such as performance analysis and competitive product analysis based on the needs of channels and investment management. In terms of data standardization, the Company built an asset management data analysis platform with positioning of a unified data hub of the company to provide more than 110 data service file interfaces. In terms of system integration outside the Bank, the Company realized the full coverage of the system integration of state-owned stock banks and top Internet banks to further consolidate advantages of channel layout.

Improved the whole-process management of wealth management products and deployed an agile risk monitoring system. The Company strengthened risk management and control in key areas, carried out comprehensive investigations on governmental credit and real estate businesses, firmly promoted various risk disposal, and consolidated asset quality under wealth management. The Company formulated a plan for monitoring product threshold deviation to realize systematic measurement based on product net value indicators such as product volatility, drawdown ratio and maximum drawdown. The Company independently built the risk control subsystem and launched it during the reporting period, completed the construction and migration of over 300 risk control indicators and continuously improved the professional ability of comprehensive risk management.

(4) Capital business

During the reporting period, the Company's capital business continued to consolidate its advantages. While serving the real economy, it promoted high-quality business development and facilitated the Company to become a "integrated service provider for financial markets" and "integrated operator of financial markets".

Comprehensively improved the full-product and full-featured operating capabilities in respect of underwriting, distribution, investment, trading, market making, derivatives and risk management in the financial market. The underwriting of interest rate bonds increased by 25.50% year-on-year to RMB838.841 billion. Bond investment achieved a significant increase in the after-tax income arising from bid-ask spread of bonds. The bond investment trading strategy was combined with customer needs. During the reporting period, the amount of bond bidding and spot bonds transactions with 342 counterparties amounted to RMB307.225 billion. It maintained a leading position in the market in terms of ranking in respect of market-making transactions in the fields of bonds, interest rates, exchange rates, precious metals, etc., continued to make greater efforts on market-making transactions and sales, promoted transaction empowerment and created a transaction ecosystem.

Developed and satisfied the needs of physical customers and provided comprehensive service solutions in the financial market. The Company achieved full coverage of all types of interbank customers, concluded bond lending business of RMB1,034.9 billion with 170 counterparties, operated exchange rate hedging business for 1,970 corporate customers and carried out exchange rate business of RMB764.3 billion. It promoted the creation of credit risk mitigation warrant (CRMW) of the Company and facilitated the establishment of a credit risk sharing mechanism to reduce financing costs for real enterprises. The income of the agency FICC business was RMB3.380 billion.

Strengthened the internal and external linkage of business lines to promote the improvement in business, customer expansion and comprehensive benefits. Investing in local bonds and government bonds brought deposits of total RMB461.342 billion; investing in RMB credit bonds and ABS led to underwriting and raising funds achieving RMB507.557 billion and the custody achieving RMB193.684 billion. It diversified the product structure, promoted product transformation, strengthened transaction strategy empowerment, and continued to provide corporate and retail customers with structured deposit products linked to gold and foreign exchange subjects to help customers realize their needs for capital preservation and appreciation. It can meet the major asset allocation needs of 100 thousand retail customers of the Company through gold accumulation products to improve comprehensive return on investment of customers.

(5) Asset custody business

During the reporting period, the structure of the Company' asset custody business continued to optimize and its comprehensive service capabilities and innovation capabilities continued to improve, which helped consolidate the advantages of the Company in the industry and the financial market. As of the end of the reporting period, the Company's asset custody business ranked first in the industry, with 36,806 products under online custody, ranking second in the industry. The scale of the asset custody business was RMB15.26 trillion, representing an increase of 8.13% over the end of the previous year. The income of custody intermediary business amounted to RMB3.551 billion.

Continued to optimize the business structure. The scale of net worth products accounted for more than 50%, and the income accounted for more than 70%. The ranking of key business industries has been steadily improved. The custody scale of securities investment fund was RMB2.25 trillion, ranking third in the industry and the first in joint-stock banks. The custody scale of trust and bank wealth management ranked second in the industry.

Created "best custody service bank". The Company implemented the digital transformation strategy, continuously optimized the custody system and improved customer experience. The Company took the lead in the industry to put the IT team in front and had an experienced demand analysis team and R&D team. Through the "product introduction + independent research and development" model, the Company built a fully functional custody business information system to quickly meet the individual needs of customers. The Company promoted the new-generation Internet custody service platform "Xing Custody" system and the new-generation custody direct connection platform to comprehensively improve customer experience.

Collaboratively enhanced the wealth bank. The Company built a cross-departmental collaborative development model centering on "product layout, sales promotion, collaborative marketing, and technology empowerment", and relied on the business chain of "investment, underwriting, sales and custody" to continuously improve custody capabilities, so as to enhance the business card of "wealth bank". The Company made full use of the custody business platform to do a good job in matching various customers, products, funds and assets inside and outside the bank, and brought in more customers and assets for corporate finance and retail lines while meeting the comprehensive financial service needs of customers in the entire life cycle and the entire industry chain. The professional, efficient and comprehensive services contributed to the development of factor markets and the real economy and play an active role in protecting the interests of investors.

4. Technology operation and maintenance

The Company was committed to "developing the ability to connect everything and building the best ecological empowerment bank", comprehensively implemented digital transformation, continued to increase investment in technology and completed a lot of basic, pilot and strategic work. During the reporting period, the Company invested RMB8.251 billion in information technology, representing a year-on-year increase of 29.65%, and its proportion in operating income increased by 0.83 percentage point to 3.71%.

Basically implemented the reform of the scientific and technological system and improved the digital transformation system and mechanism. The Company strengthened top-level design, forged a new pattern of "four departments, one company and one research institute" under the leadership of the Digital Transformation Committee, promoted the construction of a "Digital Industrial" system and basically established a set of future-oriented financial technology organizational structures that complied with digital requirements. The Company established a collaborative working mechanism of "BA (business analyst) + SA (system analyst) + DA (data analyst) + UE (experience engineer)" to effectively promote the integration and innovation of business, technology, data and customer service.

Implemented the 10,000-person plan for scientific and technological talents, and adjusted and optimized the structure of the digital talent team. The Company intensified the introduction and training of scientific and technological talents, formulated a job map for scientific and technological talents and improved the training and certification system of scientific and technological talents and conducted pilot training for BA and DA. During the reporting period, the Company provided trainings for a total of 2,242 employees with 684 employees passed the certification examination to forge an upsurge of learning, understanding and using technology of business personnel. The digital thinking, literacy and skills of cadres and employees have been greatly improved. As of the end of the reporting period, the Company had 6,699 scientific and technical personnel, representing an increase of 102.82% over the end of the previous year and accounting for 11.87% of the total number of employees.

Vigorously promoted the construction of the enterprise structure and explored the establishment of "future bank". The Company applied the MASA methodology and the "self-diagnosis" method to fully initiate the construction of the "five enterprise framework projects" and the construction of enterprise construction projects for "five online platforms", which empowered business and customer management.

The development led by technologies and digital empowerment has achieved remarkable results. The Company integrated and upgraded the "five online platforms" and accelerated digital empowerment with significant increase in the number of customers and monthly active users of CIB Inclusive, Industrial Steward, Industrial Living and Qianda Money Manager. The Company launched the mobile banking 6.0 project. The number of monthly active customers of mobile banking increased by 34.03% year-on-year, and the replacement rate of Internet financial counters transaction was 96.25%. Centering on housing construction, medical care, education, transportation and other fields, the

Company accelerated the construction of B-end scenario-based ecological platform. During the reporting period, there were 1,762 new construction projects, and the average daily settlement deposits covered increased by 38.40% compared with the end of the previous year. Leveraging on the "technical flow" credit evaluation system, science and technology finance has achieved rapid growth. The Company became the 10th designated digital RMB operator, opened 625.9 thousand digital real-name wallets and created nearly 180 thousand accounts. With respect to digital RMB, there were 82 contracted interbank institutions, 9 cooperative banks and 2 contracted Qianda Money Managers. Digital RMB significantly promoted the development of businesses.

Unleashed the potential of data elements, empowered data insights and digital operation. The Company developed enterprise-level data middle-end service capabilities from multiple dimensions of data, platform, operation and empowerment with the data storage capacity and computing power greatly improved. The Company introduced 103 types of multi-dimensional external data such as data relating to industrial and commercial, credit, and government affairs, and strengthened the integration and empowerment of internal and external data. The average daily calls of the data API exceeded 4.15 million times. The Company comprehensively carried out the construction of data assets, model development and sharing and reuse, empowered customer acquisition, marketing, risk control, compliance and other fields and strengthened data support for key projects. The Company established approximately 1,500 indicator label data assets in the large-scale investment and research field, which vigorously supported refined management and operation in the ESG and other fields.

Promoted key enterprise-level projects and enhanced management efficiency and user experience. The Company rebuilt the investment and financing operation process for front-line employees to enable customer managers to shift their 70% time and energy from serving internal processes to serving customers, thereby significantly improving operational efficiency. The Company promoted the construction of an enterprise-level contract compliance review system, realized functions such as automatically generating contract templates, completing basic compliance review and locking texts to improve efficiency in compliance review. The Company comprehensively promoted the application of electronic seals and completed 443,369 applications of electronic seals during the reporting period, so as to "reduce the unnecessary trips of employees". The Company solved 90% of the experience problems raised by employees to continuously improved employees' sense of gain and experience.

Continued to consolidate the foundation of digitalization and laid a solid foundation for business innovation and development. The Company upgraded and optimized the infrastructure layout, initiated the construction of a large-scale green data center, completed the upgrade and expansion of the core business system to increase the system performance and capacity by 50% and developed a highly stable and highly scalable public product service capability for the long-term development of the business. The Company greatly improved the response efficiency for project research and development. During the reporting period, 148.5 thousand requests were completed, representing a year-on-year increase of 82%, and the proportion of self-controlled systems increased to nearly 80%. The cloud-native technology system has been basically established with more than 60% of systems launched onto the cloud, which efficiently met the needs of agile innovation and iterative optimization of business. The Company promoted robotic process automation (RPA) technology to improve process automation. 180 million manual operations were replaced, saving 1.6 million hours of labor.

(III) Risks and risk management during the reporting period

1. Overview

The Company has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and country risk, bank account book interest rate risk, reputation risk, strategic risk, information technology risk and anti-money laundering risk exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form "three lines of defense" of risk management with clear responsibilities and duty segregation to achieve the risk management goals. During the reporting period, in the face of the complex situation of rising risks and challenges, the Company adhered to the new development concept, implemented risk prevention and control, improved the quality and efficiency of management and control of non-performing loans, promoted digital transformation, strengthened risk empowerment and boosted high-quality development of business.

2. Credit risk management

The Company's credit risk management objectives are: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement of credit risk management, optimizing the orientation of credit and customer structure, constantly reinforcing risk management and control of the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

Increasing asset quality control in key areas. According to the changes of economic situation and external regulatory requirements, the Company has continuously strengthened the assessment and investigation of risk hotspots and key areas such as local government financing business, real estate business and loan capital flow. The Company improved risk identification and response capabilities in a complex and ever-changing market environment, seized national policy windows, arranged special resources to establish an "active balance" mechanism and prevent defaults. Improving the pertinence of credit policy. The company adhered to the integration of risk and business, implemented a differentiated credit policy of "protecting, controlling and compressing", actively guided credit resources to industries with low energy consumption, low emission, low pollution, high efficiency and good market prospect, vigorously promoted green gold business, adjusted the approval authority of green project loans, and optimized credit policies of related industries. The Company followed the new pattern of "internal circulation + double circulation", explored business opportunities in emerging industries, and optimized credit strategies in industries such as new energy vehicles, biomedicine, photovoltaic industry, 5G industry and integrated circuits. The Company increased its support for science and technology-based enterprises. The Company continued to promote the expansion of technology flow business and optimize technology flow tool means. At present, the Company has realized the functions of active acquisition of basic data of enterprise technology flow, automatic evaluation, and generation and download of technology flow evaluation reports. The development of technology flow evaluation model, pre-credit line, subject credit line and subject credit approval model has been completed. The Company will soon promote the application of technology flow approval model, improve the technology flow evaluation system, focus on the identification of small and medium-sized “real science and innovation” technology enterprises, and improve the efficiency and quality of credit approval of branches. The Company has officially launched the Group's intelligent risk control system, realizing the one-stop inquiry and display of risk information, risk early warning, credit supervision, financial intelligence analysis, risk labeling, risk policy and other functions. The Company will further enrich the risk early warning monitoring model, continuously transform the risk management and control process, and effectively improve the digitalization, intelligence and automation level of the Company's risk management. The Company will build a more normalized and standardized new credit line system, strengthen the refined credit management, and comprehensively improve the capability of credit line management and control and improve the digital level of credit management with perfect institutional basis and efficient system support. The Company strengthened the management of large-sum risk exposure, implemented the provisions of the Measures for the Management of Large-Sum Risk Exposures of Commercial Banks (Order No. 1 of 2018 of the CBIRC), continuously established and improved the Group-wide large-sum risk exposure management system, promoted system improvement, system construction and information governance, measured and dynamically monitored the concentration of exposures. The Company's various exposure concentration indicators were controlled within the regulatory requirements during the reporting period.

3. Liquidity risk management

The Company's liquidity risk management objectives are to prevent liquidity risk and ensure payment needs, improve the efficiency of capital utilization and ensure the sustainable and healthy development of various businesses, maximize the profit and value of the bank within the tolerable risk range and achieve the unity of "safety, liquidity and profitability" and ensure that the regulatory indicators of liquidity risk meet the regulatory requirements through asset and liability management means.

During the reporting period, in the face of the complicated and changeable economic situation at home and abroad, the Company implemented the national major decision-making arrangements and various regulatory requirements, strengthened the portfolio management, continuously optimized the liability structure, maintained the balanced development of asset-liability business, and kept the liquidity running smoothly, and the liquidity regulatory indicators were steady and reached the standards. Firstly, strengthen assessment and guidance, and firmly expand low-cost core deposits. During the reporting period, the Company further strengthened the assessment and guidance, took the expansion of low-cost and stable settlement deposits as the top priority of its liability business, guided the operating institutions to strengthen the construction of system platforms, continuously deepened the public-private linkage, improved the comprehensive financial service level of customers, and expanded the scale of low-cost core deposits. Secondly, grasp the opportunity to issue financial bonds to supplement long-term stable sources of funds. The Company actively grasped the favorable window of relatively low market interest rate to accelerate the issuance of long-term bonds. During the reporting period, the Company issued nearly RMB100 billion of long-term bonds to reasonably replenish the long-term stable funds. Thirdly, choose the opportunity to increase holdings of high-quality liquid assets, and enhance the capability to resist liquidity risks. The Company strengthened the research and judgment of market interest rate trend, optimized the investment structure, moderately increased interest rate bonds such as treasury bonds, and increased the reserve of high-quality liquid assets.

4. Market risk management

Market risk refers to interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. The Company's market risk management was to establish and continuously improve market risk management system which matched with the risk management strategies satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; complete market risk management structure, policies, processes and methods, and promote the specialization level of market risk management, realize centralized and unified management of market risks; facilitate the sustainable and healthy development of relevant businesses with risks under control; promote the digital transformation of market risk management and strengthen the strategic concept of the empowerment of science and technology to realize the goal of improving the digital and smart risk management of risk.

During the reporting period, all market risk indicators of the Company were kept within the limits, and the market risk system operated steadily. The Company actively responded to the changes in the market environment, and continued to deepen and improve the digital-driven comprehensive market risk management system under the direction of digital transformation strategy, focused on the system construction, risk monitoring and quota management, and steadily promoted various tasks: during the reporting period, the project initiation and demand review of the intelligent market risk control platform were completed, and the Company actively prepared for implementation of this project; the Company continuously optimized the measurement projects under the new standard method of market venture capital in the Basel Accords; the Company continuously strengthened the identification, measurement and visual monitoring of risk factors; and the Company effectively implemented the multi-level market risk limit system and optimize and improve the stress testing management. Interest rate risk of transaction accounts and exchange rate risk represent the major market risks confronted by the Company.

(1) Interest rate risks of transaction accounts

The interest rate risks of transaction accounts of the Company mainly rose from RMB bonds business and interest swaps business. Risk management measures were mainly based on quota management. Quota indicators included interest rate sensitivity indicators, credit spread sensitivity indicators, stop loss indicators, etc., which are issued and implemented through annual business authorization and regular investment strategy plans. At the same time, the Company regularly conducted stress tests to effectively prevent tail risks.

During the reporting period, based on the changes in the market situation, the Company conducted analysis on the trend of interest rate on a regular basis, enhanced interest rate risk prevention, pro-actively optimized value management of basis points and strengthened credit spread management and control, maintaining the interest rate risk of trading accounts at a reasonable level. Meanwhile, the Company verified the system measurement model to ensure the accuracy and effectiveness of measurement.

(2) Exchange rate risk

The Company's exchange rate risk of transaction accounts arose mainly from comprehensive position of RMB market making business. Risk management measures focused on exposure limit management. As an active RMB market maker, the Company has proactively controlled its exposure limits, adopted close-to-zero management for the market-making overall positions, and kept relatively low overnight risk exposure.

The exchange rate risk of the Company's accounts rose from the exchange rate risk position in foreign currency capital base item. For this part of the exchange rate risk position arising from assets and liabilities that is inevitable in normal course of operations, the Company maintained the stability of non-trading exchange rate risk exposure by applying to the State Administration of Foreign Exchange for capital settlement or foreign exchange profit settlement.

During the reporting period, the Company continuously monitored the exchange rate movement, and analyzed the impact of exchange rate movement. The Company's overall exchange rate risk remained stable, and its core risk limit indicators satisfied applicable risk limit requirements.

5. Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's overall earnings and economic value arising from adverse movements in interest rates, maturity structure and other factors. IRRBB primarily includes gap risk, basis risk and option risk. The goal of IRRBB is to maintain stable growth in net interest income and achieve long-term goal of maintaining stable growth in economic value based on judgment in interest rate movement and on the premise of the Company's tolerable risks.

During the reporting period, the major economies around the world have entered into a cycle of interest rate hikes in order to cope with high inflation, and China has strengthened the implementation of prudent monetary policies to maintain economic operation within a reasonable range. Adhering to the principle of neutral and prudent interest rate risk preference, the Company kept abreast of changes in monetary and fiscal policies, strengthened the research and judgments on market interest rate trend and implements dynamic monitoring and forward-looking risk management in combination with the influence of interest rate curve change trend. The Company paid close attention to the changes of external environment and internal interest rate risk exposure structure, flexibly adjusted the management strategy of interest rate risk and took forward-looking adjustment measures. Firstly, the Company continued to pay attention to the changes in the economic situation at home and abroad, strengthened macro analysis and judgment, and flexibly adjusted its interest rate risk active management strategy through in-depth analysis and forecast of market interest rate trends. Secondly, the Company flexibly used management tools such as price guidance, duration management and risk limits to effectively control the interest rate risk in the banking book, grasped the opportunity of reasonable abundant liquidity and obtained long-term funds through active liabilities and moderately controlled the bond investment duration to ensure the overall interest rate risk exposure maintained stable. Thirdly, the Company optimized the functions of the banking book interest rate risk management system, improved the management model and data governance and enhanced risk data analysis and mining capabilities to fully support data-based risk management decisions. As at the end of the reporting period, the interest rate risk level was controlled within the Company's annual interest rate risk control target, and the stress test results also showed that all indicators of the Company remained within the limits and early warning values, and the interest rate risk of bank books was controllable as a whole.

6. Operational risk management

Operational risk refers to the risk of losses caused by imperfect or problematic internal procedures, employees, information technology systems, and external events. The objectives of the Company's operational risk management are to continuously improve the operational risk management capability, reduce the frequency of operational risk events, control the operational risk losses within an acceptable range, promote the legal compliance of business operations of the institutions at all levels, and provide a healthy operating environment for the Group's business development. The Company has established and improved the operational risk management system, continuously improved the operational risk management capability, reduced the frequency of operational risk events, and provided a healthy operating environment for business development.

During the reporting period, the Company optimized the means of operational risk management and control, improved the operational risk management system, consolidated the operational risk management capability and supported the Company's high-quality development by focusing on the regulatory concerns and the changing trend of operational risks. Firstly, the Company continued to do a good job in business continuity management to ensure the continuous and stable operation of important business processes of various institutions of the Company. Secondly, the Company conducted the system optimization and capital calculation according to the operational risk rules of Basel Accord III, and supported the compliance of the its medium and long-term operational risk management. Thirdly, the Company improved the application capability of operational risk management tools such as key risk indicator (KI) monitoring, risk control self-assessment (RCSA) and risk event collection (DC), and improved the accuracy of operational risk management and control. Fourthly, the Company fully evaluated the potential operational risks of new products and new businesses to provide a safe foundation for the high-quality development of businesses. Fifthly, the Company continuously optimized the outsourcing risk system iteratively, strengthened the introduction and application of external data, strengthened the centralized evaluation of outsourcing risks, and continuously improved the consistency and accuracy of evaluation results.

7. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory punishments, major financial losses and reputation losses due to failure to comply with laws, rules and standards. The objectives of the Company's compliance risk management are to effectively identify and manage the compliance risk, promote the construction of a comprehensive compliance management system and ensure the compliance operation according to law by establishing and improving the compliance risk management framework. The Board of Directors of the Company is ultimately responsible for the compliance of operating activities. The Risk Management Committee and the Internal Control Committee of the Head Office are the compliance risk management organizations under the Company's senior management. The Company has established a compliance risk management operation mechanism with three defense lines of business department, compliance management department and audit department to ensure the Company's compliance operation and management according to law.

During the reporting period, the Company continued to adhere to the strategy of strictly managing the Bank, focused on the compliance and empowering business development, actively integrated itself into the overall situation of digital transformation, and comprehensively promoted the construction of the "Industrial Bank under the Rule of Law" to provide a solid guarantee for the Company's high-quality development. Firstly, the

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8. Internet and IT risk management

Information technology risks refer to the operational, legal and reputation risks caused by natural factors, human factors, technical loopholes and management defects during the application of information technology in commercial banks. The objectives of the Company's information technology risk management are to realize the identification, evaluation, monitoring, control, reporting and performance management of information technology risks, and to strengthen the effective control of information technology risks through early warning indicators and collection of risk events, so as to promote the business development and innovation and improve the application level of information technology. The Company has formed an organizational structure of "three defense lines" of information technology risk management, which is composed of the science and technology line department, the legal and compliance department, the audit department and other relevant departments, established and improved the information technology risk management procedures and mechanisms, strengthened the effective control of information technology risks, continuously promoted the business development and innovation, and improved the application level of information technology.

During the reporting period, the Company implemented the strategy of "developing the bank through science and technology" , actively responded to the difficulties and challenges brought about by the complex and ever-changing external situations, comprehensively deepened the reform of the financial science and technology system and mechanism, and further empowered the Company's business transformation and development. Firstly, the Company regularly carried out the risk assessments of important information systems, and strengthened the management and control of key areas of information technology risks, so as to continuously improve the quality and efficiency of information technology risk management and control. Secondly, the Company did a good job in ensuring the safety of its science and technology in the important period, and successfully upgraded and expanded the software and hardware of the core business system, so as to greatly improve the performance capacity and disaster recovery level of its core business system. Thirdly, the Company strengthened the operation guarantee of important information systems, and the comprehensive availability indicators of systems met the annual set targets. Fourthly, the Company strengthened the protection of the information of customers and employees, set up a framework of data security system, carried out the special evaluation and rectification of data classification and grading and data compliance in key areas, explored the application of privacy computing technology, and established and improved the data security management and data compliance management system. Fifthly, the Company established a leading group for network and information security, clarified that the Party Committee of the Head Office was mainly responsible for the Company's network security work, and strengthened the cultivation of all employees' network security awareness, so as to further improve the network security management system. Sixthly, the Company strengthened the access, inspection and post-evaluation of technology outsourcing, so as to further improve the management mechanism of technology outsourcing.

9. Management of reputational risk

The Company's management of reputational risk was for the purpose of: actively and effectively preventing reputational risk and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

The Company's reputational risk management was in line with the basic principle of "forward looking, matching, full-coverage and effectiveness" and the implementation principle of "hierarchical management, division of labor with individual responsibility, real-time monitoring, prevention first, quick responding, classified treatment, duty in defending own territory, and coordinated response". The Company incorporated reputation risk management into its corporate governance and comprehensive risk management system, continuously improved its reputation risk management system and processes, built a long-term mechanism for reputation risk prevention and control and enhanced the effectiveness of reputation risk management. During the reporting period, the Company conscientiously publicized and implemented the Measures for the Administration of Reputation Risk of Banking and Insurance Institutions (for Trial Implementation) issued by CBIRC. The Company improved the execution of the system, improved the reputation risk management and control system covering the whole process before, during and after the event, comprehensively compacted the leadership, main and management responsibilities for reputation risk management, strengthened the "a game of chess of the Group", and built a linkage mechanism of reputation risk prevention and control, which was closely coordinated with letters and visits, complaints regarding consumer protection, litigation and public opinion, continued to strengthen the professional capacities of the team by "combining practice and training" and further consolidates the foundation of reputation risk management. The Company deeply conducted reputation risk investigation, identification, assessment, monitoring and plan formulation, prioritized prevention and control measures, made efforts to prevent and mitigate reputational risks in respect of key areas and events, and firmly held the bottom line of no significant group reputation risks. The Company continued to strengthen the source governance, comprehensively examined the trigger factors of reputation risk, further promoted the problem rectification and strengthened accountability to form a positive cycle of "negative public opinion-response and disposal-improve management services", so as to fundamentally implement the customer-centered business philosophy and strive to empower operation and development. The Company continued to fulfill its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company. Meanwhile, the Company continued to increase positive publicity in combination with strategic transformation and business development, so as to enhance brand influence and accumulate reputation capital.

10. Management of country risk

The Company's management of country risk was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalization process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

Country risks exist in businesses including granting of credit line, international capital market business, setting up overseas institutions, transaction with correspondent banks and outsourcing service provided by overseas service provider. Against the backdrop of general interest rate hikes by central banks, frequent geopolitical events and increasingly complex international situations, the Company attached great importance to country risk management and incorporated the management of country risk into the comprehensive risk management system. Based on the degree of risk, country risks are classified into five grades – low, relatively low, moderate, relatively high and high. The limit of country risks has been made according to the country classification and taking into comprehensive consideration the factors such as the cross-border business development strategy and risk preference of the Company. Appropriate management is carried out for each grade. The Company's country risk exposure was mainly concentrated in less developed countries and regions with low country risk. The Company will continue to pay attention to the financial market turbulence, geopolitical events and other events in the countries or regions where the counterparties are established, dynamically adjust the country risk classification and country risk limit, prudently assess business conditions and actively prevent country risks.

11. Management of money laundering risk

Money laundering risk refers to the risk that the Company may face due to the fact that the Company may be exploited by illegal and criminal activities such as "money laundering", "terrorist financing" and "proliferation financing" in the process of business conduct and operation management. The objectives of the Company's money laundering risk management are to continuously identify, carefully evaluate, effectively control and manage in the whole process the money laundering risk by establishing and improving the money laundering risk management system and rationally allocating resources according to the risk-based method.

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management of the Company conscientiously fulfilled the anti-money laundering obligations of legal persons, gave full play to the decision-making role of the leading group for anti-money laundering work, and adopted a number of measures to ensure the effectiveness of the Company's money laundering risk management. Firstly, the Company promoted the embedding of anti-money laundering requirements in the business systems and processes, and strengthened the effective integration of anti-money laundering and business management. Secondly, from the perspective of customer journey, the Company comprehensively sorted out the core business processes of anti-money laundering, simplified the working processes, straightened out the boundaries of duties, and improved the efficiency of performance of the duty of anti-money laundering. Thirdly, the Company established an indicator system for self-evaluation of the money laundering risks of institutions, and completed the first self-evaluation of the money laundering risks of institutions, so as to improve the anti-money laundering management level. Fourthly, relying on the enterprise-level privacy computing platform of the Head Office, the Company strengthened the joint management and control of the Group's money laundering risks under the premise of compliance. Fifthly, the Company launched the anti-money laundering artificial intelligence project, promoted the digital inspection method of anti-money laundering, and improved the quality and efficiency of monitoring, inspection and supervision of money laundering risks.

12. Management of fraud risk

Fraud risk refers to the act of defrauding public and private property for the purpose of illegal possession mainly through remote and non-contact means, including fake card fraud, stolen card fraud, account embezzlement, fake application, merchant collusion, marketing fraud and so on. The objectives of the Company's fraud risk management are to establish an ecological intelligent anti-fraud risk joint prevention and control system with the group-wide linkage, active defense, three-dimensional efficiency and comprehensive coverage, build the leading anti-fraud technology and ability in the industry, provide safe and convenient financial services for the people while preventing and controlling risks, and firmly guard the people's "money bags".

During the reporting period, the Company resolutely fulfilled its financial anti-fraud duties and strengthened various prevention and control measures against telecommunication network fraud risks. Firstly, the Company established the security department, the first-level department of the Head Office, to take the lead in anti-fraud work, and incorporated it into the science and technology section to comprehensively upgrade the anti-fraud work. Secondly, the Company deepened the empowerment of science and technology, and continuously increased the investment in scientific and technological resources. At the time when the Law of the People's Republic of China on Combating Telecom and Online Fraud came into effect, the Company simultaneously launched the "enterprise-level digital intelligent anti-fraud platform", which adopted the enterprise-level architecture concept and established a "customer-level" monitoring system to realize cross-line joint defense and joint control. Based on the advanced technology system of "integration of stream processing and batch processing", the Company used the high-performance engine of "flow cube" to greatly speed up the average response time of in-process decision-making to 3.4 milliseconds and realize the query time of tens of billions of flows from "minutes" to "seconds", with a transaction processing capacity of 30,000 transactions per second. Since its launch, the platform has intercepted the fraudulent funds of RMB270 million in total. Thirdly, through the construction of AI model, the Company has realized the fraud risk monitoring with high accuracy, low error reporting rate and low reporting omission rate, improved the capability of identifying during the events and intercepting in real time illegal transactions, and pushed the anti-fraud "capital chain" governance to a new level. Fourthly, the Company continued to carry out the targeted and accurate anti-fraud publicity and education and prevention and early warning, comprehensively enhanced customers' anti-fraud awareness and prevention capabilities, and created a strong atmosphere of "anti-fraud by the whole people". As of the end of the reporting period, according to the regulatory statistical data, the ranking of the number of the personal accounts opened with the Company involved in cases dropped to 13th in China, representing a decrease of four places as compared with the end of last year, and the number of accounts involved in cases dropped significantly.

Corporate Governance

I. Corporate governance overview

The Company continued to strengthen the construction of corporate governance, solidified the governing concept of sustainable development, fully implemented regulatory requirements and continuously deepened the organic integration of party leadership and corporate governance, therefore all governance entities performed their respective duties to achieve effective checks and balances and organic connection. During the reporting period, the Company strengthened the analysis and judgment on the macroeconomic situation, grasped the direction of the development strategy and stimulated the endogenous drive for reform. The general meeting of the Company operated in a standard way according to the law. The Board of Directors and the Board of Supervisors fully performed their functions in making strategic decisions and supervision. The special committees actively performed their duties of assisting in decision making and supervising. The Directors and Supervisors continuously enhanced their capability and professionalism in fulfilling their duties through high-quality investigations, study and inspections. The management effectively implemented the decision opinions of the Board of Directors and the supervision recommendations of the Board of Supervisors to firmly promote the implementation of "1234" strategy and digital transformation to build a high-quality financial talent team. The businesses of the Company witnessed the sustainable and steady development of the Company, and the interests of all shareholders and stakeholders were effectively safeguarded.

(I) Shareholders and general meetings

During the reporting period, according to the requirements of the relevant laws and regulations, the Articles of Associations and the rules of procedures for general meetings, the Company convened 2021 annual general meeting through a combination of on-site meetings and online voting to consider and approve 12 proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the annual report, the financial budgets and final accounts, the distribution scheme of profit, engagement of an accounting firm, amendments to rules of procedures of general meeting, the board of directors and the board of supervisors, amendments to administrative measures for related party transactions, election of the directors of the tenth session of the board of directors, election of external supervisors of the eighth session of the board of supervisors, etc., and 5 reports such as the evaluation of major shareholders, the work report of independent directors, performance evaluation of directors and supervisors and information on related party transactions were heard. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations. During deliberation, where there are significant matters involving the interests of small and medium investors, the votes of small and medium investors shall be computed separately and disclosed.

(II) Directors and the Board of Directors

At the end of the reporting period, the Board of Directors of the Company consists of 11 directors. It includes 8 non-executive directors (including five independent non-executive directors) and three executive directors. There are five committees under the Board of Directors, namely, the Strategy and ESG Committee, the Risk Management and Consumer Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee, the Remuneration and Evaluation Committee. With the exception of the Strategy and ESG Committee, the other four committees are chaired by the independent directors. During the reporting period, the Company has held 8 meetings of the Board of Directors and 24 meetings of all committees of the Board of Directors, and considered or listened to 220 proposals accumulatively, practically giving play to the Board of Directors' decision-making role in formulating corporate strategies, studying business plans, strengthening capital management, intensifying risk management and control and promoting digital transformation. The Company continuously improved the decision-making and conduction mechanism of the Board of Directors, continuously improved the corporate governance mechanism and enhanced the efficiency of the operation of corporate governance.

Based on the principles of objectivity, independence and prudence, independent directors gave full play to their professional advantages and rich experience, and offered advices and suggestions actively from the perspective of protecting the interests of investors and stakeholders, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. Independent directors expressed their independent opinions on a number of major issues, such as periodic financial reports, annual profit distribution plan, engagement of an accounting firm, nomination of directors and senior management members, external guarantee and significant related party transactions in an objective and fair attitude, with a particular focus on the external guarantee and fund occupation, use of raised funds, performance report, write-off of doubtful debts, consolidation management, internal control and other matters of the Company, so as to promote the normal operation of related matters under the effective supervision and management of the Board of Directors, and the relevant procedures and contents were legal and conformed with the regulations. Serving as the chairman and member of the committees under the Board of Directors respectively, each independent director paid close attention to the normalization of operation and procedural legality of the Board of Directors and the committees under the Board of Directors, assisted the Board of Directors in making scientific decisions, and effectively improved the quality and efficiency of decisions made by the Board of Directors.

(III) Supervisors and the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors has seven supervisors, including one shareholder supervisor, three employee supervisors and three external supervisors. Under the Board of Supervisors, two special committees were established, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the special research and studies and the auditing investigation, guided internal audit work and regularly communicated with external auditors. The Company oversaw the Company's development strategies, financial activities, operating decision, risk management, internal control, corporate governance, related party transaction and the duty-fulfillment of the Board of Directors and the senior management according to the law. During the reporting period, the Company held seven meetings of the Board of Supervisors and eight meetings of the special committees of the Board of Supervisors to consider or hear 69 proposals to have in-depth understanding of the Company's operation and management status and effectively perform various supervisory duties. In addition, the members of the Board of Supervisors also supervised the decision-making process of the Company's major issues by attending general meetings, meetings of the Board of Directors and committees and senior management meetings.

Following the principles of fairness, objectivity and prudence, the external supervisors performed their supervisory duties in a diligent, faithful, professional and compliant manner, comprehensively supervised issues such as development strategies, business performance, financial report, profit distribution, internal control, risk management, management of consolidation of financial statements, remuneration management and resolutions of the general meeting, supervised the establishment of a prudent operation philosophy and scientific development strategy by the Board of Directors and supervised and inspected the Company's risk management and internal control and urged rectification, and promoted the Company to operate in compliance with the laws and regulations, thereby boosting the sustainable and sound development of the Company. The external supervisors held positions such as the chairman and member of the committees under the Board of Supervisors, carefully studied important decisions, expressed opinions and made suggestions in an independent, professional and objective manner. In addition, they promoted the Company to treat all shareholders fairly, safeguarded the legitimate rights and interests of stakeholders, and actively fulfilled their social responsibilities.

(IV) Senior management

As at the end of the reporting period, the four senior management members of the Company consist of one president, one vice president and two proposed vice presidents (approved to take office on February 14, 2023). With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

Twelve committees were established under the senior management, namely Strategy Promotion Committee, Digital Transformation Committee, Assets and Liabilities Management Committee, Investment Decision Committee, Risk Management Committee, Internal Control Committee, Special Assets Operation and Management Committee, Business Continuity Management Committee, Commodity Purchase Committee, Internal Accountability Committee, Credit Approval Committee, Investment Review Committee.

(V) Related party transactions

During the reporting period, the Company continued to strengthen the management of related party transactions, complied with the regulatory provisions of the CBIRC, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company strictly. The Company seriously fulfilled the obligations of approval and disclosure of related party transaction through amendments to the management system for related party transactions, strengthening the data governance for related parties and related party transactions, upgrading and improving the related party transactions system and other measures to ensure the effective operation of the relevance management mechanism. Based on the principles of "substance over form" and "penetration", the Company identified related parties. Shareholder supervisors consciously fulfilled their avoidance obligations when the board of directors considered proposals related to related party transactions of shareholders. Meanwhile, the related party transactions between the Company and each related party strictly follow the principles of fairness, openness and equivalence, and the terms of the transactions are fair and reasonable and conducted on terms no better than those for similar transactions with non-related parties. The pricing of the transactions is fair, which strongly protects the overall interests of the Company and all shareholders and promotes the standardized and sustainable development of the relevant business of the Company.

(VI) Information disclosure and investor relations

The Company implemented the Securities Law and various regulatory requirements, and carried out information disclosure in accordance with the law. During the reporting period, the Company conscientiously prepared and disclosed regular reports. Except statutory disclosure, the Company carried out information disclosure on a voluntary basis. Taking the needs of investors as the guide and closely centering on development strategies and business strategies, the Company continued to replenish disclosure content and improve the quality of information disclosure. The Company disclosed major issues in a timely manner and issued more than 60 announcements and governance files, including resolutions of the Board of Directors, resolutions of the Board of Supervisors, equity distribution plans, significant related party transactions, bond issuance, listing and conversion of convertible bonds, changes in positions of directors, supervisors and senior management, changes in shareholders' equity, listing and trading of restricted shares, change of domicile, amendments to the Articles of Association, change of business scope and business license, so as to guarantee the investors' right to be informed fairly. During the reporting period, the Company continued to improve the construction of the information disclosure management system, completed the amendments to the Administrative Measures on the Information Disclosure and Internal Reporting Rules on Information Disclosure,further strengthened the internal management of information disclosure affairs, kept the confidentiality of inside information and completed the registration and filing of insiders to effectively prevent the risks of insider information leakage and insider trading. The Company efficiently communicated with the capital market. The Company built a multi-channel, multi-platform and multi-level information exchange system to safeguard the legitimate rights and interests of investors and effectively deliver the investment value of the Company. The investor relations team actively responded to concerns of investors and answered their questions through investor relations telephone, email, SSE e-Interaction Platform, brokerage strategy meeting, research reception and other manners on a regular basis. The senior management of the Company participated in results introduction, business introduction, roadshow and visits in person to deepen the recognition of the strategic model of the Company. The Company actively communicated with potential strategic investors, continuously promoted major shareholders to increase shareholdings and effectively optimized the equity structure.

(VII) Sustainable development and green finance

The Company adheres to the governance concept of sustainable development. The Company changed the name of the Strategy Committee of the Board of Directors to the Strategy and ESG Committee by amending the Articles of Association, and clarified that the Board of Directors should bear the ultimate responsibility for ESG management. The Board of Directors of the Company has five committees, i.e. the Strategy and ESG Committee, the Risk Management and Consumer Rights and Interests Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Salary Appraisal Committee, which are responsible for the discussion of the Company's important proposals and issues involving environment, society and governance. With regard to the salary management, the Company adheres to the principles of unification with the corporate governance requirements of the Bank, consideration with the competitiveness and sustainable development of the bank, adaptation with the business performance, and coordination of the long-term and short-term incentives, and incorporates the indicators such as high-quality service development and green finance into the salary system of the Company's senior executives. During the reporting period, according to the deployment of the Company's institutional mechanism reform, the Company newly established the ESG Management Center to promote the implementation of ESG system construction and management, and continuously improved the standardization, professionalism and accuracy of ESG management. In terms of the risk management system, the Company incorporated the ESG and climate risk management into the comprehensive risk management system, and comprehensively applied the ESG management to the credit process of three major business lines of corporate finance, retail finance and interbank finance, so as to effectively identify customer risks, guide customers to pay more attention to the balance between short-term profitability and long-term sustainable development, and promote its own low-carbon transformation. The Company maintained the leading position of ESG rating in the domestic banking industry, the global ESG rating of MSCI has maintained the highest domestic banking rating of A for four consecutive years, the ESG rating of the S&P Global Corporate Sustainability Assessment (CSA) ranked second in the domestic industry, and the rating of carbon disclosure project (CDP) ranked first in the domestic industry. As the first equator bank in China and the leader in the field of green finance, the Company fully implemented the General Secretary Xi Jinping's ecological civilization thought and the spirit of the 20th National Congress of the Communist Party of China, served the green development, helped the goal of “carbon peaking and carbon neutrality”, turned “the country's most fundamental interests” into “the urgent task of doing business”, actively promoted the development of green finance, built a green banking group, and shaped a typical model of the national strategy of green financial services and green development of commercial banks. During the reporting period, the Company issued the Opinions on Promoting the Comprehensive Green Transformation of the Group, integrating the concept of green development from all aspects and implementing the responsibility of green development.

II. Introduction of general meeting

(I) Session of the Meeting: 2021 Annual General Meeting

(II) Date of convening: May 27, 2022

(III) Place of convening: Fuzhou

(IV) Attendance: 475 ordinary shareholders attended the meeting, representing 11,413,817,289 ordinary shares with voting rights (representing 54.9423% of total ordinary shares capital). 11 directors including Lyu Jiajin, Chen Yichao, Li Zhuyong, Xiao Hong, Tao Yiping, Sun Xiongpeng, Su Xijia, Ben Shenglin, Xu Lin, Wang Hongmei, Qi Yuan and 6 supervisors including Chen Xinjian, He Xudong, Zhang Guoming, Lai Furong, Paul M.Theil, Zhu Qing attended the meeting.

(V) Major resolutions: 12 resolutions including the resolution regarding the work report of the Board of Directors for 2021, the resolution regarding the work report of the Board of Supervisors for 2021, the resolution regarding 2021 annual report and summary, the resolution regarding the 2021 final financial report and 2022 financial budgets plan, the resolution regarding the profit distribution proposal for 2021, the resolution regarding the engagement of an accounting firm for 2022, the resolution regarding amendments to the Rules of Procedures of the General Meeting, the resolution regarding amendments to the Rules of Procedures of the Board of Directors, the resolution regarding amendments to the Rules of Procedures of the Board of Supervisors, the resolution regarding amendments to Administrative Measures for Related Party Transactions, the resolution regarding election of Ms. Chen Shucui as a director of the tenth session of the Board of Directors, the resolution regarding election of Mr. Linhua as an external supervisor of the eighth session of the Board of Supervisors were considered and approved at the meeting and 5 reports including the evaluation report of substantial shareholders for 2021, the report of duty performance of the independent directors for 2021, the evaluation report of duty performance of supervisors for 2021, the evaluation report of duty performance of directors and senior management from the Board of Supervisors for 2021 and the report on related party transactions for 2021 were debriefed at the meeting.

(VI) Voting results: all 12 proposals considered at the meeting were approved by ordinary shareholders present at the meeting by way of voting.

(VII) Reference of designated websites for disclosure of resolutions: the website of Shanghai Stock Exchange (www.sse. com.cn) and the website of the Company (www.cib.com.cn)

(VIII) Disclosure date of the publication of resolutions: 28 May 2022

III. The board meetings held during the reporting period

During the reporting period, a total of eight meetings, namely the fifth meeting (March 24), the sixth meeting (from April 21 to April 28), the seventh meeting (May 6), the eighth meeting (June 24), the ninth meeting (August 9), the tenth meeting (August 26), the eleventh meeting (from October 21 to 28) and the twelfth meeting (December 16) of the tenth session of the Board of Directors of the Company, were convened, at which a total of 62 proposals were considered and approved and 35 reports were debriefed. The major proposals included: the work report of the board of directors, the work report of the president, the annual report, the profit distribution plan, appointment of senior management, reform of the remuneration system, amendments to the rules of procedures of the general meeting and the rules of procedures of the board of directors, engagement of an accounting firm, transfer of shareholdings of substantial shareholders, the evaluation report on 2021-2025 strategy planning and implementation, the implementation plan of the Group's risk preference, the report on anti-money laundering compliance management, the report of related party transactions, the report on write-off of doubtful debts, comprehensive risk management report, the report on consolidation management of the Group, the report on construction of ESG management system, sustainable development report, the work report on consumer protection, etc.

IV. The committees under the Board of Directors

(I) The Strategy and ESG Committee of the Board of Directors

1.The Strategy and ESG Committee (the Strategy Committee of the Board of Directors has been renamed as the Strategy and ESG Committee of the Board of Directors on August 26, 2022 according to the latest Articles of Association of the Company) consists of five members, namely, Lyu Jiajin, Tao Yiping, Sun Xiongpeng, Xu Lin and Wang Hongmei, and Lyu Jiajin served as the Chairman.

2.Meeting date and content

During the reporting period, a total of five meetings, namely the fourth meeting (March 23), the fifth meeting (from April 21 to April 27), the sixth meeting (June 23), the seventh meeting (August 25) and the eighth meeting (from December 15) of the Strategy and ESG Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 31 proposals were considered and approved and 5 reports were debriefed. The major proposals included: the work report of the board of directors, the work report of the president, the profit distribution plan, amendments to the rules of procedures of the general meeting and the rules of procedures of the board of directors, transfer of shareholdings of substantial shareholders, the evaluation report on 2021-2025 strategy planning and implementation, 2022 recovery plan and recommendation on disposal plans, the resolution on write-off of doubtful debts, the report on consolidation management of the Group, the report on construction of ESG management system, sustainable development report, etc.

During the reporting period, the Strategy and ESG Committee of the Board of Directors actively performed its duties, accurately grasped the changes in the situation and policies, deliberated and studied relevant major issues, urged the implementation of the resolutions of the shareholders' meeting and the Board of Directors, and continuously promoted the steady development of the Company's businesses. Taking the revision of the Articles of Association as an opportunity, in the light of the changes in relevant laws, regulations and regulatory rules, and in combination with the actual operation and management of the Company, the Company organized the revision and improvement of important corporate governance systems such as the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors, the Working Rules of President, the Working Rules of the Committees of the Board of Directors and the Information Disclosure Management Measures, comprehensively sorted out the rights and responsibilities of all governance subjects, improved the operating mechanism of corporate governance, and continuously built the cornerstone of corporate governance system. The Company accurately grasped the changes in the situation, resolutely implemented the political and people-oriented requirements of financial work, adhered to the development direction of marketization and commercialization, thoroughly studied the important issues of operation and management, promoted the firm implementation of the “1234” strategy and the strategy of “four stabilities and four progressives”, consolidated the basic market and laid out a new track, stimulated the endogenous development momentum through reform, continued to firmly polish the “three business cards” of green bank, wealth bank and investment bank, accelerated the digital transformation, and promoted the high-quality development of the Group. The Company reasonably balanced the regulatory requirements and the business development needs, organized and completed the issuance of RMB25 billion of Tier 2 capital bonds and RMB71.5 billion of ordinary financial bonds, and ensured the Group's capital adequacy through endogenous core Tier 1 capital and moderate exogenous capital supplement. The Company promoted the implementation of the concept of capital intensive management and improved the efficiency of capital use. The Company promoted the optimization and adjustment of the asset business structure, planned ahead and actively responded to the future entry of systemically important banks in the world, and consolidated the foundation of sustainable operation. The Company deeply promoted the reform of systems and mechanisms, actively promoted the system reform of science and technology, retail, enterprise finance, Fujian area, etc., started the reform of salary system, continuously improved the organizational structure, operating system and operating mechanism, strengthened the management of the consolidated statements of the Group, optimized and standardized the management mode of subsidiaries, and promoted the strategic coordination of "commercial bank + investment bank" of the Group. The Company continued to optimize the promotion mechanism of ESG work, comprehensively sorted out and integrated the "five enterprise framework projects" and "five online platforms", and promoted the comprehensive integration of ESG into all aspects of the Company's strategic decision-making, operation management and business development, thus bringing the Company's ESG management to a new level. The Company closely followed the national development strategy and regulatory policy-oriented overall planning, and laid out new branches in a prioritized manner in accordance with the requirements of the "four-fold strategy", so as to improve the quality and efficiency of finance to serve the national strategy and the development of the real economy.

(II) The Risk Management and Consumer Protection Committee of the Board of Directors

1.The Risk Management and Consumer Protection Committee consists of five members, namely, Chen Yichao, Li Zhuyong, Tao Yiping, Ben Shenglin and Qi Yuan, and Ben Shenglin serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of five meetings, namely the fourth meeting (March 23), the fifth meeting (from May 6), the sixth meeting (June 23), the seventh meeting (August 25) and the eighth meeting (December 15) of the Risk Management and Consumer Protection Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 32 proposals were considered and approved and 15 reports were debriefed. The major proposals included: report on liability quality management, the implementation plan of the Group's risk preference, compliance management report on anti-money laundering, resolution on write-off of doubtful debts, the write-off case asset management report, the report on management of the assets stored in account cancellation, comprehensive risk management report, implementation report on optimization and verification of expected credit loss method, report on business continuity management, liquidity management report, the work report on stress testing, the work report on data governance, the work report on personal information protection, the work report on consumer rights protection, etc.

During the reporting period, the Risk Management and Consumer Rights and Interests Protection Committee of the Board of Directors accurately grasped the external environment and development trend, deliberated and discussed various proposals and related materials, conscientiously evaluated various risks faced by the Company's operation, comprehensively and deeply understood the Company's risk management and protection of consumer rights and interests, regularly summarized and evaluated various risk control measures, actively implemented the Company's strategic deployment of "digital transformation", and promoted the Company's stable and compliant operation. The Company took the advantage of the trend to strengthen the research of macro policies and the guidance of industrial policies, implement the concept of comprehensive risk management, and strive to improve the effectiveness and refined level of the Company's risk management. The Company paid attention to the risk exposure in key areas to guide itself to effectively prevent and resolve the risks in real estate industry, local government financing platforms and other fields. The Company took precautions to guide itself to guard against sanctions risks, public opinion risks and climate risks, so as to constantly consolidate the risk resistance safety mat. The Company focuses on the systems, revised the working rules of the committees, further standardized and improved the operating mechanism of the committees, and ensured that the committee properly performed their duties. The Company got to the root of problems, deeply analyzed the risk causes of large-amount non-performing projects, strengthened the guidance of compliance and internal control assessment, improved the quality and efficiency of non-performing assets disposal, and consolidated the asset quality of the Group. The Company empowered science and technology, adhered to the two-wheel drive of data governance and model upgrading, consolidated the base of information security and scientific and technological risks, and continuously improved the Company's risk control level. The Company adhered to the people-oriented principle, continuously promoted the construction of the working system and mechanism of protection of customer rights and interests, promoted the extension and progression of protection of customer rights and interests in business practice, and enhanced the level of protection of customer rights and interests.

(III) The Audit and Related Party Transaction Control Committee of the Board of Directors

1.The Audit and Related Party Transaction Control Committee consists of four members, namely, Xiao Hong, Su Xijia, Xu Lin and Wang Hongmei, and Su Xijia serves as the Chairman.

2.Meeting date and content

During the reporting period, a total of seven meetings, namely the fourth meeting (February 22), the fifth meeting (March 21), the sixth meeting (from April 21 to April 27), the seventh meeting (June 23), the eighth meeting (August 25), the ninth meeting (from October 21 to 27) and the tenth meeting (December 15) of the tenth session of the Audit and Related Party Transaction Control Committee of the Board of Directors of the Company, were convened, at which a total of 18 proposals were considered and approved and 12 reports were debriefed. The major proposals including: the annual report, the report on internal audit, financial budgets and final financial reports, engagement of the accounting firm, the report on related party transactions, the internal control evaluation report, the report on placement the actual use of the raised funds, the report on the rectification of the defects of the internal control audit, etc.

During the reporting period, the Audit and Related Party Transactions Control Committee of the Board of Directors continued to optimize its member composition, with three of the four members being independent directors (including one female director). The Committee consists of senior experts who are engaged in fields such as green finance and IT finance and certain members have the experience in senior management of relevant organizations, thus providing an important guarantee for the independent and effective performance of the Committee. The Committee continued to improve the preparation of financial reports, internal audit, internal control and related party transactions management, actively strengthened the guidance for and communication with external auditors, guided the audit and review of financial reports, and held meetings to listen to the 2021 annual audit progress report, 2021 annual audit summary report, 2022 semi-annual review report and 2022 annual audit program, etc.. The Committee requested the auditors to follow the basic principles of "soundness, reasonableness and comparability" when providing statutory audit services for the Company and to offer advisory suggestions on the strategies and decisions of the Company from a professional and independent third-party perspective to promote the steady development of the Company. The Committee arranged the review of the financial reports of each stage and the annual budget and final account reports in advance, comprehensively analyzed the operating performance of the Company, spoke highly of the prudent operating strategy and achievements of the management, and meanwhile put forward certain issues to be continued to paid attention to, such as the overdue loans of governmental financing platform and the exposure of risks of real estate industry, and conducting risk forecasting and developing appropriate plans. Meanwhile, the Committee actively assumed social responsibilities, worked jointly to support the revitalization of Chinese economy, supervised and guided the internal audit and internal control, reviewed the report on internal control assessment, internal audit project plan and internal auditing, debriefed the reports on annual supervision notification, the rectification of the Company and the rectification of defects of the internal control audit. The

Committee attached importance to the internal auditing of the Company, requested the management to strengthen the internal examination and implement the rectification of problems found in the internal audit. The Committee was also required to strengthen the internal audit team and improve auditing capacity. With the efforts of the Committee, the defects of internal control reduced significantly, and there was no major defect. Following the principles of openness, fairness and transparency, the Committee standardized and implemented the management of related party transactions, and examined the matter of granting related party transaction quotas, granting related party transaction quotas. For details of the performance of the Audit and Related Party Transactions Control Committee, please refer to the 2022 Performance Report of Audit and Related Party Transactions Control Committee of the Board of Directors of Industrial Bank Co., Ltd. disclosed by the Company on the website of Shanghai Stock Exchange.

(IV) The Nomination Committee of the Board of Directors

1.The Nomination Committee consists of three members, namely, Sun Xiongpeng, Ben Shenglin and Qi Yuan, and Qi Yuan serves as the Chairman.

2.Meeting date and content

During the reporting period, a total of five meetings, namely the third meeting (March 23), the fourth meeting (from April 21 to April 27), the fifth meeting (May 6), the sixth meeting (June 23) and the seventh meeting (August 9) of the tenth session of the Nomination Committee of the Board of Directors of the Company, were convened, at which a total of 6 proposals were considered. The major proposals including: nomination of directors, appointment of vice president, appointment of secretary of the Board, adjustment on the composition of the committees of the Board of Directors, etc.

During the reporting period, taking into full consideration of the corporate governance requirements, the actual operation and management of the Company, professional background of members and other factors, the Nomination Committee of the Board of Directors verified the qualification and requirements of the vice president and secretary of the Board and submit to the Board of Directors for deliberation. The Committee assisted the Board of Directors in optimizing and adjusting the member composition of committees under the Board of Directors, supplementing members of the committees in a timely manner and continuously enhancing the building of the Board of Directors, so as to effectively safeguard the orderly coordination and compliance operation of each committee. Meanwhile, based on the actual governance and operation of the Company, the Committee organized and completed the amendments to the Terms of Reference of the Nomination Committee, further regulating and improving the operating mechanism of the Committee.

(V) The Remuneration and Evaluation Committee of the Board of Directors

1.The Remuneration and Evaluation Committee consists of three members, namely, Chen Yichao, Su Xijia and Xu Lin, and Xu Lin serves as the Chairman.

2.Meeting date and content

During the reporting period, a total of two meetings, namely the third meeting (March 21) and the fourth meeting (December 15) of the tenth session of the Remuneration and Evaluation Committee of the Board of Directors of the Company, were convened, at which a total of 4 proposals were considered and approved. The major proposals including: report on performance assessment of directors, remuneration distribution plan of senior management, and remuneration system reform plan, etc.

During the reporting period, the Remuneration and Evaluation Committee of the Board of Directors, focusing on development strategy and annual business objectives of the Company, evaluated the business performance of senior management in 2021 in accordance with the performance assessment criteria and assessment procedures, studied and put forward the remuneration plan of senior management in 2021 and submitted it to the Board of Directors for deliberation, with suggestions proposed for further improvement of the remuneration system of senior management. In addition, the Committee made conclusion to the duty-fulfillment of each director for the previous year, and completed the duty fulfillment evaluation report of the directors, which considered that all directors had actively attended the meetings of the Board of Directors and meetings of relevant committees and performed their duties in a diligent manner, while independent directors had given full play to their professional advantages and rich experience, and offered advices and suggestions actively, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. The remuneration system reform plan based on the posts and ranks in the Company was considered and approved to ensure the compliance of procedures for remuneration system reform and balance the interests of all aspects of the Company, and fully reflect the guiding opinions of the Ministry of Finance that the more income of financial enterprises should be distrusted to grass-roots employees.

V. Meetings held by the Board of Supervisors during the reporting period

During the reporting period, a total of seven meetings, namely the fifth meeting (March 23), the sixth meeting (from April 21 to April 28), the seventh meeting (May 6), the eighth meeting (June 23), the ninth meeting (August 25), the tenth meeting (from October 21 to October 28) and the eleventh meeting (December 15) of the ninth session of the Board of Supervisors of the Company, were convened, at which a total of 23 proposals were considered and approved and 21 reports were debriefed. The major proposals including: work report of the Board of Supervisors, report on performance assessment of supervisors, nomination of candidates for external supervisors, annual financial report, profit distribution plan, report on business performance and financial statements, report on deposit and actual use of raised funds, report on assessment of internal control, risk management report, special audit report on related party transactions, anti-money laundering compliance management report, report on implementation evaluation of development strategic plan for 2021 to 2025, consolidated management report of the Group, special audit report on write-off management of bad debts, report on development of wealth business, data governance report, report on consumer rights protection, etc.

VI. Special committees under the Board of Supervisors

(I) Supervision Committee of the Board of Supervisors

1.The Supervision Committee consists of three members, namely, He Xudong, Paul M.Theil and Lin Hua, and Paul M.Theil serves as the Chairman.

2.Meeting date and content

During the reporting period, a total of four meetings, namely the third meeting (March 21), the fourth meeting (from April 21 to April 27), the fifth meeting (August 25), the sixth meeting (December 25) of the eighth session of the Supervision Committee of the Board of Supervisors of the Company, were convened, at which a total of 9 proposals were considered and approved and 8 reports were debriefed. The major proposals including: annual financial report, report on business performance and financial statements, report on assessment of internal control, risk management report, special audit report on related party transactions, anti-money laundering compliance management report, liquidity management report, report on stress test work, special audit report on write-off management of bad debts, and report on rectification of internal control audit defects of the Company, etc.

During the reporting period, the Supervision Committee held meetings in accordance with laws and regulations, performed its statutory supervision responsibilities, and supervised the business decisions, financial activities, risk management and internal control of the Company. Focusing on the important areas and key links in the strategy transformation of the Company, the Committee organized special audits, conducted research, and strengthened the supervision in key areas, providing professional value for the Company's risk management, digital transformation, ESG management, data governance, and layout of advantageous areas. In addition, the Committee assisted the Board of Supervisors in improving the governance and supervision system of the Company to continuously build a strong foundation of the corporate governance system.

(II) Nomination, Remuneration and Evaluation Committee of the Board of Supervisors

1.The Nomination, Remuneration and Evaluation Committee consists of three members, namely, Zhang Guoming, Zhu Qing and Lin Hua, and Zhu Qing serves as the Chairman.

2.Meeting date and content

During the reporting period, a total of four meetings, namely the fourth meeting (March 23), the fifth meeting (May 6), the sixth meeting (from June 13 to June 20) and the seventh meeting (December 15) of the eighth session of the Nomination, Remuneration and Evaluation Committee of the Board of Supervisors of the Company, were convened, at which a total of 8 proposals were considered. The major proposals including: the report on assessment of the supervisors' duty performance, nomination of candidates for external directors, appointment of the chairman of the Board of Supervisors (chief supervisor), adjustment on the composition of the committees of the Board of Supervisors, special audit report on the establishment and implementation of the performance appraisal and compensation mechanisms, etc.

During the reporting period, the Nomination, Remuneration and Evaluation Committee enhanced the organizational building, conscientiously verified the qualification and requirements of candidates of the chief supervisor and supervisor, made suggestions to the Board of Supervisors and adjusted the composition of the committee, so as to ensure the operation of the Board of Supervisors and its committees in an orderly and professional manner. The Nomination, Remuneration and Evaluation Committee constantly improved the mechanism on performance assessment of directors, supervisors and the senior management, and conducted performance assessment on directors, supervisors and the senior management to promote the effective performance of the principal of the corporate governance. Based on the specialized duties, the Nomination, Remuneration and Evaluation Committee implemented supervision on the compensation management mechanism and its implementation, proposed to enhance the stability of the compensation management mechanism, improved the scientificity and stability of incentive and restraint mechanisms including the remuneration deferred payment and recourse and rebate, thus ensuring the stable development of the business. The Nomination, Remuneration and Evaluation Committee assisted the Board of Supervisors in perfecting the corporate governance system and improving the efficiency of the corporate governance.

VII. The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

VIII. Rectification of problems found in self-inspection during the special campaign to improve the governance of listed companies

The Company seriously checked the self-examination list for special campaign of corporate governance, and confirmed that all problems found in the special self-examination campaign in the past years had been rectified in the previous year. During the reporting period, the Company did not find any significant difference between the actual situation of its corporate governance and the laws, administrative regulations and the requirements under the regulatory documents issued by the CSRC regarding the governance of listed companies.

IX. Directors, supervisors and executives

(I)The change of shareholdings and remunerations of existing and outgoing directors, supervisors and senior executives during the reporting period

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Lyu Jiajin	Chairman	Male	1968.09	2021.07.26——2024.06.10	–	–	161.63	No
Tao Yiping	Executive director President	Male	1963.04	2016.06.20——2024.06.10 2016.04.28——2024.06.10	100,000	100,000	163.56	No
Chen Yichao	Director	Male	1950.11	2015.07.01——2024.06.10	–	–	–	Yes
Xiao Hong	Director	Male	1972.10	2021.07.30——2024.06.10	–	–	–	Yes
Sun Xiongpeng	Executive director Vice president	Male	1967.04	2021.07.30——2024.06.10 2016.08.25——2024.06.10	100,000	100,000	151.72	No
Su Xijia	Independent director	Male	1954.09	2017.02.07——the date when the next independent director with accounting profession take up the post	–	–	30	No
Ben Shenglin	Independent director	Male	1966.01	2021.07.30——2024.06.10	–	–	29.82	No
Xu Lin	Independent director	Male	1962.06	2021.07.30——2024.06.10	–	–	30	Yes
Wang Hongmei	Independent director	Female	1961.06	2022.01.25——2024.06.10	–	–	25.67	No
Qi Yuan	Independent director	Male	1974.03	2022.03.10——2024.06.10	–	–	24.16	No
Chen Xinjian	Chief supervisor Executive director Vice president Secretary of the Board of Directors	Male	1967.10	2022.05.06——2024.06.10 2016.06.20——2022.05.05 2014.07.10——2022.05.05 2015.11.26——2022.05.05	150,000	150,000	160.58	No
He Xudong	Supervisor	Male	1977.11	2016.12.19——2024.06.10	–	–	–	Yes
Zhang Guoming	Supervisor	Male	1966.02	2018.08.24——2024.06.10	–	–	147.95	No
Lai Furong	Supervisor	Male	1968.10	2007.10.19——2024.06.10	100,000	100,000	547.95	No

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Paul M. Theil	External supervisor	Male	1953.05	2021.06.11——2024.06.10	83,800	83,800	24	Yes
Zhu Qing	External supervisor	Male	1957.05	2021.06.11——2024.06.10	–	–	22.68	No
Lin Hua	External supervisor	Male	1975.09	2022.05.27——2024.06.10	16,700	16,700	15.24	Yes
Zhang Min	Vice president	Male	1972.10	2023.02.14——2024.06.10	–	140,000	–	No
Zhang Ting	Vice president	Male	1969.05	2023.02.14——2024.06.10	–	–	–	No
Hua Bing	Secretary of the Board of Directors	Male	1966.11	2022.08.05——2024.06.10	–	102,700	162.71	No
Li Zhuyong	Director	Male	1972.10	2021.07.30——2023.03.16	–	–	–	Yes
Chen Jinguang	Executive director	Male	1961.11	2016.06.20——2022.05.06	30,000	30,000	88.27	No
	Vice president			2013.02.04——2022.05.06				
Xia Dawei	External supervisor	Male	1953.02	2016.05.23——2022.05.22	10,000	10,000	10	No

Note: 1. Composition of remuneration of directors, supervisors and senior executives serving full-time in the Company for the year 2022.

Unit: RMB0'000

Name	Title	Pre-tax remuneration received from the Company in 2022				
		Pre-tax remuneration payables	Incentive income during the tenure of office	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund unit payment part	Other monetary income (specified items in each column)	Total
Lyu Jiajin	Chairman	112.00	33.60	16.03	–	161.63
Tao Yiping	Executive director and president	112.00	33.60	17.96	–	163.56
Chen Xinjian	Chief supervisor	108.27	32.48	19.83	–	160.58
Sun Xiongpeng	Executive director and vice president	100.80	30.24	20.68	–	151.72
Zhang Guoming	Supervisor	100.80	30.24	16.91	–	147.95
Lai Furong	Supervisor	525.80	–	22.15	–	547.95
Hua Bing	Secretary of the Board of Directors	153.35	–	9.36	–	162.71
Chen Jinguang	Former executive director and vice president	58.80	17.64	11.83	–	88.27

2.During the reporting period, the total actual remuneration paid for all directors, supervisors and senior executives amounted to RMB17.9594 million. The remuneration for some of the directors, supervisors and senior executives who served full-time positions in the Company is currently under examination of the authorized department. Should there be any changes, the Company will make an announcement.

3.The decision-making procedures and criteria for determination of remuneration for directors, supervisors and executives were as follows: the remuneration for directors, supervisors and senior executives were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold fulltime positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disburse in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior executives, the remuneration plan should be prepared by the Nomination, Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for approval.

4.The 2021 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and senior executives. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and senior executives who served full-time positions in the Company for 2021 is hereby further disclosed as follows:

Unit: RMB0'000

Name	Title	The remainder of 2021 pre-tax remuneration (RMB0'000)
Lyu Jiajin	Chairman	8.253
Tao Yiping	Executive director and president	14.14
Chen Xinjian	Former executive director, vice president and secretary of the Board of Directors	12.74
Sun Xiongpeng	Vice president	12.74
Zhang Guoming	Supervisor	12.74
Chen Jinguang	Former executive director and vice president	12.74

5.None of directors, supervisors and senior executives of the Company received any punishment from the securities regulatory commission in recent three years.

(II)Positions held by directors and supervisors in the shareholder companies as at the reporting period

Name	Shareholder company	Title	Start date for the term	Expiry date for the term
Li Zhuyong	The People's Insurance Company (Group) of China Limited	Member of the Party Committee, executive director, vice chairman, president	August 2018	Resigned as the secretary of the Board of Directors in January 2023
Xiao Hong	China National Tobacco Corporation	Director of the Budget Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration (China National Tobacco Corporation)	August 2016	February 2023
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of the Assets Operation Department	December 2014	Up to now

(III)An outline of working experience of directors, supervisors and senior management members, and their appointments or concurrent appointments in organizations other than the Company or shareholder companies

Lyu Jiajin: Doctoral degree, senior economist, enjoying special government allowance of the State Council. He previously served as the deputy director and the director of Henan Postal Savings and Remittance Bureau, the director of Xinxiang Post Bureau of Henan Province, the deputy director of Henan Post Bureau, the deputy director of Liaoning Post Bureau, the deputy director of the Postal Savings and Remittance Bureau of the State Post Bureau, the executive director, the vice president and the president of Postal Savings Bank of China, the deputy general manager of China Post Group Corporation, the executive director and the president of China Postal Savings Bank, the deputy president of Bank of Communications, the executive director and the vice president of China Construction Bank. He currently serves as the Party Secretary and Chairman of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Tao Yiping: University graduate, master degree, senior economist. He previously served as a section chief of the General Plan Office of Fujian Branch of Bank of China, a senior manager of the Hong Kong and Macao Administration Office of Bank of China Group, a senior manager of China Business Department of Hong Kong Branch of Kincheng Banking Corporation, an Office Director and chief of Fund Planning Office of Fujian Branch of Bank of China, the president of Fuzhou Sub-branch of Bank of China, the president assistant and vice president of Fujian Branch of Bank of China, the president of Xiamen Branch of Bank of China, the president of Fujian Branch of Bank of China, and the president of Shandong Branch of Bank of China. He currently serves as a member of the Party Committee, a director and the president of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Chen Yichao: Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Li Zhuyong: Doctoral degree, senior economist. He previously served as the deputy director and director of the System and Provisions Division of Legal Department of the People's Insurance Company (Group) of China Limited, director of the Secretariat of the Secretary Department of the Board of Directors of PICC P&C, head of the Legal Department, deputy general manager, general manager of the Legal and Compliance Department of PICC Holding Company, general manager of the Risk Management Department and the Legal and Compliance Department of the People's Insurance Company (Group) of China, legal director of the People's Insurance Company (Group) of China. He also served as the compliance chief and the chief risk officer of the People's Insurance Company (Group) of China, supervisor of PICC P&C, supervisor of Zhongsheng International Insurance Brokerage Co., Ltd., chairman and party secretary of PICC Financial Services Company, and director of the People's Insurance Company of China Hong Kong Limited. He currently serves as the member of the Party Committee, executive director and vice president of the People's Insurance Company (Group) of China.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: non-executive director and chairman of China Credit Trust Co., Ltd., vice chairman of the People's Insurance Company of China Hong Kong Limited, vice president of the China Institute of Insurance Law, and president of the 15th Council of China Maritime Law Association.

Xiao Hong: Bachelor degree. He previously worked in Shijingshan Sub-branch of Beijing Branch of Industrial and Commercial Bank of China, and has been worked in the State Tobacco Monopoly Administration (China National Tobacco Corporation) since 2000. He served as the director of the Budget Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration (China National Tobacco Corporation), and the chief supervisor of Yunnan Hongta Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the chief supervisor of Yunnan Hongta Bank.

Sun Xiongpeng: University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a member of the Party Committee, director and vice president of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Su Xijia: PhD, professor. He previously served as a lecturer at the Accounting Department of Shanghai University of Finance and Economics and an associate professor at the Accounting Department of College of Business, City University of Hong Kong. He currently serves as a professor at the Accounting Department of China Europe International Business School.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor at the Accounting Department of China Europe International Business School, an independent director of China Jinmao Group, Opple Lighting Co., Ltd. and Shanghai Oriental Pearl (Group) Co., Ltd.

Ben Shenglin: PhD, professor, PhD tutor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor, dean of the International Business School, dean of the Academy of Internet Finance of Zhejiang University.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor, dean of the International Business School and dean of Academy of Internet Finance of Zhejiang University, joint director of International Monetary Institute of Renmin University of China, the founder and dean of Beijing Frontier Institute of Regulation & Supervision Technology, member of the International Committee of the All-China Federation of Industry and Commerce, member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, a counsellor of Zhejiang Provincial People's Government, cochairman of Zhejiang Association of Internet Finance, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Finance, an independent director of Zhejiang Orient Financial Holdings Group Co., Ltd., and a supervisor of China Construction Bank.

Xu Lin: Master degree. He previously served as the Deputy Director of Development Planning Department of the State Planning Commission, the Director of Finance and Finance Department of the National Development and Reform Commission, the Director of Development Planning Department of the National Development and Reform Commission, the Director of the China Center for Urban Development, the Chairman of China-US Green Investment Management Co., Ltd.. He currently serves as the Chairman of China-U.S. Green Investment Management Co., Ltd. and China-U.S. Green Yangtze River Delta Private Fund Management Co., Ltd..
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the chairman of China-U.S. Green Investment Management Co., Ltd. and China-U.S. Green Yangtze River Delta (Shanghai) Private Fund Management Co., Ltd., and the director of Nanjing Longying Green Management Services Co., Ltd., Beijing Duomulin Green Technology Development Co., Ltd. and Farsoon Technologies Co., Ltd., the executive partner of Beijing Honghui Green and Intelligent Enterprise Management Center LLP, the independent director of Zhejiang Crystal-Optech Co., Ltd., Beijing GeoEnviron Engineering & Technology, Inc., Guomin Pension Insurance Co., Ltd., the supervisor of Lianrun Credit Service Co., Ltd., Party Secretary and standing vice-chairman of China Mergers & Acquisitions Association, vice-chairman of China Association of Productivity Science, and chairman of Urban Society of China and chairman of Pangu Institution.

Wang Hongmei: PHD and professor-level senior engineer. She previously served as the deputy director of the Research Center for Economic and Technological Development of the Ministry of Posts and Telecommunications, and the general manager of Development Strategy Department of China Mobile Communications Group Co., Ltd.; the secretary general of the executive organization of China Mobile Charity Foundation, the director of the Reform Office of the Group Corporation, and the director of China Mobile's Office in Xiong'an New Area, the director of Shanghai Pudong Development Bank Co., Ltd. and the director of China Mobile Equity Fund Management Co., Ltd. Currently, she has retired.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Qi Yuan: PHD. He previously served as the assistant professor and the tenured associate professor of the Purdue University, vice president of Tao Bao (China) Software Co., Ltd., vice president and chief AI scientist of Ant Group. He currently serves as the Fudan-Haoqing distinguished professor and the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Fudan-Haoqing distinguished professor, and the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University.

Chen Xinjian: University graduate, master degree. He successively served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch of Industrial Bank, president of Nanjing Branch of Industrial Bank, president of Beijing Branch of Industrial Bank, and a member of the Party Committee, director, vice president and secretary of the Board of Directors of Industrial Bank. He currently serves as a member of the Party Committee and chief supervisor of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

He Xudong: Bachelor degree, economist. He successively served as the director of the Assets Operation Department and director of the General Office of the Coal and Transportation Branch of Zhejiang Energy Group. He currently serves as the deputy director of the Assets Operation Department of Zhejiang Energy Group Co., Ltd. and the general manager of Zhejiang Zheneng Energy Service Co., Ltd.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the vice chairman of CNOOC Green Energy Port Ningbo Energy Co., Ltd., and the director of CNOOC Zhejiang Ningbo LNG Co., Ltd., Zhejiang Zheneng Jiaxing Power Generation Co., Ltd., Zhejiang Zheneng Jiahua Power Generation Co., Ltd., Zhejiang Zheneng Leqing Power Generation Co., Ltd., Zhejiang Zheneng Wenzhou Power Generation Co., Ltd., Zhejiang Wenzhou Telulai Power Generation Co., Ltd., Wenzhou Gas Power Generation Co., Ltd., Zhejiang Zheneng Changxing Power Generation Co., Ltd., Zhejiang Zheneng Qianqing Power Generation Co., Ltd., Zhejiang Zheneng Lanxi Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd., Zhejiang Zheneng Zhongmei Zhoushan Coal and Electricity Co., Ltd., Zhejiang Zheneng Taizhou No.2 Power Generation Co., Ltd., China Guodian Corporation Zhejiang Beilun No.3 Power Generation Co., Ltd., Zhejiang Zheneng Xingyuan Energy Saving Technology Co., Ltd. and Zhejiang Zheneng Tianyi Investment Co., Ltd.

Zhang Guoming: Bachelor degree. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Provincial Commission for Discipline Inspection, special deputy secretary of the Party Committee of the Fujian Provincial Commission for Discipline Inspection, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee, a member of the Party Committee, Secretary of Discipline Inspection Committee and Supervisor of Industrial Bank. He currently serves as a member of the Party Committee, head and supervisor of Fujian Provincial Commission for Discipline Inspection and Supervision in Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Lai Furong: Bachelor degree, senior accountant. He previously served as vice president and president of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance & Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning & Finance Department of Industrial Bank and general manager of Audit Department of Industrial Bank. He currently serves as a supervisor and general manager of Planning & Finance Department of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Paul M. Theil: PhD. He successively served as first secretary and commercial counsellor of the U.S. Embassy in China. He currently serves as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd., independent director of Heng'an International Group Company Limited, independent member of investment committee of Ping An Insurance (Group) Company of China, director of Runhui Fund Management Co., Ltd., independent director of Qinqin Foodstuffs Group Company Limited and president of Small Loans Industry Association of Shenzhen, vice president of China Micro-credit Companies Association.

Zhu Qing: PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC), a senior visiting scholar at State University of New York and University of California, Berkeley in the U.S.A. He currently serves as a professor at the School of Finance at Renmin University of China.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor at the School of Finance at Renmin University of China, independent director of Zhongtai Trust Co., Ltd., Jiangsu Jiangyin Rural Commercial Bank Co., Ltd., China Great Wall Asset Management Co., Ltd. and Jangho Group Co., Ltd., external supervisor of China Trust Protection Fund Co., Ltd., vice chairman of China Taxation Society, executive director of Society of Public Finance of China, honor professor of University of Chinese Academy of Social Sciences, adjunct professor of Beijing National Accounting Institute and Xiamen National Accounting Institute.

Lin Hua: Master's degree. He previously served as the chairman of Zhongrui Huaxin (Beijing) Capital Management Co., Ltd., the general manager of Jinyuan Capital Management (Xiamen) Co., Ltd., the general manager of Xiamen Venture Capital Co., Ltd. (Fund of Funds of Xiamen Municipal Government), and the investment director of the Capital Operations Department of China General Nuclear Power Group. He is now General Manager of Beijing Huacheng Function Technology Company, President of Beijing Zijin Smart Finance Research Institute.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Huacheng Contemporary (Beijing) Technology Co., Ltd., president of Beijing Dongcheng Zijin Intelligent Finance Research Institute, part-time editor of Financial Accounting magazine, executive deputy director of Asset-backed Securitization Committee of Insurance Asset Management Association of China, member of Advisory Committee on Enterprise Accounting Standards of the Ministry of Finance, independent non-executive director of China Merchants Land Asset Management Co., Limited, independent director of General China Asset Management Co., Ltd. and Bank of Beijing, consultant of Asset-backed Securitization Committee of Asset Management Association of China, and member of standing committee of 15th Party Committee of Beijing Dongcheng District of CPPCC.

Zhang Min: Bachelor degree, master degree. He successively served as the vice president and general manager of the interbank business department of Yiwu Sub-branch, Hangzhou Branch of Industrial Bank, assistant to president of Hangzhou Branch of Industrial Bank, president of Yiwu Branch of Industrial Bank, vice president of Ningbo Branch of Industrial Bank, president of Ningde Branch of Industrial Bank, president of Chongqing Branch of Industrial Bank and president of Hangzhou Branch of Industrial Bank. He is currently a member of the Party Committee and vice president of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Zhang Ting: Bachelor degree, master degree and a senior economist. He successively served as person in charge of Yangqiao office of Industrial Bank, vice president and president of Gulou Sub-branch, Fuzhou Branch of Industrial Bank, deputy secretary of the Party Committee and vice president (person in charge) of Longyan Branch of Industrial Bank, secretary of the Party Committee and president of Longyan Branch of Industrial Bank, secretary of the Party Committee and president of Quanzhou Branch of Industrial Bank, secretary of the Party Committee and president of Ji'nan Branch of Industrial Bank, and secretary of the Party Committee and president of Beijing Branch of Industrial Bank. He currently serves as a member of the Party Committee and vice president of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Hua Bing: Master degree. He successively served as the deputy general manager of the risk management department, general manager of the office of the Board of Supervisors and director of legal affairs center, general manager of the legal and compliance department of Industrial Bank. He currently serves as the secretary of the Board of Directors, general counsel and general manager of the office of the Board of Directors and the Board of Supervisors of Industrial Bank.
Appointments or concurrent appointments in organizations other than the Company or shareholder companies: arbitrator of China International Economic and Trade Arbitration Commission, Fuzhou Arbitration Commission and Xiamen Arbitration Commission.

(IV) Changes of Directors, supervisors and senior executives

Change of Directors

1. On January 25, 2022, upon the approval of the qualification of the independent director by the CBIRC, Ms. Wang Hongmei has served as the independent director of the Company since the same day. The term of office of Mr. Lin Hua, the independent director who previously submitted his resignation letter, expired on January 25, 2022, in accordance with the regulatory provisions that at least one third of the members of the Board of Directors of the listed company shall be independent directors.

2.On March 10, 2022, upon the approval of the qualification of the independent director by the CBIRC, Mr. Qi Yuan has served as the independent director of the Company since the same day.

3. On May 5, 2022, Mr. Chen Xinjian submitted a written resignation letter to the Board of Directors for resigning from the positions of the director, vice president, secretary to the Board of Directors and member of relevant committees of the Board of Directors of the Company due to work adjustment. During the vacancy of the secretary to the Board of Directors, the vice president Mr. Sun Xiongpeng shall perform such duties.

4. On May 6, 2022, Mr. Chen Jinguang submitted a written resignation letter to the Board of Directors for resigning from the positions of the director, vice president, and member of relevant committees of the Board of Directors of the Company due to the attainment of statuary age for retirement.

5. On February 6, 2023, Mr. Su Xijia submitted a written resignation letter to the Board of Directors for resigning from the positions of the independent director and member of relevant committees of the Board of Directors of the Company as he has served as the independent director of the Company for six consecutive years. Since his resignation will result in the absence of accounting professional among the independent directors of the Board of Directors of the Company, Mr. Su Xijia shall continue to perform his duties until the date when the next independent director with accounting profession take up the post.

6. On March 16, 2023, Mr. Li Zhuyong submitted a written resignation letter to the Board of Directors for resigning from the positions of the director and member of relevant committees of the Board of Directors of the Company.

Change of supervisors

1. On March 23, 2022, the fifth meeting of the eighth session of the Board of Supervisors of the Company was convened to nominate Mr. Lin Hua as the candidate of the external supervisor of the Board of Supervisors; on May 27, 2022, the Company convened the 2021 annual general meeting to elect Mr. Lin Hua as the external supervisor of the Company.

2. On May 5, 2022, the employee representatives' meeting was convened to elect Mr. Chen Xinjian as the employee supervisors of the eighth session of the Board of Supervisors of the Company; on May 6, the seventh meeting of the eighth session of Board of Supervisors of the Company was convened to elect Mr. Chen Xinjian as the chairman of the eighth session of Board of Supervisors.

3. On May 22, 2022, Mr. Xia Dawei submitted a written resignation letter to the Board of Supervisors of the Company for resigning from the external supervisor and the chairman and member of relevant special committees of the Board of Supervisors as he has served as the external director of the Company for six consecutive years.

Change of the senior executives

1. On May 6, 2022, the tenth session of the Board of Directors of the Company convened the seventh meeting to appoint Mr. Zhang Min as the vice president of the Company. Mr. Zhang Min took office upon the approval of his qualification of vice president by the CBIRC on February 14, 2023.

2. On June 24, 2022, the tenth session of the Board of Directors of the Company convened the eighth meeting to appoint Mr. Hua Bing as the secretary of the Board of Directors of the Company. Mr. Hua Bing took office upon the approval of his qualification of secretary of the Board of Directors by the CBIRC on August 5, 2022.

3. On August 9, 2022, the tenth session of the Board of Directors of the Company convened the ninth meeting to appoint Mr. Zhang Ting as the vice president of the Company. Mr. Zhang Ting took office upon the approval of his qualification of vice president by the CBIRC on February 14, 2023.

X. The directors' performance of their duties

(I) The attendance of directors in Board of Directors and shareholder's meeting

During the reporting period, the Company convened eight meetings of the Board of Directors, six of which were on-site meetings, and two were teleconference. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

		Attendance at meetings of the Board of Directors						Attendance of general meetings
Name of directors	Whether an independent director	Expected attendance during the year	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Lyu Jiajin	No	8	8	2	0	0	No	1
Tao Yiping	No	8	8	2	0	0	No	1
Chen Yichao	No	8	8	2	0	0	No	1
Li Zhuyong	No	8	8	2	0	0	No	1
Xiao Hong	No	8	8	2	0	0	No	1
Sun Xiongpeng	No	8	8	2	0	0	No	1
Su Xijia	Yes	8	8	2	0	0	No	1
Ben Shenglin	Yes	8	7	2	1	0	No	1
Xu Lin	Yes	8	8	2	0	0	No	1
Wang Hongmei	Yes	8	8	2	0	0	No	1
Qi Yuan	Yes	8	7	2	1	0	No	1
Chen Jinguang	No	2	2	1	0	0	No	—
Chen Xinjian	No	2	2	1	0	0	No	—

(II) Situation of objections to the issues of the Company raised by directors

During the reporting period, none of the directors had objections to the issues of the Company.

XI. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	63,853
Number of the incumbent staff of main subsidiaries	5,987
Total number of the incumbent staff	69,840
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	1,288

Education level	
Type of education	Number
Master and above	13,057
Bachelor	47,330
College	8,433
Secondary technical school and below	1,020
Total	69,840

Professional occupation	
Type of professional occupation	Number
Management	3,776
Business	51,136
Support	14,928
Total	69,840

Note: the above number of the incumbent staff includes outsourcing labor.

(II) Employee remuneration policies

In respect of the remuneration management, the Company adheres to the requirements of corporate governance, maintaining the competitiveness and sustainable development of the bank, matching up with the operating results, integrating with the long- and short-term incentives, balancing the internal fairness and external competitiveness, facilitating the implementation of strategic objectives of the Company, supporting the demands of business development at different stages as well as the attracting and retaining of employees, especially for key personnel.

1. Remuneration structure

In accordance with the internal control mechanism of the Company, the growth in the total remuneration of employees should not exceed the growth in the number of employees and the growth in major indicators of business performance in general. Employees holding different positions carry different responsibilities and bear different risk levels, resulting in differences in their remuneration structure. The higher the correlation between the work performance of employees and the overall business performance of the Company, the higher will be the proportion of the floating bonus.

2. Remuneration policies

The remuneration of the Company's executives is paid in strict accordance with the plan reviewed and determined by the competent authorities and considered and approved by the corporate governance process, and is linked with the results of the Company's business performance assessment. By establishing a comprehensive evaluation system that includes quantitative indicators such as profitability, asset quality, solvency and operational growth, as well as qualitative indicators such as supporting high-quality development (including supporting the economic and social development, construction of major projects, targeted poverty alleviation, rural revitalization) and development of green finance business (including green financial system construction, brand building and business development), short-term incentives and long-term incentives are combined to strengthen senior executives' responsibility to fulfill their duties, promote the Company's improvement of operation and management and promote the Company's sustainable and healthy development.

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the scope of assessment indicators, several key indicators are selected for performance assessment, including the rate of return on capital, rate of return on risk assets, non-performing loans ratio, compliance operations and evaluation on internal control. The indicators are applied to the institutions and employees, and the overall appraisal results will be linked to the bonus of employees to reflect the correlation between the remuneration and various types of risks. In order to improve the incentive and restraint mechanism, and ensure the remuneration policies are in line with the present and future risks, payment of 40% of performance-based remuneration for the senior executive and employees holding the positions that have significant impact on the risks shall be deferred for a period of at least three years, and payment of 50% of performance-based remuneration for the key senior management shall be deferred. If there is a breach of regulations or discipline or extraordinary risk exposure in carrying out duties during the appraisal period, a corresponding amount shall be deducted from the risk fund of the staff held liable, so as to ensure the remuneration level of employees is consistent with their risk-adjusted performance.

3.Detailed information about remuneration of employees the positions that have significant impacts on the risks of the bank

The allocation of remuneration is based on the fundamental idea of "allocation based on the value of job positions and contributions", among which the value of job positions includes technological and managerial difficulties, risk levels and contributions to the banking system. The remuneration of employees matches with the value of their job positions and their job responsibilities. For those engaged in the risk management and compliance fields, their remuneration depends on individual capability, performance of duties, and appraisals on the team and individual basis, but has no direct relationship with the performance of other business areas, which can ensure that the remuneration of staff in the risk management and compliance fields is independent from the performance of the business lines under their supervision, and such segregation can promote the steady operations and sustainable development of the Company.

(III) Staff training schemes

With the goal of developing modern high-quality vocational education and on the basis of the 14th Five-Year Plan for talents, the Company continued to explore the establishment of the “5+N” training system and the “1+N” responsibility system and optimize the training operation system with a focus on seven aspects of “promotion of strategies, leading by party building, construction of teacher training, management mechanism, digital innovation, value offering and student experience”. By adopting the working mode of “combination of centralized and decentralized management and combination of all departments as well as internal and external integration”, the Company focused on key points, established benchmarks and shored up weak spots to promote the construction of teacher training system based on the training demands. Focusing on the “three business cards” and “five new racetracks” as well as key strategic businesses and training of critical groups, the Company continued to carry out training courses on strategic key businesses such as “commercial bank + investment bank”, “two new and one heavy” and “Xinglian Power”. Among them, the institution of offline students of the first course of “commercial bank + investment bank” has obtained nearly RMB200 billion for investment banking business. The Company organized a series of “All-round Learning” activities in the spirit of important conferences, and added 10 special examinations online, with a participation rate of over 95% and covering 57,865 people. During the reporting period, the Company organized 5,421 training programs with 95.72% employees trained; promoted two "10,000 talents plan" of CCXGF, and organized talent certification examination with nearly 8,000 people participated; optimized teaching methods, improved training services and conducted targeted training at different levels, and developed the first resource of talents and enhanced the primary engine of innovation to help build a learning organization. During the reporting period, the "Zhenlan Starting" project won the Best Learning Project Award of the 12th China Talent Development Elite Award.

(IV) Anti-bribery and anti-corruption policy of the Company

The Company earnestly implemented the important decisions and arrangements of the CPC Central Committee on exercising full and rigorous Party self-governance, construction of a clean and honest government of the Party and struggle against corruption, always insisted on strict Party management in an all-round way, so as to make sure no one is dare to corrupt, able to corrupt and has desire for corruption. Besides, the Company implemented the reform of discipline inspection institutions to strengthen discipline inspection. In strict accordance with relevant rules, regulations and laws, the Company strengthened the accountability of supervision and discipline enforcement as well as the intensity of investigation and punishment, comprehensively adopted the "four forms" to act early and pay attention to minor problems so as to prevent as early as possible, resolutely transferred the suspected criminal to the judicial departments, and adopted a zero-tolerance policy on anti-corruption work, so as to make sure "no one is dare to corrupt". The Company kept a close watch on the "key minority" as well as key areas and key links such as credit approval, procurement of bulk commodity, infrastructure projects, selection and employment, continuously improved the management system, strengthened supervision and restriction on the power implementation and reinforced the hard control of systems to build a solid system foundation to make sure that "no one is able to corrupt". The Company continued to improve the supervision framework that integrates discipline supervision, oversight, stationed supervision and patrol supervision, and strengthen the coordination between discipline inspection institutions and functional departments such as auditing department, finance department and risk compliance department to form a joint force in anti-corruption work. The Company formulated the work plan for the cultural construction themed by "Clean and Incorruptible Organization", promoted the annual construction tasks in a systematical manner, organized and carried out the publicity month activity of clean and incorruptible financial culture, guided employees to hold the bottom line of compliance with relevant laws and regulations, and promoted cadres and employees to form the ideological and action consciousness of "no none has desire for corruption" by means such as organizing employees to participate in the "micro party class" of clean government, visiting clean government education bases, watching warning education films, writing calligraphy works, and online learning.

XII. Proposal of profit distribution of ordinary shares or transfer of capital reserve

(I) Formulation, implementation or adjustment of the cash dividend policy

The Articles of Association of the Company stipulated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non- distribution of dividends and the usage of the profit retained if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder which appropriates the Company's fund in violation of regulations to repay the funds appropriated.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity, stability and reasonableness of the profit distribution policy, by taking into consideration of its actual operation and future development need, the Company developed the Mid-term Shareholders' Return Plan (2021-2023), which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive).

The formulation and implementation procedure of the Company's profit distribution plan was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2021 annual profit distribution plan in June 2022, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB10.35 for every 10 shares (tax inclusive), issued RMB21.501 billion cash dividends in total, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year.

(II) 2022 Profit distribution proposal

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2021-2023), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve of the Company has reached 50% of the registered capital as at the end of the year, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB8.776 billion to general reserve; the dividend of preferred shares payable was RMB2.793 billion. The Company also distributed dividend of ordinary shares based on a cash dividend of RMB11.88 for every 10 ordinary shares (tax inclusive). The Company is proposed to distribute a cash dividend of RMB24.680 billion in total based on the total ordinary share capital of 20,774,252,928 shares as at December 31, 2022. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly, and will make disclosure in the announcement on implementation of interest distribution.

The main considerations for profit distribution for the year are as follows: 1. The external business environment affects the endogenous capital accumulation of commercial banks. In the context of weak global economic recovery, complicated and severe external environment and significant increase in uncertainties of the economy, in order to cope with various risks and challenges, commercial banks should strengthen endogenous capital accumulation and enhance their ability to resist risks. 2. Stricter capital regulatory requirements. The Systemically

Important Banks Assessment Measures, the Provisions on the Additional Regulation of Systemically Important Banks (Trial) issued by the PBOC and the CBIRC and the proposed New Administrative Measures for the Capital of Commercial Banks imposed stricter requirements on the capital adequacy and risk management for commercial banks. 3. Support the development of the real economy. Implement the decisions and arrangements of the CPC Central Committee and the spirit of the central economic work conference, meet the desired demand of credit input with adequate capital reserves, and improve the quality and efficiency of the services offered to the real economy according to the general principle of making progress while ensuring the stability. In view of the above internal and external factors, the Company has maintained the continuity and stability of its dividend policy on the whole, the cash dividend rate is rising year by year, and consideration was given to the interests of the Company's shareholders as well as sustainable development of the Company.

Independent directors of the Company issued the following opinions regarding the profit distribution proposals: the profit distribution plan for 2022 of the Company is strictly compliance with the Company Law of the People's Republic of China, the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) and Regulatory Guidelines No. 3 for Listed Companies – Distribution of Cash Dividends of Listed Companies issued by the CSRC, and the Articles of Association of the Company; the order of distribution is legal; and the distribution have fulfilled regulators' requirements regarding commercial banks' capital adequacy ratios and also given consideration to investors' demands as well as the sustainable development of the Company. The independent directors agreed to submit the 2022 profit distribution proposal for consideration and approval at the 2022 annual general meeting.

This profit distribution proposal shall be executed within two months after approval by the 2022 annual general meeting.

(III) Plan or proposal on profit distribution for ordinary shares of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	Amount of declared dividend for every 10 shares (RMB Yuan) (tax inclusive)	Amount of cash dividends (tax inclusive)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)
2022	**11.88**	**24,680**	**87,165**	**28.31**	**91,377**	**27.01**
2021	10.35	21,501	78,420	27.42	82,680	26.01
2020	8.02	16,661	64,077	26.00	66,626	25.01

Notes: 1. Amount of cash dividends for 2022 was calculated on the basis of the total ordinary share capital of share capital of 20,774,252,928 shares of the Company as at December 31, 2022. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly, and will make disclosure in the announcement on implementation of interest distribution.

2. For details of the preferred shares dividend plan, please refer to "MATTERS REGARDING PREFERRED SHARES".

XIII. The description of independence of the Company from its largest shareholder

As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,930,134,626 ordinary shares of the Company in aggregate, representing 18.92% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. The Company is fully independent from its largest shareholder with its shareholding in aggregate in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

XIV. The examination and evaluation mechanism, and the establishment and implementation of the incentive system for senior management members during the reporting period

During the reporting period, in accordance with the relevant policies of Fujian Province on the remuneration reform of the heads of the provincial financial enterprises, the Company's Board of Directors assessed and evaluated the senior management of the Company, and linked the remuneration of the senior management with responsibilities, risks and business performance. The Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

XV. Construction and implementation of internal control system during the reporting period

During the reporting period, the Company carried out special system reorganization in combination with system and mechanism reform, evaluated the coordination and adaptability of system and management mechanism, and promoted the effective implementation of mechanism reform. Besides, the Company simplified systems and conducted special optimization to strengthen the connection between institution, process and system and improve the digital management of systems. The Company conducted system reorganization in accordance with the Personal Information Protection Law, the Data Security Law and the Network Security Law and improved systems related to the “Three Laws”. Moreover, the Company carried out the system construction of “Digital Development”, continued to improve the institutional foundation of digital transformation, promoted the module development of the scientific and innovative official document system, and continuously improved the system transmission efficiency and digital management level by strengthening the system hard control.

XVI. Management and control of subsidiaries during the reporting period

During the reporting period, according to the Guidelines for Consolidated Management and Supervision of Commercial Banks, provisions on management of state-owned financial capital and other relevant policies and regulations, the Company implemented effective and penetration management for subsidiaries at all levels in accordance with the principles of step-by-step consolidation management and hierarchical management, continued to establish and improve the corporate governance structure of the banking group covering all subsidiaries, conducted comprehensive and continuous control on the corporate governance, capital and finance of each subsidiary, and effectively identified, measured, monitored and controlled the overall risk status of the banking group. During the reporting period, no subsidiaries were purchased, added or integrated.

XVII. Assessment report on internal control

During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness. The Board of the Company has issued 2022 assessment report on internal control. Please see the announcement published on the Shanghai Stock Exchange for details.

XVIII. Description of the internal control audit report

The Company has disclosed the 2022 internal control audit report. The Company engaged KPMG Huazhen in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2022.

Environmental and Social Responsibilities

I. Environmental performances and policies

The Company was actively integrated into and provided supports to the new development pattern, and responded to the guidance of national policies and market changes with new ideas, new kinetic energy and new tools. During the reporting period, the Company continued to strengthen the integration of credit policies with ESG, and issued the Credit Policy of Industrial Bank in 2022 and the Notice of Industrial Bank on Issuing ESG-related Credit Policies, in which explicitly stipulated that all industries should satisfy relevant national environmental standards and the credit approval management of industries with high energy consumption and high emissions should be strengthened.

(I) Optimize the green financial business system

During the reporting period, the Company formulated the Opinions of Industrial Bank on Promoting the Green Transformation of the Group in an All-round Way, continued to promote the development of the green financial business of the Group, and strove to build a "Green Banking Group" with the goal of achieving the Green Transformation of the Group in an all-round way. As of the end of the reporting period, the balance of green financial financing in the on balance and off-balance sheet amounted to RMB1,629.76 billion, representing an increase of RMB243.057 billion or 17.53% as compared with that at the end of the previous year; the size of green investment banking business amounted to RMB129.473 billion; the balance of investment in green bonds of non-financial enterprises amounted to RMB33.156 billion; the financial balance of green supply chain amounted to RMB40.448 billion, covering 95 green exclusive industries; the balance of green leasing business amounted RMB58.1 billion; the size of green trust amounted to RMB19.5 billion. In terms of financing support for projects based on equator principle, financial capital for a total of 100 projects subject to equator principle has come into force (financing contracts were concluded), involving a total loan of RMB59.747 billion.

1. In terms of green loans, the balance of green loans meeting the requirements of the People's Bank of China amounted to RMB637.072 billion, increasing RMB183.132 billion from the end of the previous year and representing an increase of 40.34% as compared with the end of last year; annual carbon dioxide emission reduction caused by green loan was 14,033.6 thousand tonnes with 10,384.8 thousand tonnes of water saved throughout the year.

2. In terms of green investment banking, during the reporting period, the underwriting scale of green bonds was RMB35.450 billion, and the first green panda bond of private enterprise and the first social bond were brought to the market; the underwriting scale of overseas bonds was USD2 billion, representing a year-on-year increase of 1.4 times; the green M&A business amounted to RMB29.3 billion with adopting positive/negative screening, impact investing and other strategies.

3. In terms of wealth management, ESG investment philosophy was applied in the wealth management of the Industrial Bank, and products were ESG underlying assets with positive screening and negative list employed. During the reporting period, the scale of ESG and green wealth management products was RMB95.7 billion, representing a year-on-year increase of 168%.

(II) Improve ESG-related credit policies

The Company continuously improves the refined management level of environmental and social risks. During the reporting period, the Company formulated and issued the Notice of Industrial Bank on Issuing ESG-related Credit Policies, which stipulates that all industries should abide by relevant national environmental protection standards, experience no environmental pollution accidents or major ecological damage events occur in recent years, and have sound safety production and occupational health management system; loans should not be issued for projects and enterprises that are explicitly prohibited by the State and fail to meet environmental protection regulations, and the loans already issued should be recovered; support for ecological protection in key areas and regions should be increased continuously, major projects for biodiversity protection should be actively supported, and close attention should be paid to the impact of project construction on the ecological environment and biodiversity. Meanwhile, requirements for 23 industries, including agriculture, forestry and mining, were clearly defined. Credit requirements of some industries include:

1. Agriculture: support energy-conserving customers in agriculture, such as customers who use highly-efficient agricultural machinery with less human resources consumed, and customers who apply technologies of saving fertilizer, medicine, water, land and energy, and implement regulations such as the Organic Products (GB/T 19630.1-GB/T 19630.4) and the Administrative Measures for Green Food Signs of the Ministry of Agriculture for green and organic agriculture.

2. Forestry: support national important bases for improved varieties of forest tree and key construction projects for national forest management planning, actively support land virescence, increase forest stock volume and enhance carbon sequestration capacity, and implement national standards and industry standards such as Regulations for Forest Tending (GB/T 15781) and Technical Procedures for Evaluation of Natural Forest Protection & Construction Program (LY/T 1818) for natural forest resources protection projects.

3. Thermal power industry: desulfurization, denitrification and dust removal devices for environmental protection have been installed, and the Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2011) was implemented to make sure relevant national environmental protection emission standards are followed; the unit standard coal consumption for last year was not higher than the average level of domestic industry, and the utilization hours of power generation equipment in the previous year were not lower than the industry average of the province.

4. Coal industry: desulfurization, denitrification and dust removal devices for environmental protection have been installed, and the Emission Standard of Air Pollutants for Thermal Power Plants (GB 13223-2011) was implemented to make sure relevant national environmental protection emission standards are followed; the unit standard coal consumption for last year was not higher than the average level of domestic industry, and the utilization hours of power generation equipment in the previous year were not lower than the industry average of the province.

5. Other mining industries: mining is conducted within the approved mining scope, and wastewater, noise and dust from the production process are effectively disposed and discharged after reaching the standard to reduce the impact on the surrounding environment, and green, clean and intelligent mining is actively supported; it is forbidden to intervene in customers with significant environmental and climate risks, and it is forbidden to intervene in enterprises with illegal production capacity, backward production capacity and substandard safety production that fail to meet the national industrial policy.

6. Paper industry: it comply with the national and local discharge standards such as Discharge Standard of Water Pollutants for Pulp and Paper Industry (GB 3544-2008); water consumption and sewage discharge shall meet the requirements of the national industrial policy, and the national or local mandatory standards for water consumption indicators shall meet the relevant standards if necessary; it is forbidden to intervene in paper-making projects that have not obtained relevant environmental protection approvals or are not equipped with corresponding environmental protection facilities as required.

(III) Support low-carbon transformation of key industries

In accordance with the principle of "realizing steady increase in total volume, accelerating structural adjustment, optimizing regional layout and promoting green transformation", the Company actively strengthened risk management and control of traditional high-energy-consuming industries, continued to promote customer classification management and reduce exposure balance of high-risk customers, and strengthened credit support for segments of traditional industry that meet the requirements of low-carbon transformation and high-quality development. By establishing a “energy consumption + technology” green evaluation system and focusing on carbon reduction and transformation, the Company strengthened credit support for carbon reduction business of enterprises in steel, nonferrous metals, building materials and petrochemicals and other traditional industries, with major support on enterprises with advanced technological processes, leading energy efficiency indicators, stable business development and sound financial performance in high-carbon fields, and priority given to high-quality project financing that meets the requirements of green transformation.

(IV) Green operation of the Company

During the reporting period, the Company conducted carbon accounting and verification, had a thorough understanding of the current situation of carbon emission management and assessed the emission reduction potential, based on while the Company set goal of carbon neutrality and phased schedule, in a bid to reduce carbon emissions by 20% in 2025 as compared with 2020 and achieve carbon neutrality in its own business activities (including carbon emissions in Scope I and Scope II) by 2030. The Company has developed the Standard for Evaluation of Green Operation to promote the orderly implementation of green operation, which requires branches at all levels to formulate their annual green office goals in combination with their energy consumption characteristics and the energy consumption of the previous year, and include the accomplishment of goals in the annual performance assessment system. At the same time, targeted energy-saving and emission reduction measures shall be taken for various energy-consuming scenarios and equipment. During the reporting period, the Company completed the green building renovation scheme and net-zero energy consumption buildings renovation scheme of the office building of the three headquarters; implemented the renovation project of Shanghai Zhangjiang Computer Room, which could lower the power usage efficiency (PUE) to below 1.25 from 2.0.

II. Strengthen ESG and climate-related risk management

(I) Climate risk stress tests

The Company actively carried out research and exploration on climate risk stress test, and disclosed the climate risk stress test on its own initiative. During the reporting period, the Company participated in the climate risk stress test organized by the People's Bank of China, which covered eight high-carbon industries, including electric power, steel, building materials (including cement), non-ferrous metal smelting, petrochemical, chemical, aviation and papermaking industries, and evaluated the potential impact of the transformation of “emission peak” and “carbon neutrality” goals on the Company's credit asset quality and capital adequacy. There are three stress conditions for this test: mild stress, moderate stress and severe stress, and this test would span 9 years from the end of 2021 to quantitatively evaluate the influence of rising carbon emission costs on the repayment capability of customers in high-carbon industries. According to the test results, if the customers in the above-mentioned high-carbon industries do not conduct low-carbon transformation, these customers would subject to decline in repayment capability in different degree under the stress scenario. However, due to the relatively low proportion of loans, the impact on the overall quality of the Company's credit assets is limited and the risks are controllable on the whole. The new non-performing loans under stress scenarios could be covered due to the sufficient provision coverage of the Company in the test period, and no new provisions are needed. The capital adequacy ratio of the Company remains unchanged under three stress scenarios, namely mild stress, moderate stress and severe stress.

(II) ESG-related risk management

Relying on the rich practical experience of equatorial bank, the Company applies ESG-related risk assessment system to the credit process of three business lines: corporate finance, retail finance and interbank finance in an all-round way. Customers are divided into four categories: A, B, C and D according to the risk assessment criteria with differentiated management strategies adopted, which are integrated into all aspects of credit process such as due diligence, risk assessment, contract signing, release of funds raised and duration management.

During the reporting period, the Company issued the Notice of Industrial Bank on Establishing Customer ESG Index System, the Program of ESG Embedded Credit Process for Corporate Finance Customers of Industrial Bank, the Notice of Industrial Bank on Embedding ESG into Small and Micro Enterprise Credit Process, the ESG Embedded Credit Process Plan for Retail Credit Customer of Industrial bank, the Notice of Industrial Bank on Printing and Distributing the ESG Index System of Interbank Customers, and the Program of ESG Embedded Credit Process for Interbank Financial Customers and other systems, which required that targeted due diligence should be conducted according to ESG-related contents to strengthen the collection and verification of basic information and data in relation to customers' ESG performance, covering 39 indicators such as energy consumption, water resources utilization, greenhouse gas emissions, corporate environmental credit evaluation, administrative punishment for environmental protection, supplier management, customer complaints, social insurance data of employees, solvency, information disclosure, negative news, and the truthfulness, completeness and effectiveness of information should be guaranteed. Meanwhile, the Company formulated special risk prevention and control measures and response plans, including but not limited to: rectifying violations of laws and regulations in limited time, signing special letters of commitment, adjusting the credit plan, increasing the capital ratio, increasing risk mitigation measures, suspending new credit granting, and reducing the stock business. As for the duration management, the Company continued to do a good job in customer ESG risk monitoring and tracking management.

III. Consumer rights and interests protection

During the reporting period, the Company adhered to the business philosophy of "sincere service and growth together", strengthened the code of conduct for consumer rights and interest protection, carried out in-depth protection of financial consumers' rights and interests, and strictly incorporated the consumer rights and interests protection into the comprehensive performance assessment system and accountability system in accordance with the Fifty Red Lines of Industrial Bank for Consumer Rights and Interests Protection and the Thirteen Prohibitions for Employee Behavior of Industrial Bank.

(I) Product and service compliance

The Company has established the advance, in-process and subsequent service process and supervision mechanism for products to strictly control the business operation process, and provides customers with product information in a clear and comprehensible manner to ensure that customers are served in a fair and transparent way. During the reporting period, the Company formulated the Administrative Measures for Review of Consumer Rights and Interests Protection of Industrial Bank, which clarified the responsibilities of relevant departments and institutions of the Head Office and branches as well as consumer protection experts. Besides, the Company strengthened the implementation of consumer protection review requirements for design and development, agreement signing, independent marketing, charging and fee deduction and other links, and strictly prevented "products with defects" from entering the market. During the reporting period, the Company conducted a total of 8,938 consumer protection reviews, covering the development and design, pricing management, agreement formulation and other links of products and services. Meanwhile, the Company is committed to handling the debt repayment of customers in a responsible and appropriate manner. For credit card customers who experience repayment difficulty or are exposed to the risk of overdue repayment, the Company took the initiative to communicate with such customers and provides relief plans according to the actual difficulties of debtors.

(II) Personal information and privacy protection

During the reporting period, the Company formulated the Privacy Policy of Industrial Bank Co., Ltd., and promised to implement the compliance requirements for personal information protection in business design, production and operation, technology management, subject rights and other links, and clarified the rights in personal information collection, storage and personal data. The "special audit of personal information security" was conducted within the Company, covering the compliance of privacy policies and information security management of the Company.

During the reporting period, the Company invested more than RMB124 million in data security, representing a year-on-year increase of 14.81%.

(III) Protection of the safety of customers' funds

During the reporting period, the Company promoted the construction of enterprise-level digital and intelligent anti-fraud platform, integrated internal anti-fraud management capabilities, and improved the effectiveness of pre-warning and in-process control, with a total of 254.3 thousand risk warnings released. During the reporting period, the Company monitored 6,637 million transactions of online financial services through the risk control platform, of which 8.4539 million high-risk transactions were intercepted, involving RMB165,419 million.

(IV) Training on consumer financial protection

During the reporting period, the Company published the Notice on Issuing the Consumer Protection and Service Training Plan in 2022, in a bid to improve the effectiveness of training by means of strengthening the interpretation of regulatory policies and cases, optimizing the training form, and intensifying the guidance and training on complaint handling measures for consumer protection. During the reporting period, the Company conducted special trainings on regulatory policies, inner-bank systems, product and service sales, and handling of consumer complaints, and both the percentage of employees trained and participation rate reached 100%.

IV. Protection of employees' rights and interests and optimization of career platform

(I) Analysis of human resources

Adhering to the core values of rationality, innovation, humanism and sharing, the Company has formulated the "14th Five-Year" Talent Development Plan through analyzing human resources and making business development planning, which provides effective analysis and guidance for talent team construction from the aspects of scale, structure and quality. The Company also makes full use of digital means to improve the effectiveness of human resource data analysis. Relying on the digital dashboard of the human resource system, the Company makes real-time statistics and presentation and dynamic monitoring of the main indicators of human resource management in institutions at all levels. The Company makes statistics of the Group's employment on a quarterly basis to know the employment conditions of institutions at all levels, analyzes the employment of institutions in combination with business development at irregular intervals, and evaluates the problems in employment of institutions and puts forward corresponding measures.

(II) Employee career development

The Company attaches great importance to the career development of employees and makes every effort to build a strategic human resource management system with competency model as the core to get the whole picture of employees' needs for career development. While focusing on the career development of employees at different posts, the Company has established the "management + specialty" dual-channel development system, which integrates the performance appraisal system involving all employees to keep the talent development channel smoothly in an effective manner. Among them, the proportion of employees receiving regular performance assessment and career development assessment, the proportion of employees receiving target management assessment and the proportion of employees receiving multi-dimension performance assessment (such as 360 Feedback) all reached 100%.

During the reporting period, the Company continuously improved the "5+N" talent training system, fully focused on key contents, and improved the employee training system to help employees enhance their business capabilities and fully realize their personal values. During the reporting period, while focusing on important strategic businesses and the cultivation of critical groups, the Company initiated the construction of talent teams in important areas characterized by digitalization, specialization, integration, internationalization, compound talents, high-end talents and craftsman talents, took the lead in implementing the "10,000 Scientific and Technological Talents' Plan" and "10,000 Green Finance Talents' Plan", made great efforts to build a team composed of high-quality financial talents and establish two talent pools of "Honghu" and "Kunpeng" to speed up the exchange and rejuvenation of key talents, effectively activate the first resource of talents, and enable the high-quality development of the Group. During the reporting period, the employee satisfaction evaluation score of the Company was 96.36, and the participation rate of employee satisfaction survey reached 70%; the employee turnover rate was 7.18%, down 2.81 percentage points year-on-year.

(III) Equality and communication

The Company advocates the people-oriented concept, and strives to create a fair, impartial, pluralistic and harmonious working environment and build a competitive salary system. Besides, the Company continues to promote employee care, makes efforts to build a platform for employee career development, and constantly enhances cohesiveness in staff team. The Company also insists on the principle of treating employees in a fair, respectful and decent manner, and strongly opposes discrimination related to gender, disability, marital status, pregnancy, breastfeeding, family status, nationality and religion and other factors, and prohibits any form of harassment, hoping that employees would grow together with the Company.

During the reporting period, the Company organized and convened four employee representatives' meetings, deliberated on the Proposal on Amending the Remuneration Management System of Industrial Bank and the Administrative Measures for Annual Employee Appraisal of Industrial Bank, and held trade union member representatives' meetings, which effectively promoted the construction of corporate culture environment. Meanwhile, the Company was committed to creating an online "speaking out" platform for employees to make suggestions and involve in democratic management, which provides employees with convenient channels for participating in democratic management and democratic supervision. During the trial operation, the "Speaking Out" platform received more than 2,500 opinions and suggestions, involving eight categories, such as strategic planning, business management, human resources, logistics support, party-masses work, digital transformation and complaints and reporting, with a cumulative reading volume of nearly 15 million and more than 37,000 comments posted.

V. Consolidation and expansion of the achievements of poverty alleviation and rural revitalization

During the reporting period, the Company strictly implemented the requirements for policy of "abstaining from shirking their responsibilities, repealing poverty alleviation policies, ceasing assistance, and stopping regulation", resolutely implemented the public commitment of "Four Invariables", focused its attention on fields such as economy of cultural tourism in rural communities, agro-ecological carbon sink and development of clean energy in rural area, innovated rural financial services, and increased service support in the field of rural revitalization. During the reporting period, the Company introduced the "Industrial Universal • Intelligent Agricultural Product Wholesale System" to help wholesale merchants of agricultural products solve financing problems and smooth the industrial chain of agricultural products. As at the end of the reporting period, the balance of the Company's agriculture-related loans amounted to RMB580.982 billion, representing an increase of RMB114.813 billion as compared with the beginning of the reporting period; the balance of inclusive agriculture-related loans amounted to RMB40.841 billion, representing an increase of RMB12.786 billion as compared with the beginning of the year.

The Company constantly strengthened the paired assistance and helped the assisted areas deepen the poverty alleviation and rural revitalization. As at the end of the reporting period, there were 76 assisted points and 60 cadres (temporary post) dispatched to villages, and much of such work have received awards from the local government.

VI. For more specific ESG information of the Company, please refer to the Company's Annual Sustainability Report 2022 publicly disclosed on the website of the Shanghai Stock Exchange and the ESG special column of the official website of the Company. For details of corporate governance, please refer to "Corporate Governance" of this report.

Significant Events

I.Commitment of the Company and its shareholders holding more than 5% of shares of the Company during the reporting period or remaining in effect in the reporting period

(I) Upon approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way. On April 7, 2017, the Company handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares. The share subscribers in such non-public issuance made the following undertakings: the shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation in such non-public issuance shall not be transferable within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the above-mentioned lock-up period. The above-mentioned shareholders performed their obligation, and such shares have been listed and traded on the market since April 7, 2022. For details, please refer to the announcements of the Company dated March 30, 2022.

(II) Certain directors, supervisors and executives of the Company purchased the shares of the Company from the secondary market with their own funds during the period from March 23 to March 25, 2020, respectively, and undertook to lock up the purchased shares for three years from the date of purchase. For details, please refer to the Company's announcement dated March 26, 2020.

(III) The Mid-term Shareholders' Return Plan (2021-2023) was considered and approved at the 2020 annual general meeting, which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive). For details, please refer to the announcement of the Company dated June 12, 2021.

(IV) According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Public Issuance of A-share Convertible Bond and Replenishment Measures were considered and approved at the twenty-ninth meeting of the ninth session of Board of Directors and the 2020 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the public issuance of A-share convertible bond may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; continuing to reform business lines and expanding diversified profit channels; and further improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated May 22, 2021 and June 12, 2021.

(V) The Finance Bureau of Fujian Province, a shareholder of the Company, intended to increased its shareholding in the Company by way of centralized bidding, block trading or transfer by agreement within six months from July 26, 2022, for an aggregate amount of not less than RMB500 million and not more than RMB1,000 million. The Finance Bureau of Fujian Province undertook that it shall completed the plan for increase in shareholding within the above implementation period, and shall not reduce its shareholding in the Company during the implementation of the increase in shareholding and within the statutory period. The plan for increase in shareholding has been completed. For details, please refer to the announcements of the Company dated July 27, 2022 and January 31, 2023.

The Company and its shareholders holding more than 5% of the shares of the Company made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

II. Appropriation of funds during the reporting period

During the reporting period, no controlling shareholder or other related parties used the capital for non-operating purpose.

III. Appointment of the accounting firm

Upon approval of the 2021 annual general meeting, KPMG Huazhen was appointed to audit the 2022 annual report, review the semi-annual report and provide internal control audit services with the total audit fee amounting to RMB8.85 million, which included various advancement as well as related taxes. KPMG Huazhen has provided audit service for the Company for four consecutive years. Chen Sijie, the signing certified public accountant has provided audit service for the Company for four consecutive years, and Wu Zhongming, the signing certified public accountant has provided audit service for the Company for two consecutive years.

IV. Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process, and vast majority of them was proactively filed by the Company for the collection of non-performing loans. As at the end of the reporting period, there were 204 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent, involving an aggregate amount of RMB2,354 million. The Company does not consider that the above lawsuit or arbitration will have material adverse impact on the financial or operating results of the Company.

V.Punitive actions against the Company and its directors, supervisors and senior management personnel

During the reporting period, the Company, its directors, supervisors and senior management were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by the CSRC, deprivation of market access, identity as inappropriate candidates and open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company's operation.

VI. Integrity of the Company and the largest shareholder

During the reporting period, there were no material lawsuits, failure to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company.

VII. Material related party transactions

The Company strictly adhered to the regulatory requirements of the CBIRC, the CSRC and the Shanghai Stock Exchange, made great efforts on various work including enhancing the standard management of information on the related parties, strengthening the codes of conduct for major shareholders, establishing the regular examination and supervision mechanism for related party transactions and promoting the information construction of related party transactions, to ensure the effective operation of related party transaction management mechanism. During the reporting period, the Company adhered to the normal business principle for related party transactions, and the conditions and interest rates were subject to the relevant provisions of the business management of the Company, which were determined on the conditions not favorable than those of the similar transactions with non-related party, and its pricing was fair and such transactions was entered into based on the need of normal operations, which was in the interests of the Company and its shareholders as a whole.

(I) The twenty-seventh Meeting of the ninth session of Board of Directors of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give China National Tobacco Corporation and its affiliated companies RMB22.3 billion of related transaction quota, including RMB17 billion of credit related transaction quota and RMB5.3 billion of non-credit related transaction quota with the term of validity of three years. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 31, 2021. As at the end of the reporting period, the credit balance of China National Tobacco Corporation and its affiliated companies in the Company was RMB2,670.8187 million (under the rules issued by the CBIRC).

(II) The 2020 Annual General Meeting of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give the People's Insurance Company (Group) of China and its affiliated companies RMB79.6 billion of related transaction quota, including RMB54 billion of credit related transaction quota and RMB25.6 billion of non-credit related transaction quota with the term of validity of three years. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 31, 2021 and June 12, 2021. As at the end of the reporting period, the credit balance of People's Insurance Company (Group) of China and its affiliated companies in the Company was RMB420 million (under the rules issued by the CBIRC).

(III) The twelfth Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Zhejiang Energy Group Co., Ltd. and its affiliated companies, and agreed to grant a quota of series of related party transactions of RMB10.6 billion to Zhejiang Energy Group, including: credit-type related party transaction quota of RMB8.5 billion and non-credit type related party transaction quota of RMB2.1 billion, with the term of validity of two years. The above-mentioned related party transactions were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement dated December 17, 2022. As at the end of the reporting period, the credit balance of Zhejiang Energy Group Co., Ltd. and its affiliated companies in the Company was RMB957.7299 million (under the rules issued by the CBIRC). The loan balance and deposit balance in the Company of Zhejiang Provincial Energy Group Finance Co., Ltd., an affiliated company of Zhejiang Energy Group Co., Ltd., were RMB0 and RMB417.2 thousand respectively. For more information, please refer to the "Specification for Summary of Financial Business Involving Deposits and Loans of Related Party Transactions of financial companies of Industrial Bank Co., Ltd. in 2022" issued by KPMG Huazhen.

(IV) As at the end of the reporting period, the balance of total loans for the Company's related party transactions with related natural persons was RMB28.6 thousand. Please refer to the "Notes IX. Related Party" under the FINANCIAL STATEMENTS for further details on specific data on related party transactions.

VIII. Material contracts and performance thereof

(I) Material custody, lease and contracting issues

During the reporting period, the Company had no material custody, lease and contracting issues.

(II) Guarantees issues

During the reporting period, except for the normal financial guarantees within the business scope approved, the Company had no other material guarantees requiring disclosure, and did not concluded any guarantee contract in violation of laws, administrative regulations and the procedures for guarantee resolutions prescribed by the China Securities Regulatory Commission.

(III) Other material contracts

During the reporting period, the Company did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

IX. Description of other major issues

(I) Listing and conversion of A share Convertible Corporate Bonds: approved by the CBIRC and the CSRC, the Company issued RMB50 billion A share Convertible Corporate Bonds through public offering, which was listed and traded since 14 January, 2022. All the funds raised will be used to support the future business development of the Company and supplement core Tier 1 capital of the Company upon the conversion of shares by the holder in accordance with relevant regulatory requirements. Pursuant to the relevant provisions, the Convertible Corporate Bonds of the Company could be converted to A share ordinary shares of the Company since June 30, 2022. For details, please refer to the announcements of the Company dated January 5, 2022, January 12, 2022 and June 25, 2022.

(II) Issuance of financial bonds: according to the reply from the CBIRC and the CSRC, the Company was approved to make public issue to increase the balance of RMB financial bonds of no more than RMB76.5 billion in the national interbank bond market. In 2022, the Company issued three tranches of ordinary financial bonds totaling RMB71.5 billion, which was used to broaden the sources of funds, optimize the structure of liabilities and promote the sound development of business, and issued Tier 2 capital bonds totaling RMB25 billion to the Tier 2 capital. For details, please refer to the announcements of the Company dated January 12, 2022, January 15, 2022, March 2, 2022, March 15, 2022, April 7, 2022 and August 4, 2022.

(III) Change of domicile: according to the reply from the CBIRC, the Company completed the registration of domicile change, and the domicile of the Company has been changed from "154 Hudong Road, Fuzhou, PRC" to "Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian". For details, please refer to the announcement of the Company dated March 16, 2022.

(IV) Changes in the largest shareholders' equity: according to the approval of the People's Government of Fujian Province, the Finance Bureau of Fujian Province transferred 3,511,918,625 ordinary shares of the Company to Fujian Financial Investment Co., Ltd. (hereinafter referred to as "Fujian Financial Investment"), a company established and fully contributed by the Finance Bureau of Fujian Province, at nil consideration. Upon the completion of the transfer registration on September 29, 2022, Fujian Financial Investment held 3,511,918,625 ordinary shares of the Company in aggregate. As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment held 3,930,134,626 ordinary shares of the Company in aggregate, representing 18.92% of the total share capital of the Company, became the largest shareholder of the Company with shareholding in aggregate. For details, please refer to the announcements of the Company dated March 22, 2022, March 23, 2022, August 26, 2022 and October 1, 2022.

(V) Listing and trading of the restricted shares: upon the consideration and approval at the twentieth meeting of the eighth session of the Board and the first extraordinary general meeting of 2016 of the Company and the approval of the former CBRC and the CSRC, the Company issued 1,721,854,000 A shares by way of non-public offering on March 31, 2017 to target subscribers, namely the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation, Sunshine Holdings Ltd. and Fujian Investment and Development Group Co., Ltd. Registration and lock-up procedures of the newly issued shares had been completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on April 7, 2017.

The Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation subscribed shares under the non-public issuance, and undertook that they shall not transfer such shares within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the abovementioned lock-up period. The above-mentioned shareholders performed their obligation on lock-up, and such shares has been listed and traded on the market since April 7, 2022. For details, please refer to the announcement of the Company dated March 30, 2022.

(VI) Issuance of USD medium-term notes: according to the resolution of the Company on the issuance of financial bonds in the 2020 annual general meeting, the Hong Kong Branch of the Company completed the issuance of USD650 million USD bonds under the plan of USD5 billion medium-term notes, and the funds raised were mainly used for the provision of financing and refinancing for renewable energy and qualified green assets with low carbon and low emission transportation. For details, please refer to the announcement of the Company dated May 19, 2022.

(VII) The Finance Bureau of Fujian Province, a shareholder of the Company, implemented the plan for increase in shareholding, and acquired 39,366,968 shares of the Company by way of centralized bidding through the trading system of the Shanghai Stock Exchange from July 26, 2022 to January 25, 2023, for aggregate amount of RMB703,078,800.98. As at January 25, 2023, the Finance Bureau of Fujian Province and Fujian Financial Investment, a company established and fully contributed by the Finance Bureau of Fujian Province, held 3,954,548,007 shares of the Company in aggregate, representing 19.04% of the total share capital of the Company. For details, please refer to the announcements of the Company dated July 27, 2022 and January 31, 2023.

(VIII) Amendments to the articles of association: the proposal in respect of the amendments to the articles of association was considered and approved at the first extraordinary general meeting of 2021, and the amended articles of association was approved by the CBIRC. The full text of the amended articles of association was published on the website of the Shanghai Stock Exchange. For details, please refer to the announcement of the Company dated September 9, 2022.

(IX) Registration of the change of business scope: according to the amended articles of association, the Company completed the registration of the change of business scope, and obtained the renewed business license from the Market Supervision and Administration Bureau of Fujian Province. For details, please refer to the announcement of the Company dated September 30, 2022.

Share Capital Changes and Shareholders of Ordinary Shares

I. Changes in shares during the reporting period

(I) Changes in shares

1. Statement of changes in shares

Unit: share

	December 31, 2021		Change in number		December 31, 2022	
	Number	Percentage (%)	Change in restricted shares	Convertible bonds and shares	Number	Percentage (%)
I. Restricted shares	1,158,940,200	5.58	-1,158,940,200	–	–	–
1. State-owned shares	430,463,500	2.07	-430,463,500	–	–	–
2. Shares held by state-owned legal entities	728,476,700	3.51	-728,476,700	–	–	–
II. Unrestricted floating shares	19,615,250,551	94.42	1,158,940,200	62,177	**20,774,252,928**	**100**
III. Total shares	20,774,190,751	100	–	62,177	**20,774,252,928**	**100**

2. Explanation on the changes in shares

As at the end of the reporting period, a total of RMB1,536,000 of Industrial Convertible Bonds (A Share Convertible Bonds) issued by the Company have been converted into ordinary A shares of the Company, and the total number of shares being converted was 62,177 shares, representing 0.00030% of the total number of issued ordinary shares before the conversion. For details of the conversion, please refer to the announcement of "Particulars of Convertible Corporate Bonds" in this report.

(II) Changes in shares subjected to trading moratorium

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of shares released from restrictions during the reporting period	Number of restricted shares increased during the year	Number of restricted shares as at the end of the period	Reasons for restriction	Date of release from in sale restrictions
The Finance Bureau of Fujian Province	430,463,500	**430,463,500**	–	–	Undertakings on the lockup period of non-public offering	April 7, 2022
China National Tobacco Corporation	496,688,700	**496,688,700**	–	–		
Fujian Company of China National Tobacco Corporation	132,450,300	**132,450,300**	–	–		
Guangdong Company of China National Tobacco Corporation	99,337,700	**99,337,700**	–	–		
Total	1,158,940,200	**1,158,940,200**	–	–	–	–

II. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 301,572 ordinary shareholders, and 332,871 ordinary shareholders at the end of the month prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders and the top ten shareholders of unrestricted shares as at the end of the reporting period

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or frozen shares	Nature of shareholders
Fujian Financial Investment Co., Ltd.	3,511,918,625	3,511,918,625	16.91	–	–	State-owned legal person
China National Tobacco Corporation	–	1,110,226,200	5.34	–	–	State-owned legal person
PICC Property and Casualty Company Limited - Traditional - Common Insurance Product - 008C - CT001 Hu	–	948,000,000	4.56	–	–	State-owned legal person
PICC Life Insurance Company Limited - Dividends - Dividends for Personal Insurance	–	801,639,977	3.86	–	–	State-owned legal person
Hong Kong Securities Clearing Company Limited	113,693,305	797,523,529	3.84	–	–	Overseas legal person
China Securities Finance Corporation Limited	–	622,235,582	3.00	–	–	State-owned legal person
Fujian Investment and Development Group Co., Ltd.	288,645,371	582,767,417	2.81	–	–	State-owned legal person
Huaxia Life Insurance Co., Ltd.-Self-owned Funds	–	569,179,245	2.74	–	–	Domestic non-state-owned legal person
PICC Life Insurance Company Limited - Universal - Personal Insurance (Universal)	–	474,000,000	2.28	–	–	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	–	441,504,000	2.13	–	–	State-owned legal person

Notes: 1.As at the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,930,134,626 ordinary shares of the Company in aggregate, representing 18.92% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

2.There are no special repurchase accounts for the top ten shareholders; and there are no voting rights entrusted by or to, or waived by the top ten shareholders.

(III)Particulars of shareholders holding more than 5% of shares of the Company as at the reporting period

The Company has no controlling shareholder or de facto controller.

1. The Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company fully contributed by the Finance Bureau of Fujian Province, which hold 3,930,134,626 ordinary shares of the Company in aggregate, representing 18.92% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. There is no pledge of the Company's shares. The Finance Bureau of Fujian Province appointed directors of the Company. It is the controlling shareholder, de facto controller and ultimate beneficiary of Fujian Financial Investment Co., Ltd.

The Finance Bureau of Fujian Province holds 2.01% of the shares of the Company. It is a legal person of government unit. Its legal representative is Lin Zhonglin and the address is No.5 Zhongshan Road, Fuzhou.

Fujian Financial Investment Co., Ltd. holds 16.91% of the shares of the Company. Established in February 2022, its registered office is in Fuzhou and it has a registered capital of RMB100 billion, and its legal representative is Mr. Wan Chongwei. The business scope includes investment activities with self-owned funds; asset management services for investment of self-owned funds; private equity investment fund management; venture capital fund management services (the operating activities are subject to the completion of the registration and filing for record in the Asset Management Association of China); corporate management consulting, financial consulting; technology intermediary services; software development; information technology consulting services (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws).

2. The People's Insurance Company (Group) of China Limited and its related parties PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited hold 2,679,029,689 or 12.90% of shares the Company in aggregate. There is no pledge of the Company's shares. They appointed directors of the Company. The People's Insurance Company (Group) of China Limited is the controlling shareholder of PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited, and its controlling shareholder is the Ministry of Finance of the People's Republic of China.

The People's Insurance Company (Group) of China Limited holds 0.84% of the Company's shares, and its predecessor - the People's Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China in October 1949. In June 2009, according to the restructuring plan approved by the State Council, the PICC (Group) Company carried out the general conversion, in which the Ministry of Finance exclusively initiated the establishment of The People's Insurance Company (Group) of China Limited. The company has been listed on the main board of the Hong Kong Stock Exchange and the main board of the Shanghai Stock Exchange with the stock codes of "01339.HK" and "601319.SH", respectively. Its registered capital is RMB44.224 billion, its place of registration is Beijing, and the legal representative is Luo Xi. Its scope of business includes investment and holding shares in listed companies, insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding investment companies, policy insurance business authorized or entrusted by the state, and other businesses approved by the regulatory institutes and relevant state authorities.

PICC Life Insurance Company Limited holds 6.14% of the Company's shares. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761 billion, and its legal representative is Xiao Jianyou. The business scope is operating the following businesses (excluding statutory insurance businesses) within the administrative area of Beijing Municipality and the provinces, autonomous regions and municipalities directly under the central government where branches have been established: life insurance, health insurance, accident insurance and other insurance businesses; reinsurance businesses of the above businesses; acting as agents of PICC Property and Casualty Company Limited and PICC Health Insurance Company Limited in their insurance businesses within the scope approved by regulators and related national departments.

PICC Property and Casualty Company Limited holds 5.91% of the Company's shares. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.243 billion, and its legal representative is Yu Ze. Its scope of business includes: property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; the re-insurance of the aforesaid insurances; reinsurance and provision of consulting services related to the businesses mentioned above; service and advisory business related to various property insurance, accidental injury insurance, short-term health insurance and re-insurance; and representing insurers in conducting relevant business; investment and capital utilization business permitted by the national laws and regulations; and other businesses authorized by national laws and regulations or approved by the national regulatory institutes.

3. China National Tobacco Corporation and its related parties Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. held 2,055,937,778 or 9.90% of shares the Company in aggregate. There is no pledge of the Company's shares. They appointed directors of the Company. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation, and the de facto controller and ultimate beneficiary of China National Tobacco Corporation is the State Council.

Founded in December 1983, China National Tobacco Corporation holds 5.34% of the shares of the Company. It's a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57 billion, and its legal representative is Zhang Jianmin. Its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Founded in July 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. holds 2.13% of the shares of the Company. Its registered office is in Xiamen. It has a registered capital of RMB2.647 billion and its legal representative is Lin Shixun. Its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission.

Founded in October 2011, China Tobacco Hunan Investment Management Co., Ltd. holds 1.09% of the shares of the Company. Its registered office is in Changsha. It has a registered capital of RMB0.2 billion and its legal representative is Xiao Bing. Its scope of business is to carry out (with its own legal funds) investment and management in printing industry, paper product manufacturing industry, plastic membrane manufacturing industry, other tobacco product manufacturing industry, industry of integrated utilization of waste, construction industry, advertising industry, cultural activities services, conferences and exhibitions and related services, manufacturing of electronic products, manufacturing of electronic cigarette, financial industry, real estate industry, agriculture, agricultural and non-staple food processing industry, pharmaceutical manufacturing industry, unit logistics management service industry; investment consulting service; conference service; supply chain management; production, processing and sales of packaging products; and paper sales.

Founded in January 1984, Fujian Company of China National Tobacco Corporation holds 0.64% of the shares of the Company. Its registered office is in Fuzhou. It has a registered capital of RMB137 million and its legal representative is Li Mindeng. Its businesses include operation of tobacco monopoly products; asset management and comprehensive management.

Founded in August 1989, Guangdong Company of China National Tobacco Corporation holds 0.48% of the shares of the Company. Its registered office is in Guangzhou. It has a registered capital of RMB140 million and its legal representative is Wang Deyuan. Its businesses include operation of cigarette, production and operation of tobacco, asset management and comprehensive management, export of tobacco monopoly products, supporting service for the import of tobacco monopoly products, and the operation of imported tobacco products in China.

Fujian Sanhua Color Printing Co., Ltd. holds 0.22% of the Company's shares. The company was established in December 1992, registered in Longyan City, with a registered capital of RMB12 million. Its legal representative is Lu Dongfen, and its business scope includes the production of trademarks, advertisement and other printed materials, as well as decorative design.

(IV)Particulars of other substantial shareholders that should be disclosed according to the Interim Measures for the Equity Management of Commercial Banks

1. Zhejiang Energy Group Co., Ltd. and its related party Zhejiang Zheneng Electric Power Co., Ltd. hold 122,402,000 or 0.59% of the shares of the Company in aggregate. There is no pledge of the Company's shares. They appointed directors of the Company. Zhejiang Energy Group Co., Ltd. is the controlling shareholder of Zhejiang Zheneng Electric Power Co., Ltd. Its controlling shareholder, de facto controller and ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government.

Zhejiang Energy Group Co., Ltd. holds 0.02% of the shares of the Company. It was established in March 2001 with a registered office in Hangzhou and a registered capital of RMB10 billion. Its legal representative is Hu Zhongming and its businesses include the operation of state-owned assets and state-owned shares of the group companies and their affiliated companies that are authorized by the state; industrial investment development; technical advisory services, technical advisory services for coal transportation information; production and supply of electric power; development and utilization of renewable energy; operation management of oil and gas; engineering technology and service; sale of steel, nonferrous metals, construction materials, machinery equipment, electrical cables, coal; international ship transportation (operating with license); domestic water transport (operating with license); electric machinery and equipment; new energy equipment manufacturer; private equity investment; investment consulting and asset management.

Zhejiang Zheneng Electric Power Co., Ltd. holds 0.57% of the shares of the Company. It was established in March 1992 with a registered office in Hangzhou and a registered capital of RMB13.409 billion. Its legal representative is Yu Guoping and its businesses include: electricity generation, operation control; research and development of electric power and energy-saving technologies, technical advisory as well as the sales of energy-saving products; construction and supervision of electric power projects and power environmental protection projects; maintenance of electric equipment; power selling service (operating with license); sales of cooling, heat, hot water and steam; contractual energy management.

(V) Related parties of substantial shareholders

The Company had treated more than 1,000 enterprises including the above-mentioned shareholders holding more than 5% of shares of the Company, other substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as the Company's related parties. As at the end of the reporting period, the balance of the outstanding credit related-party transactions amounted to RMB4.049 billion, involving 21 related parties and 78 transactions. The related party transactions between the Company and related parties of its substantial shareholder had been reported to the general meeting, the Board of Directors and the Audit and Related Party Transaction Control Committee for consideration and approval in accordance with related procedures.

Matters Regarding Preferred Shares

I. Issuance and listing of preferred shares

Unit: share

Preferred shares code	Stock abbreviation	Date of issuance	Issuing price (Yuan/share)	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	Date of delisting
360005	Industrial P1	December 3, 2014	100	Note 1	130,000,000	December 19, 2014	130,000,000	None
360012	Industrial P2	June 17, 2015	100	Note 2	130,000,000	July 17, 2015	130,000,000	None
360032	Industrial P3	April 3, 2019	100	4.90	300,000,000	April 26, 2019	300,000,000	None

Notes: 1. Upon the approval of the CSRC, the Company issued a tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in December 2014. The coupon rate in the first interest cycle was 6.00%; and the coupon rate in the second interest cycle of Industrial P1 commencing from December 8, 2019 was adjusted to 5.55%.

2. The Company issued the second tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in June 2015. The coupon rate in the first interest cycle was 5.40%; and the coupon rate in the second interest cycle of Industrial P2 commencing from June 24, 2020 was adjusted to 4.63%.

3. The Company issued 300 million preferred shares with a par value of RMB100 per share through non-public offering in April 2019, and the coupon rate in the first interest cycle was 4.90%.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

Unit: household

Number of preferred shares shareholder accounts as at the end of the reporting period	62
Number of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	63

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China - Dividends - Dividends for personal insurance	–	88,734,000	15.85	Domestic preferred shares	–	Others
Ping An Property and Casualty Company Limited - Traditional - Common insurance product	–	65,874,000	11.76	Domestic preferred shares	–	Others
Ping An Life Insurance Company of China - self-owned funds	–	44,643,400	7.97	Domestic preferred shares	–	Others
Bosera Funds - ICBC - Bosera - ICBC - Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	25,050,000	4.47	Domestic preferred shares	–	Others
Everbright Securities Asset Management - China Everbright Bank - Everbright Securities Asset Management Xinyou No.3 Collective Asset Management Plan	375,000	23,849,000	4.26	Domestic preferred shares	–	Others
Ping An Life Insurance Company of China - Universal - Individual Insurance (Universal)	–	21,254,000	3.80	Domestic preferred shares	–	Others
Everbright Securities Asset Management - China Everbright Bank - Everbright Securities Asset Management Xinyou Collective Asset Management Plan	–	15,944,000	2.85	Domestic preferred shares	–	Others
Hwabao Trust Co., Ltd.-Hwabao Trust - Baofu Investment No.1 Collective Capital Trust Plan	365,000	15,457,800	2.76	Domestic preferred shares	–	Others
Jiangsu Company of China National Tobacco Corporation	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
Sichuan Company of China National Tobacco Corporation	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
Zhongwei Capital Holding Co., Ltd.	–	15,000,000	2.68	Domestic preferred shares	–	State-owned legal person
The Finance Bureau of Fujian Province	–	14,000,000	2.50	Domestic preferred shares	–	State authority

Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold Industrial P1, Industrial P2 and Industrial P3 at the same time, all of which were presented in consolidation.

2. The connected relationship exists among Ping An Life Insurance Company of China - Dividends - Dividends for personal insurance, Ping An Property and Casualty Company Limited - Traditional - Common insurance product, Ping An Life Insurance Company of China - self-owned funds and Ping An Life Insurance Company of China - Universal - Individual Insurance (Universal). The connected

relationship exists between Everbright Securities Asset Management - China Everbright Bank - Everbright Securities Asset Management Xinyou No.3 Collective Asset Management Plan and Everbright Securities Asset Management - China Everbright Bank - Everbright Securities Asset Management Xinyou Collective Asset Management Plan. The connected relationship exists among Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd.. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders.

3. As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, holds 3,930,134,626 ordinary shares of the Company in aggregate. Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd. are subsidiaries of China National Tobacco Corporation, which is a holder of ordinary shares of the Company. China National Tobacco Corporation and its subsidiaries jointly hold 2,055,937,778 ordinary shares of the Company. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders and the top ten holders of ordinary shares.

III. Profit distribution of preferred shares

(I) Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment.

The aggregate par value of the preferred shares "Industrial P1" is RMB13 billion, the interest period of preferred shares for 2022 was from January 1, 2022 to December 31, 2022. The proposed dividends for 2022 are RMB722 million with an annual dividend yield of 5.55%.

The aggregate par value of the preferred shares "Industrial P2" is RMB13 billion, the interest period of preferred shares for 2022 was from January 1, 2022 to December 31, 2022. The proposed dividends for 2022 are RMB602 million with an annual dividend yield of 4.63%.

The aggregate par value of the preferred shares "Industrial P3" is RMB30 billion and the interest period of preferred shares for 2022 was from January 1, 2022 to December 31, 2022, and the 2022 proposed dividends are RMB1,470 million with an annual dividend yield of 4.90%.

The above distribution plans will be implemented in two months after the approval of the general meeting.

(II) Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio (%)
2022	2,793	100
2021	2,793	100
2020	2,841	100

Note: distribution ratio = announced distribution amount / agreed distribution amount for the year * 100%.

IV. During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

V. Accounting policies adopted by the Company for the preferred shares and reasons

Pursuant to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37 – Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People's Republic of China and the main terms of the issued preference shares of the Company, the Company's preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory conversion price of the preferred shares under the issuance shall be the average trading price (the initial mandatory conversion price of Industrial P1 and Industrial P2 is RMB9.86/share and the initial mandatory conversion price of Industrial P3 is RMB16.50/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, and etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the mandatory conversion prices in accordance with the specified formula.

Upon the approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. Calculated with the formula for adjustment of compulsory conversion price of "Industrial P1" and "Industrial P2" as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. for 2014 and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd. for 2015, upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Industrial P1" and "Industrial P2" issued by the Company was adjusted from RMB9.86/share to RMB9.80/share. For details, please refer to the Company's announcement dated April 11, 2017.

Particulars of Convertible Corporate Bonds

I. Issuance of the convertible corporate bonds

On December 31, 2021, the Company completed the issuance of A share convertible corporate bonds (hereinafter referred to as the "Convertible Bonds"). The proceeds raised was RMB50 billion and the net proceeds raised after deducting issuance costs was approximately RMB49.920 billion. The above A Share Convertible Bonds has been listed on the Shanghai Stock Exchange for trading on January 14, 2022, with the stock abbreviation of Industrial Convertible Bonds and stock code of 113052. The conversion period of Industrial Convertible Bonds shall commence from the first trading day immediately following the expiry of the six-month period after the date of completion of the issuance, and end on the maturity date, i.e. from June 30, 2022 to December 26, 2027. During the reporting period, the conversion period of Industrial Convertible Bonds commenced on June 30, 2022.

II. Particulars of the holders of the convertible bonds during the reporting period

Name of convertible bondholders	Industrial Convertible Bonds
Number of the holders of the Convertible Bonds at the end of the period	240,913
Particulars of the top ten holders of the Convertible Bonds are set out below:	

Name of holders	Amount of bonds held at the end of the period (RMB)	Percentage (%)
The Finance Bureau of Fujian Province	8,643,676,000	17.29
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	3,675,503,000	7.35
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank)	2,379,539,000	4.76
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	2,347,020,000	4.69
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	1,606,040,000	3.21
China Minsheng Banking Corporation Limited — Essence Steady Value-added Flexible Allocation Hybrid Securities Investment Fund	1,312,930,000	2.63
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Beijing Co., Ltd.)	1,167,700,000	2.34
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China)	997,576,000	2.00
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Communications)	718,225,000	1.44
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Guosen Securities Co., Ltd.)	696,171,000	1.39

III. Changes in the convertible bonds during the reporting period

Unit: RMB

Name of convertible corporate bonds	Before the change (December 31, 2021)	Increase/decrease			After the change (December 31, 2022)
		Conversion	Redemption	Put-back	
Industrial Convertible Bonds	50,000,000,000	(1,536,000)	0	0	49,998,464,000

IV.Accumulated conversion of convertible corporate bonds during the reporting period

Name of convertible corporate bonds	Industrial Convertible Bonds
Amount of conversion during the reporting period (RMB Yuan)	1,536,000
Number of converted shares during the reporting period (share)	62,177
Accumulated converted shares (share)	62,177
Proportion of accumulated converted shares to the total issued shares of the Company before conversion (%)	0.00030
Amount of unconverted Convertible Bonds (RMB Yuan)	49,998,464,000
Proportion of unconverted convertible bonds to the total issued convertible bonds (%)	99.99693

V. Previous adjustments of conversion price

Unit: RMB

Name of convertible corporate bonds				Industrial Convertible Bonds
Latest conversion price at the end of reporting period				24.48
Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Reasons of adjustments	Reasons of adjustments
June 16, 2022	24.48	June 9, 2022	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2021

VI.The Company's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

In accordance with the relevant provisions in the Administration Measures on the Issuance of Securities by Listed Companies, the Administrative Measures on the Issuance and Transaction of Corporate Bonds and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company entrusted a credit rating agency Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as "Shanghai Brilliance") to track credit rating for the Convertible Bonds issued by the Company. Shanghai Brilliance issued the Report on Tracking Credit Rating of Industrial Bank Co., Ltd. and its Public Offering of Bonds Issued on May 20, 2022, and the rating results were as follows: the corporate credit rating of the Company maintained AAA with a stable outlook, and the credit rating of the Convertible Bonds remained AAA. The Company's operations are stable in all aspects with reasonable asset structure, and the liabilities situation has not changed significantly, and the credit status is good. The Company's cash sources for debt repayment in the coming years mainly include cash inflows from income from the normal business operations of the Company and realization of current assets.

Financial Statements

The Company's financial statements for Year 2022 have been audited by KPMG Huazhen and signed by certified public accountants Chen Sijie and Wu Zhongming, who have issued an auditor's report with unqualified opinion. For full text of the financial statements, please refer to the appendix.

Documents Available for Inspection

I. Financial statements bearing the signatures and seals of the Company's legal representative, president and person in charge of the accounting body.

II.Original auditors' report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.

III. All the original documents and announcements publicized by the Company during the reporting period.

Board of Directors of Industrial Bank Co., Ltd.

March 30, 2023

Appendix: Auditor's Report and Financial Statements

CONTENTS

Auditor's Report

KPMG Huazhen Shen Zi No.2301766

To the shareholders of Industrial Bank Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and Bank'S balance sheets as at 31 December 2022, the consolidated and Bank'S income statements, the consolidated and Bank'S cash flow statements, the consolidated and Bank'S statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank'S financial position as at 31 December 2022, and the consolidated and Bank'S financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (CAS) issued by the Ministry of Finance (MOF) of the People'S Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor'S Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
The determination of allowance for impairment losses on loans and advances to customers and debt investments using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank'S internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, and assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of the compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and usage when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the impairment of loans and advances to customers and debt investments as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank'S internal records including historical loss experience and type of collateral. As part of these procedures, we inquired about reasons for management'S revisions to estimates and input parameters compared with prior periods and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists; • evaluating the reasonableness of the management'S judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank'S overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' business. • performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the rationality of estimated

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
	recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management'S assessment of the value of any collateral held, comparing the management'S valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank'S application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised CAS 37 - Presentation of Financial Instruments.

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Key Audit Matters (continued)

Recognition of interests in and consolidation of structured entities

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 45. Structured entities

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity by issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed a qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities and recognition of their entitlement rights included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess the design, implementation and operating effectiveness of internal controls; • performing the following procedures for structured entities on a sample basis: – inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management'S judgement over whether the Bank has the ability to exercise power over the structured entities; – inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management'S judgement as to exposure, or rights, to variable returns from the Bank'S involvement in such entities; – evaluating management'S analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank'S economic interests in the structured entities to assess management'S judgement over the Bank'S ability to influence its returns from the structured entities; – assessing management'S judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (continued)

Fair value of financial instruments

Refer to "IV. Significant accounting policies and accounting estimates" 7 and "XI. Financial risk management" 7. Fair value of financial instruments set out in the notes to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Bank'S assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank'S financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank'S valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank'S exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

Other Information

The Bank'S management is responsible for the other information. The other information comprises all the information included in 2022 annual report of the Bank, other than the financial statements and our auditor'S report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'S financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the 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.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Conclude on the appropriateness of management'S 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 Bank'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 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 Bank to cease to continue as a going concern.

Evaluate the overall presentation (including disclosure), structure and content of the financial statements, and whether the 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 Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People'S Republic of China

Chen Sijie (Engagement Partner)

Beijing, China

Wu Zhongming

30 March 2023

The Consolidated and Bank's Balance Sheets

As at 31 December 2022 | Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Assets					
Cash and balances with Central Bank	1	**442,403**	447,446	**442,392**	447,437
Deposits with banks and other financial institutions	2	**94,114**	66,251	**87,068**	59,021
Precious metals		**113**	156	**113**	156
Placements with banks and other financial institutions	3	**352,043**	351,822	**372,137**	366,783
Derivative financial assets	4	**35,253**	34,460	**35,252**	34,460
Financial assets purchased under resale agreements	5	**56,537**	141,131	**56,006**	137,072
Loans and advances to customers	6	**4,869,879**	4,310,306	**4,804,006**	4,260,746
Financial investments:	7				
Trading assets	7.1	**999,855**	909,794	**933,931**	847,457
Debt investments	7.2	**1,607,026**	1,601,030	**1,595,755**	1,585,226
Other debt investments	7.3	**548,007**	484,624	**548,000**	484,758
Other equity investments	7.4	**3,453**	3,148	**2,873**	3,068
Finance lease receivables	8	**107,224**	103,957	**–**	–
Long-term equity investments	9	**4,046**	3,732	**24,117**	23,957
Fixed assets	10	**28,571**	26,060	**22,528**	20,666
Construction in progress	11	**2,571**	2,775	**2,558**	2,770
Right-of-use assets	12	**9,566**	9,581	**8,674**	8,806
Intangible assets		**986**	883	**900**	809
Goodwill	13	**532**	532	**–**	–
Deferred tax assets	14	**54,873**	49,146	**50,480**	45,664
Other assets	15	**49,619**	56,190	**40,301**	45,722
Total assets		**9,266,671**	8,603,024	**9,027,091**	8,374,578

(Continued)

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

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		**94,621**	95,777	**94,621**	95,777
Deposits from banks and other financial institutions	16	**1,628,254**	1,710,879	**1,639,966**	1,719,889
Placements from banks and other financial institutions	17	**277,268**	173,778	**146,133**	53,239
Trading liabilities	18	**49,578**	47,830	**49,218**	41,907
Derivative financial liabilities	4	**34,967**	38,847	**34,956**	38,847
Financial assets sold under repurchase agreements	19	**353,626**	265,576	**335,015**	253,669
Deposits from customers	20	**4,788,754**	4,355,748	**4,789,661**	4,356,738
Employee benefits payable	21	**30,395**	24,783	**27,676**	22,103
Tax payable	22	**13,122**	12,767	**11,778**	11,619
Provisions	23	**7,050**	4,085	**7,048**	4,083
Debt securities issued	24	**1,158,007**	1,120,116	**1,135,534**	1,089,480
Lease liabilities	25	**9,296**	9,053	**8,622**	8,488
Deferred tax liabilities	14	**348**	163	**–**	–
Other liabilities	26	**64,087**	49,324	**37,535**	26,168
Total liabilities		**8,509,373**	7,908,726	**8,317,763**	7,722,007

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

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2022 | Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Shareholders' equity					
Share capital	27	**20,774**	20,774	**20,774**	20,774
Other equity instruments	28	**88,960**	88,960	**88,960**	88,960
Including: preference shares		**55,842**	55,842	**55,842**	55,842
perpetual bonds		**29,960**	29,960	**29,960**	29,960
equity component of convertible corporate bonds		**3,158**	3,158	**3,158**	3,158
Capital reserve	29	**74,909**	74,914	**75,261**	75,260
Other comprehensive income	41	**(724)**	2,859	**(736)**	2,852
Surplus reserve	30	**10,684**	10,684	**10,684**	10,684
General reserve	31	**108,957**	97,944	**99,952**	91,176
Retained earnings	32	**442,627**	387,976	**414,433**	362,865
Equity attributable to shareholders of the Bank		**746,187**	684,111	**709,328**	652,571
Non-controlling interests		**11,111**	10,187	**—**	—
Total shareholders' equity		**757,298**	694,298	**709,328**	652,571
Total liabilities and shareholders' equity		**9,266,671**	8,603,024	**9,027,091**	8,374,578

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

The Consolidated and Bank's Income Statements

For the year ended 31 December 2022

Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
I. Operating income		**222,374**	221,236	**201,277**	201,122
Net interest income	33	**145,273**	145,679	**132,477**	134,055
Interest income	33	**328,746**	315,158	**310,881**	298,013
Interest expense	33	**(183,473)**	(169,479)	**(178,404)**	(163,958)
Net fee and commission income	34	**45,041**	42,680	**38,658**	36,011
Fee and commission income	34	**49,462**	47,567	**44,663**	42,380
Fee and commission expense	34	**(4,421)**	(4,887)	**(6,005)**	(6,369)
Investment income	35	**30,222**	28,478	**29,395**	28,784
Including:income from joint ventures and associates		**190**	213	**190**	211
income from derecognition of financial assets at amortised cost		**4,584**	1,360	**4,527**	1,355
(Losses) gains from changes in fair values	36	**(631)**	2,178	**(823)**	985
Foreign exchange gains		**1,292**	1,001	**1,249**	1,014
Income (Losses) from asset disposal		**9**	(10)	**10**	(10)
Other income		**483**	613	**110**	100
Other operating income		**685**	617	**201**	183
II. Operating expenses		**(116,212)**	(126,037)	**(104,255)**	(116,758)
Taxes and surcharges	37	**(2,278)**	(2,207)	**(2,071)**	(2,016)
General and administrative expenses	38	**(64,843)**	(55,468)	**(60,347)**	(51,633)
Credit impairment losses	39	**(48,592)**	(66,841)	**(41,350)**	(62,615)
Impairment losses on other assets		**(28)**	(169)	**(28)**	–
Other operating expenses		**(471)**	(1,352)	**(459)**	(494)
III. Operating profit		**106,162**	95,199	**97,022**	84,364
Add: Non-operating income		**227**	286	**176**	205
Less:Non-operating expenses		**(168)**	(175)	**(156)**	(161)
IV. Total profit		**106,221**	95,310	**97,042**	84,408
Less:Income tax expenses	40	**(13,807)**	(11,494)	**(10,985)**	(8,627)

(Continued)

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

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
V. Net profit (continued)		**92,414**	83,816	**86,057**	75,781
1.Categorised by continuity of operation					
(1)Net profit from continuing operations		**92,414**	83,816	**86,057**	75,781
(2)Net profit from discontinued operations		**–**	–	**–**	–
2.Categorised by ownership					
(1)Attributable to shareholders of the Bank		**91,377**	82,680	**86,057**	75,781
(2)Non-controlling interests		**1,037**	1,136	**–**	–
VI.Other comprehensive income, net of tax	41	**(3,587)**	3,611	**(3,588)**	3,603
Other comprehensive income attributable to shareholders of the Bank		**(3,583)**	3,608	**(3,588)**	3,603
1.Items that may be reclassified subsequently to profit or loss					
(1)Changes in fair value of other debt investments		**(4,519)**	4,016	**(4,514)**	3,977
(2)Credit losses on other debt investments		**1,212**	(1,015)	**1,217**	(986)
(3)Translation differences of financial statements denominated in foreign currencies		**15**	(5)	**–**	–
(4)Other comprehensive income recognised under equity method		**–**	–	**–**	–
2.Items that will not be reclassified subsequently to profit or loss:					
(1)Actuarial profits on defined benefit plans		**(145)**	418	**(145)**	418
(2)Changes in fair value of other equity investments		**(146)**	194	**(146)**	194
Other comprehensive income attributable to non-controlling interests		**(4)**	3	**–**	–
VII.Total comprehensive income		**88,827**	87,427	**82,469**	79,384
Total comprehensive income attributable to shareholders of the Bank		**87,794**	86,288	**82,469**	79,384
Non-controlling interests		**1,033**	1,139	**–**	–
VIII.Earnings per share (expressed in RMB)					
Basic earnings per share	42	**4.20**	3.77		
Diluted earnings per share	42	**3.87**	3.77		

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

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

The Consolidated and Bank's Cash Flow Statements

For the year ended 31 December 2022 | Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
I.Cash flows from operating activities:					
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**–**	7,889	**–**	12,642
Net increase in deposits from customers and deposits from banks and other financial institutions		**343,310**	489,437	**345,957**	489,858
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**191,044**	135,638	**173,768**	123,999
Cash receipts from interest, fee and commission		**316,089**	304,724	**293,839**	280,758
Other cash receipts relating to operating activities		**10,879**	13,711	**8,122**	9,139
Subtotal of cash inflows from operating activities		**861,322**	951,399	**821,686**	916,396
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**(5,047)**	–	**(5,844)**	–
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**(41,487)**	(112,009)	**(48,527)**	(110,105)
Net increase in loans and advances to customers		**(596,645)**	(468,473)	**(574,241)**	(448,944)
Net increase in financial assets held for trading		**(326,717)**	(326,921)	**(322,129)**	(312,964)
Net increase in finance lease receivables		**(4,445)**	(3,190)	**–**	–
Net decrease in borrowing from Central Bank		**(705)**	(193,065)	**(705)**	(193,065)
Cash payments to interest, fee and commission		**(148,689)**	(145,441)	**(146,370)**	(142,177)
Cash payments to and on behalf of employees		**(32,584)**	(30,110)	**(28,778)**	(26,993)
Cash payments of various types of taxes		**(35,151)**	(33,288)	**(31,592)**	(28,626)
Other cash payments relating to operating activities		**(14,439)**	(28,673)	**(17,634)**	(27,868)
Subtotal of cash outflows from operating activities		**(1,205,909)**	(1,341,170)	**(1,175,820)**	(1,290,742)
Net cash flow from operating activities	43.1	**(344,587)**	(389,771)	**(354,134)**	(374,346)

(Continued)

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

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
II.Cash flows from investing activities					
Cash receipts from recovery of investments		**2,647,595**	2,669,316	**2,621,774**	2,649,706
Cash receipts from investment income		**105,951**	130,814	**103,943**	128,385
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**68**	720	**67**	186
Subtotal of cash inflows from investing activities		**2,753,614**	2,800,850	**2,725,784**	2,778,277
Cash payments to acquire investments		**(2,749,757)**	(2,715,572)	**(2,720,858)**	(2,699,060)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**(5,916)**	(5,624)	**(4,770)**	(4,274)
Subtotal of cash outflows from investing activities		**(2,755,673)**	(2,721,196)	**(2,725,628)**	(2,703,334)
Net cash flow from investing activities		**(2,059)**	79,654	**156**	74,943
III.Cash flows from financing activities:					
Proceeds from issuance of bonds		**1,142,354**	1,239,898	**1,140,254**	1,227,904
Subtotal of cash inflows from financing activities		**1,142,354**	1,239,898	**1,140,254**	1,227,904
Cash repayments of borrowings		**(1,111,663)**	(1,059,383)	**(1,101,498)**	(1,045,305)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(50,658)**	(52,865)	**(49,364)**	(51,437)
Including: Dividends paid to					
non-controlling shareholders of subsidiaries		**(5)**	(65)	**–**	–
Other cash payments relating to financing activities		**(2,281)**	(3,062)	**(2,251)**	(2,581)
Subtotal of cash outflows from financing activities		**(1,164,602)**	(1,115,310)	**(1,153,113)**	(1,099,323)
Net cash flow from financing activities		**(22,248)**	124,588	**(12,859)**	128,581
IV.Effect of foreign exchange rate changes on cash and cash equivalents		**4,842**	(2,358)	**4,838**	(2,200)
V.Net decrease in cash and cash equivalents	43.1	**(364,052)**	(187,887)	**(361,999)**	(173,022)
Add: Opening balance of cash and cash equivalents		**768,908**	956,795	**760,083**	933,105
VI.Closing balance of cash and cash equivalents	43.2	**404,856**	768,908	**398,084**	760,083

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

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

The Consolidated Statement of Changes In Shareholders' Equity

For the year ended 31 December 2022

Unit: RMB million

	Note VII	Attributable to shareholders of the Bank							Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I.Balance at 1 January 2022		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298
II.Changes for the year										
(I)Net profit		–	–	–	–	–	–	91,377	1,037	92,414
(II)Other comprehensive income	41	–	–	–	(3,583)	–	–	–	(4)	(3,587)
Subtotal of (I) and (II)		–	–	–	(3,583)	–	–	91,377	1,033	88,827
(III)Capital contribution from shareholders		–	–	(5)	–	–	–	–	–	(5)
1.Conversion of equity from convertible corporate bonds	29	–	–	1	–	–	–	–	–	1
2.Capital injection by other equity instruments shareholders		–	–	–	–	–	–	–	1,994	1,994
3.Repayment of capital of holders of other equity instruments	29	–	–	(6)	–	–	–	–	(1,994)	(2,000)
(IV)Profit distribution		–	–	–	–	–	11,013	(36,726)	(109)	(25,822)
1.Appropriation to general reserve	31	–	–	–	–	–	11,013	(11,013)	–	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(21,501)	(5)	(21,506)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,793)	–	(2,793)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(104)	(1,523)
III.Balance at 31 December 2022		20,774	88,960	74,909	(724)	10,684	108,957	442,627	11,111	757,298

(Continued)

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

For the year ended 31 December 2021

Unit: RMB million

	Note VII	Attributable to shareholders of the Bank							Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I.Balance at 1 January 2021		20,774	85,802	74,914	(749)	10,684	87,535	336,626	9,217	624,803
II.Changes for the year										
(I)Net profit		–	–	–	–	–	–	82,680	1,136	83,816
(II)Other comprehensive income	41	–	–	–	3,608	–	–	–	3	3,611
Subtotal of (I) and (II)		–	–	–	3,608	–	–	82,680	1,139	87,427
(III)Capital contribution from shareholders		–	3,158	–	–	–	–	–	–	3,158
Capital injection by issuing convertible corporate bonds	28	–	3,158	–	–	–	–	–	–	3,158
(IV)Profit distribution		–	–	–	–	–	10,409	(31,330)	(169)	(21,090)
1.Appropriation to general reserve	31	–	–	–	–	–	10,409	(10,409)	–	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(16,661)	(65)	(16,726)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,841)	–	(2,841)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(104)	(1,523)
III.Balance at 31 December 2021		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

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

The Bank'S Statement of Changes In Shareholders' Equity

For the year ended 31 December 2022

Unit: RMB million

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I.Balance at 1 January 2022		**20,774**	**88,960**	**75,260**	**2,852**	**10,684**	**91,176**	**362,865**	**652,571**
II.Changes for the year									
(I)Net profit		–	–	–	–	–	–	**86,057**	**86,057**
(II)Other comprehensive income	41	–	–	–	**(3,588)**	–	–	–	**(3,588)**
Subtotal of (I) and (II)		–	–	–	**(3,588)**	–	–	**86,057**	**82,469**
(III)Capital contribution from shareholders		–	–	**1**	–	–	–	–	**1**
Conversion of equity from convertible corporate bonds	29	–	–	**1**	–	–	–	–	**1**
(IV)Profit distribution		–	–	–	–	–	**8,776**	**(34,489)**	**(25,713)**
1.Appropriation to general reserve	31	–	–	–	–	–	**8,776**	**(8,776)**	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	**(21,501)**	**(21,501)**
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	**(2,793)**	**(2,793)**
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	**(1,419)**	**(1,419)**
III.Balance at 31 December 2022		**20,774**	**88,960**	**75,261**	**(736)**	**10,684**	**99,952**	**414,433**	**709,328**

(Continued)

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

For the year ended 31 December 2021

Unit: RMB million

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I.Balance at 1 January 2021		20,774	85,802	75,260	(751)	10,684	83,382	315,799	590,950
II.Changes for the year									
(I)Net profit		–	–	–	–	–	–	75,781	75,781
(II)Other comprehensive income	41	–	–	–	3,603	–	–	–	3,603
Subtotal of (I) and (II)		–	–	–	3,603	–	–	75,781	79,384
(III)Capital contribution from shareholders		–	3,158	–	–	–	–	–	3,158
Capital injection by issuing convertible corporate bonds	28	–	3,158	–	–	–	–	–	3,158
(IV)Profit distribution		–	–	–	–	–	7,794	(28,715)	(20,921)
1.Appropriation to general reserve	31	–	–	–	–	–	7,794	(7,794)	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(16,661)	(16,661)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,841)	(2,841)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(1,419)
III.Balance at 31 December 2021		20,774	88,960	75,260	2,852	10,684	91,176	362,865	652,571

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin
Chairman of the Board
Legal Representative

Tao Yiping
President
Financial Director

Lai Furong
Person in-charge of
the Accounting Body

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

Notes to the Consolidated Financial Statements

I.General information

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People'S Bank of China (the "PBOC"), with the document YF [1988] No.347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by China Banking and Insurance Regulatory Commission (former China Banking Regulatory Commission, the "CBIRC") with the license number No.B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province. Lyu Jiajin was delegated the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services; other activities approved by the CBIRC; insurance and agency business; import and export of gold and its products; sales of public offering of fund; custody of securities investment funds.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; database services; data processing and storage services; cloud platform services; cloud software services and other banking activities approved by the CBIRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II.Basis of preparation of financial statements

The report is prepared on a going concern basis.

The Bank and its subsidiaries (hereinafter referred to as "the Group") have adopted the CAS 21 – Leases issued by the MOF in 2018, since 1 January 2021.

III.Statement of compliance with the CAS

The financial statements of the Bank have been prepared in accordance with CAS issued by the MOF, and present truly and completely, the consolidated and the Bank'S financial position as of 31 December 2022, and the consolidated and Bank'S results of operations and cash flows for the year then ended.

In addition, the Bank'S financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issued by China Securities Regulatory Commission (CSRC) in 2014.

IV.Significant accounting policies and accounting estimates

1.Accounting period

The Bank'S accounting year starts on 1 January and ends on 31 December.

2.Functional currency

The Group and its domestic subsidiaries choose Renminbi ("RMB") as their functional currency and these financial statements are presented in RMB, while its subsidiaries overseas choose their functional currency depending on the primary economic environment in which the subsidiaries operate and were translated into RMB according to the principles stated in Note IV, 6.

3.Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether the acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer'S previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss was transferred to investment income at the date of acquisition (see Note IV, 9.3. (2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings at the date of acquisition.

The acquiree'S identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree'S identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising from a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4.Preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct a reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Structured entities refer to the entities that voting rights or similar rights do not constitute decisive factors when recognising the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, funds, trust fund plans and fund management plans could be used as examples of structured entities.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank'S own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

4.2 Subsidiaries acquired through a business combination

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group'S scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal' : if it belongs to 'package deal' , transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal' , transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV, 3.2).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interest is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary'S net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary'S net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary'S non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary'S net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5.Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group that can be readily withdrawn on demand. Cash equivalents are the Group'S short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.Transactions denominated in foreign currencies and translation of foreign currency financial statements

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while their changes are recognised in other comprehensive income, their foreign currency translation differences are broken down into translation differences arising from changes in amortised cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortised cost are recognised in profit or loss for the current period, and those arising from changes in other carrying amounts are recognised in other comprehensive income. Exchange differences on other foreign currency monetary items are recognised in profit or loss for the current period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences are recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7.Financial instruments

A financial instrument is a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the others.

The Group'S financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables, Share capital, Preference Shares, Perpetual bonds and Convertible instruments etc.

7.1 Recognition and initial measurement of financial assets and financial liabilities

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

A financial asset and financial liability 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.

7.2 Classification and subsequent measurement of financial assets

(1)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. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

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 FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;

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

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

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

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

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

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

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. This election is made on an investment-by-investment basis. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

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 of time 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.

(2)Subsequent measurement of financial assets

(i)Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

(ii)Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

(iii)Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(iv)Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or other financial liabilities.

(1)Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

(2)Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method, However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and loan commitments

(1)Financial guarantee contracts

Financial guarantees contracts are contracts that require 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.

Financial guarantee contracts are initially recognised at fair value on the date of the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 18. A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2)Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provinsion by the Group.

7.5 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or

- 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transferred, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

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

- The carrying amount of the financial asset transferred measured at the date of derecognition;

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

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

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of its involvement in the financial assets.

7.6 Impairment of financial assets

The Group recognises an allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;

- Debt investments measured at FVOCI;

- Financial lease receivables

- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(1)Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group'S method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money;(iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

The Group applies a “three-stage model” for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI, 3 Credit risk.

(2)Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument'S credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for loss account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3)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.

7.7 Offsetting

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

- The Group currently has a legally enforceable right to set off the recognised amounts;

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

7.8 Derivative financial instruments

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

If the main contract included in the hybrid contract is an asset within the scope of the new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. Derivatives embedded in the hybrid contract in which the main contract included is not an asset within the scope of the new financial instructment standard should be split from the hybrid contract and treated as separate derivatives when their economic characteristics and risks are not closely related to those of the hybrid contract, they meet the definition of derivatives, and the hybrid instrument is not carried at FVTPL. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

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

7.9 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.

- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.

- The hedging instrument expires or is sold, terminated or exercised.

- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; (2) if the instrument will or may be settled in the Group'S own equity instrument, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. The Group'S issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group'S distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

The issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. Redemption before maturity will write down equity at redemption price.

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

8.Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group'S precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

9.Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner'S equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party'S shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock'S face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it'S a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner'S equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it'S a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1)Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2)Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are investees that the group is able to exercise significant influence over.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group'S share of the fair value of the investee'S identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group'S share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognises investment income and other comprehensive income based on the Group'S share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as capital reserve. The Group recognises its share of the investee'S net profit or loss based on the fair value of the investee'S identifiable assets after the adjustment of investee'S net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group'S, the investment income and other comprehensive income are recognised based on the adjusted financial statements of the investee in accordance with the Group'S accounting policies and accounting period. Unrealised profits or losses resulting from the Group'S transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group'S equity interest are eliminated. However, unrealised losses resulting from the Group'S transactions with its investees in respect of impairment losses on the transferred assets shouldn' t be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee'S disposal of the related assets or liabilities. Then the equity recognised by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognised by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee'S disposal of the related assets or liabilities. Then the other changes in owners' equity recognised by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10.Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with Construction in progress.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method from the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated residual value rate	Annual depreciation rate
Buildings	20 - 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 - 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 - 8 years	0% - 3%	12.13% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

The carrying amount of a fixed asset is derecognised:

- on disposal; or

- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets 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.

11.Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or other asset when it is ready for intended use.

12.Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognised in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognised as an intangible asset. Expenses related to land use rights and construction costs from buildings such as self-built factories, etc. are recognised as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related costs between land use rights and buildings. If the related cost cannot be allocated reasonably, it is recognised as an fixed asset.

When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortisation policies for intangible assets with finite useful life.

13.Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of assets is based on an individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or asset group after disposal expenses, or present value of the expected cash flow from the assets.

If an asset'S recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognised by their balances in profit or loss for the period.

The goodwill should be tested for impairment at least at the end of each year with its related asset group or combination of asset groups. On the purchase date, the carrying amount of goodwill should be allocated reasonably to asset groups or combinations which can benefit from the synergy of the enterprise merger. If the recoverable amount of asset group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognised. The amount of impairment loss should offset the carrying value of the goodwill which is allocated to certain asset groups or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of asset group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognised.

14.Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15.Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee'S welfare incurred is recognised in the profit or loss for the period as well. Non-monetary benefits included in employee'S welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits arising from defined contribution pension plans as a liability as well as in profit or loss for the period.

For the defined benefit plan, the Group recognises obligations arising from such plan based on a formula under estimated cumulated welfare method in the period in which employees render service and in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).

- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognised as a net asset or liability of defined benefit plans. If there is a surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

16.Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognised in the statements of financial position if they are committed to being resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

17.Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18.Income

18.1 Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

18.2 Fee and commission income

Fees and commissions are recognised by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognised when the performance obligations in the contract are fulfilled.

The Group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the Group'S performance while performing the contract;

- The customer can control the services performed during the performance of the Group;

- The services performed by the Group in the performance process are irreplaceable and the Group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognises revenue when customers obtain the relevant service control right.

19.Expenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortised cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognised in the corresponding period.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20.Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding capital investment by the government as an investor. A government grant is recognised only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according to the subjects required by the Government documents.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group'S daily activities is included in other income according to the economic business substance. A government not related to the Group'S daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognised, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period; if there is no related deferred income, it is recognised immediately in profit or loss for the period.

21.Deferred tax assets / deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

When they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22.Fiduciary activities and agent business

The Group acts in fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fees and commissions. The fiduciary activities and agent business are excluded from the financial statements.

23.Lease

A contract is a lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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 assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1)The Group as lessee

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, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated 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. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

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.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, 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 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 in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, 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 practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24.Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realisable value. The difference by which the net realisable value is lower than the carrying amount of the assets shall be provided for the current period. The foreclosed assets other than equity instruments are charged to other assets.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to be taken into account if applicable (see Note IV, 13).

25.Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26.Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as liabilities are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27.Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28.Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group'S chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

29.Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortisation of fixed assets and intangible assets (see Note IV, 10 and 12) and the impairment of various assets (see Note VII, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

(1)Note VII, 14 - Recognition of deferred tax assets;

(2)Note VII, 44 - Post-employment benefits - defined benefit plans; and

(3)Note XI, 7 - Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1)Note IV, 7 - Classification of financial investment;

(2)Note IV, 4 and 9 - Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3)Note VII, 24 and 28 - Other financial instruments are classified as financial liabilities or equity instruments; and

(4)Note VII, 45 - Judgement of consolidated structured entities.

30.Changes in significant accounting policies

The Group has adopted these standards released by the MOF recently from the accounting year beginning on 1 January 2022.

•Regulations on accounting for the external sale of products or by-products produced by an enterprise before the fixed assets reach the intended state of use or during the course of research and development (“Accounting for Trial Sales”) in CAS Bulletin No.15 (Cai Kuai [2021] No.35) (CAS Bulletin No.15);

•Interpretation of the provisions on the “Judgment on Loss-making Contracts” in CAS Bulletin No.15;

•Notice on Issues Related to the Application of <Accounting Treatment on COVID-19 Related Rent Concessions> (Cai Kuai [2022] No.13)

•Provision on the accounting treatment for the income tax implications of dividends related to financial instruments classified by issuers as equity instruments in CAS Bulletin No.16 (Cai Kuai [2022] No.31) (CAS Bulletin No.16)

•Interpretation of the provision on the accounting treatment for company modifying Cash-settled share-based payment to Equity-settled share-based payment in CAS Bulletin No.16.

The application of the above provisions does not have a significant impact on the Group'S financial position and operating results.

V.Taxation

1.Corporate income tax

According to the Corporate Income Tax Law of the People'S Republic of China, the income tax of the Bank is 25% (2021: 25%). The Bank'S subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2.Value-added tax

The value-added tax (“VAT”) on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No.39), the Group'S applicable VAT rate range was changed from 3% - 16% to 3% - 13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3.City maintenance and construction tax

The Group'S city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4.Education surcharge

The Group'S education surcharge and local education surcharge are calculated according to 3% ~ 5% of VAT.

VI.Consolidation scope

1.Details of the Bank'S principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/Place of registration	Business nature	Registered capital In millions of RMB	Total shareholding by the Group			
				31 December 2022		31 December 2021	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	**–**	100	–
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	**–**	73	–
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	**–**	90	–
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	5,320	**66**	**–**	66	–
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	**–**	100	–
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	**–**	**100**	–	100
China Industrial Asset Management Co., Ltd. (1)	Fuzhou	Assets management	1,950	**–**	**100**	–	100
Industrial Future Co., Ltd. (1)	Ningbo	Futures brokerage	500	**–**	**100**	–	100

(1)The companies are the subsidiaries of the Bank'S controlled subsidiaries.

2.Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII.Notes to items in the financial statements

1.Cash and balances with Central Bank

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Cash on hand		**5,181**	5,026	**5,181**	5,026
Mandatory reserves with central bank	(1)	**355,956**	343,500	**355,954**	343,491
Excess reserves with central bank	(2)	**79,172**	97,027	**79,163**	97,027
Other deposits with central bank	(3)	**1,918**	1,726	**1,918**	1,726
Interest accrued		**176**	167	**176**	167
Total		**442,403**	447,446	**442,392**	447,437

(1)The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group'S daily operations and can' t be transferred or used without the PBOC'S approval. General deposit generates from organisations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2022, the ratio of the Bank'S RMB deposit reserves is 7.5% (31 December 2021: 8%), and the ratio of foreign deposit reserves is 6% (31 December 2021: 9%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group'S subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2)Excess reserves with central bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3)The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank'S agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2.Deposits with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**68,262**	35,529	**61,393**	28,540
Other financial institutions operating in Mainland China	**8,501**	7,500	**8,358**	7,316
Banks operating outside Mainland China	**17,178**	23,368	**17,178**	23,368
Other financial institutions operating outside Mainland China	**197**	90	**197**	90
Interest accrued	**110**	171	**71**	110
Subtotal	**94,248**	66,658	**87,197**	59,424
Less: allowance for impairment losses	**(134)**	(407)	**(129)**	(403)
Net value	**94,114**	66,251	**87,068**	59,021

3.Placements with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**11,202**	16,092	**11,202**	15,293
Other financial institutions operating in Mainland China	**259,880**	220,639	**279,880**	236,224
Banks operating outside Mainland China	**80,618**	115,975	**80,618**	115,975
Interest accrued	**928**	542	**1,022**	717
Subtotal	**352,628**	353,248	**372,722**	368,209
Less: allowance for impairment losses	**(585)**	(1,426)	**(585)**	(1,426)
Net value	**352,043**	351,822	**372,137**	366,783

4.Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate, precious metals and credit rating or index for purposes of trading, asset and liability management and customer-driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don' t stand for the relevant future cash flow or current fair value, thus, do not indicate the Group'S exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group'S derivative financial instruments are as follows:

Unit: RMB million

	The Group		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,096,757**	**22,057**	**(21,666)**
Interest rate derivatives	**4,688,389**	**11,950**	**(11,903)**
Precious metal derivatives	**51,688**	**1,221**	**(1,366)**
Credit derivatives and others	**5,747**	**25**	**(32)**
Total	**6,842,581**	**35,253**	**(34,967)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	1,707,928	14,984	(15,280)
Interest rate derivatives	5,104,796	18,989	(21,448)
Precious metal derivatives	64,022	423	(1,939)
Credit derivatives and others	13,504	64	(180)
Total	6,890,250	34,460	(38,847)

	The Bank		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,096,757**	**22,057**	**(21,666)**
Interest rate derivatives	**4,688,389**	**11,950**	**(11,903)**
Precious metal derivatives	**51,688**	**1,221**	**(1,366)**
Credit derivatives and others	**5,500**	**24**	**(21)**
Total	**6,842,334**	**35,252**	**(34,956)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,104,796	18,989	(21,448)
Exchange rate derivatives	1,707,928	14,984	(15,280)
Precious metal derivatives	64,022	423	(1,939)
Credit derivatives and others	13,498	64	(180)
Total	6,890,244	34,460	(38,847)

Fair value hedge

The Group uses fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

Unit: RMB million

	The Group		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**18,004**	**784**	**(26)**
Commodity derivatives - Future contracts (1)	**40**	**–**	**–**
	18,044	**784**	**(26)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	19,853	113	(177)
Commodity derivatives - Future contracts (1)	90	–	–
	19,943	113	(177)

(1)Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

Unit: RMB million

	The Bank		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**18,004**	**784**	**(26)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	19,853	113	(177)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

Unit: RMB million

	The Group	
	2022	2021
Net gain (loss) from fair value hedge:		
Hedging instruments	**818**	285
Hedged item attributable to the hedged risk	**(795)**	(276)
	23	9

Unit: RMB million

	The Bank	
	2022	2021
Net gain (loss) from fair value hedge:		
Hedging instruments	**822**	264
Hedged item attributable to the hedged risk	**(797)**	(255)
	25	9

Details of hedged exposure in fair value hedging strategy of the Group and the Bank as below:

Unit: RMB million

	The Group				
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**17,483**	**–**	**(717)**	**–**	Other Debt Investments
Others	**37**	**–**	**(19)**	**–**	Other Assets
Total	**17,520**	**–**	**(736)**	**–**	
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	20,117	–	80	–	Other Debt Investments
Others	90	–	(21)	–	Other Assets
Total	20,207	–	59	–	

Unit: RMB million

	The Bank				
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**17,483**	**–**	**(717)**	**–**	Other Debt Investments
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	20,117	–	80	–	Other Debt Investments

5.Financial assets purchased under resale agreements

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**56,589**	142,312	**56,058**	138,256
Interest accrued	**59**	66	**59**	63
Subtotal	**56,648**	142,378	**56,117**	138,319
Less: allowance for impairment losses	**(111)**	(1,247)	**(111)**	(1,247)
Total	**56,537**	141,131	**56,006**	137,072

6.Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,097,324**	1,121,169	**1,097,323**	1,121,169
Credit cards	**452,772**	436,482	**452,772**	436,482
Others	**423,811**	322,281	**348,890**	264,225
Subtotal	**1,973,907**	1,879,932	**1,898,985**	1,821,876
Corporate loans and advances				
Loans and advances	**2,620,620**	2,221,044	**2,625,254**	2,226,658
Subtotal	**2,620,620**	2,221,044	**2,625,254**	2,226,658
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(126,083)**	(129,877)	**(120,981)**	(126,425)
Carrying amount of loans and advances to customers measured at amortised cost	**4,468,444**	3,971,099	**4,403,258**	3,922,109
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**377,567**	324,356	**377,567**	324,356
Subtotal	**377,567**	324,356	**377,567**	324,356
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**10,793**	2,851	**10,793**	2,851
Subtotal	**10,793**	2,851	**10,793**	2,851
Interest accrued	**13,075**	12,000	**12,388**	11,430
Net balance	**4,869,879**	4,310,306	**4,804,006**	4,260,746

As at 31 December 2022, the Group and Bank'S allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB2,751 million (As at 31 December 2021: RMB1,032 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution:

Unit: RMB million

	The Group				The Bank			
	2022		2021		2022		2021	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**585,275**	**11.74**	437,716	9.89	**585,275**	**11.91**	437,716	10.00
Leasing and commercial services	**458,017**	**9.19**	378,765	8.55	**458,017**	**9.32**	378,765	8.66
Real estate	**356,027**	**7.14**	336,830	7.61	**356,027**	**7.25**	336,830	7.70
Retail and wholesale	**263,437**	**5.29**	247,648	5.59	**261,652**	**5.33**	246,291	5.63
Water, environment and public facilities administration	**246,453**	**4.95**	231,926	5.24	**246,453**	**5.02**	231,926	5.30
Production and supply of power, gas and water	**166,203**	**3.34**	117,743	2.66	**166,203**	**3.38**	117,743	2.69
Transport, logistics and postal service	**165,154**	**3.31**	146,287	3.30	**165,154**	**3.36**	146,287	3.34
Construction	**163,364**	**3.28**	149,833	3.38	**163,364**	**3.33**	149,833	3.42
Extractive industry	**74,380**	**1.49**	67,626	1.53	**74,380**	**1.51**	67,626	1.55
Financial industry	**34,943**	**0.70**	27,562	0.62	**41,362**	**0.84**	34,532	0.79
Other corporate industries	**118,160**	**2.38**	81,959	1.86	**118,160**	**2.40**	81,960	1.87
Subtotal	**2,631,413**	**52.81**	2,223,895	50.23	**2,636,047**	**53.65**	2,229,509	50.95
Personal loans	**1,973,907**	**39.61**	1,879,932	42.45	**1,898,985**	**38.66**	1,821,876	41.64
Discounted bills	**377,567**	**7.58**	324,356	7.32	**377,567**	**7.69**	324,356	7.41
Gross loans and advances	**4,982,887**	**100.00**	4,428,183	100.00	**4,912,599**	**100.00**	4,375,741	100.00
Less: allowance for impairment losses	**(126,083)**		(129,877)		**(120,981)**		(126,425)	
Loans and advances to customers (interest accrued excluded)	**4,856,804**		4,298,306		**4,791,618**		4,249,316	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution:

Unit: RMB million

	The Group				The Bank			
	2022		2021		2022		2021	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	**602,207**	**12.09**	511,398	11.55	**602,207**	**12.26**	511,398	11.69
Guangdong	**577,166**	**11.58**	516,058	11.66	**572,586**	**11.66**	512,081	11.70
Fujian	**545,812**	**10.95**	472,429	10.67	**542,278**	**11.04**	470,594	10.75
Jiangsu	**478,612**	**9.61**	429,137	9.69	**470,024**	**9.57**	422,798	9.66
Zhejiang	**448,161**	**8.99**	383,254	8.65	**444,391**	**9.05**	380,322	8.69
Shanghai	**240,738**	**4.83**	201,100	4.54	**217,828**	**4.43**	186,695	4.27
Beijing	**215,527**	**4.33**	221,082	4.99	**213,556**	**4.35**	218,914	5.00
Others (Note 2)	**1,874,664**	**37.62**	1,693,725	38.25	**1,849,729**	**37.64**	1,672,939	38.24
Gross loans and advances	**4,982,887**	**100.00**	4,428,183	100.00	**4,912,599**	**100.00**	4,375,741	100.00
Less: allowance for impairment losses	**(126,083)**		(129,877)		**(120,981)**		(126,425)	
Loans and advances to customers (interest accrued excluded)	**4,856,804**		4,298,306		**4,791,618**		4 ,249,316	

Note 1: Head office includes the credit card centre and the treasury centre.

Note 2: As at 31 December 2022, the Bank has 45 tier 1 branches, apart from the tier 1 branches mentioned above, the rest is categorised into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Unsecured loans	**1,392,814**	1,193,021	**1,324,311**	1,141,979
Guaranteed loans	**1,068,126**	876,315	**1,068,098**	876,315
Collateralised loans	**2,144,380**	2,034,491	**2,142,623**	2,033,091
- Secured by mortgage	**1,795,822**	1,720,791	**1,794,065**	1,719,391
- Secured by collaterals	**348,558**	313,700	**348,558**	313,700
Discounted bills	**377,567**	324,356	**377,567**	324,356
Gross loans and advances	**4,982,887**	4,428,183	**4,912,599**	4,375,741
Less: allowance for impairment losses	**(126,083)**	(129,877)	**(120,981)**	(126,425)
Loans and advances to customers (interest accrued excluded)	**4,856,804**	4,298,306	**4,791,618**	4,249,316

6.5 Overdue loans (interest accrued excluded):

Unit: RMB million

	The Group									
	2022					2021				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**19,208**	**18,370**	**3,086**	**297**	**40,961**	12,668	9,387	2,197	202	24,454
Guaranteed loans	**3,623**	**4,002**	**3,467**	**516**	**11,608**	5,882	4,145	3,500	762	14,289
Collateralised loans	**14,170**	**10,409**	**4,854**	**1,235**	**30,668**	8,821	9,904	6,710	805	26,240
- Secured by mortgage	**12,868**	**8,336**	**4,668**	**1,235**	**27,107**	8,818	9,478	6,405	779	25,480
- Secured by collaterals	**1,302**	**2,073**	**186**	**–**	**3,561**	3	426	305	26	760
Total	**37,001**	**32,781**	**11,407**	**2,048**	**83,237**	27,371	23,436	12,407	1,769	64,983

	The Bank									
	2022					2021				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**17,734**	**17,382**	**3,078**	**297**	**38,491**	11,675	8,739	2,188	202	22,804
Guaranteed loans	**3,623**	**4,002**	**3,467**	**516**	**11,608**	5,882	4,145	3,500	762	14,289
Collateralised loans	**14,170**	**10,409**	**4,854**	**1,235**	**30,668**	8,821	8,504	6,710	805	24,840
- Secured by mortgage	**12,868**	**8,336**	**4,668**	**1,235**	**27,107**	8,818	8,078	6,405	779	24,080
- Secured by collaterals	**1,302**	**2,073**	**186**	**–**	**3,561**	3	426	305	26	760
Total	**35,527**	**31,793**	**11,399**	**2,048**	**80,767**	26,378	21,388	12,398	1,769	61,933

The loan will be categorised into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2022, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1)Loans and advances to customers measured at amortised cost

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**81,935**	**14,080**	**33,862**	**129,877**
Transfer:				
- to stage 1	**3,501**	**(1,489)**	**(2,012)**	**–**
- to stage 2	**(3,490)**	**3,900**	**(410)**	**–**
- to stage 3	**(7,208)**	**(7,049)**	**14,257**	**–**
(Reversal) charge for the year	**(17,866)**	**7,476**	**46,490**	**36,100**
Write-offs and transfer out	**–**	**–**	**(46,745)**	**(46,745)**
Recoveries of amounts previously written off	**–**	**–**	**8,214**	**8,214**
Exchange difference and other movements	**–**	**–**	**(1,363)**	**(1,363)**
31 December 2022	**56,872**	**16,918**	**52,293**	**126,083**

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	68,662	7,485	31,921	108,068
Transfer:				
- to stage 1	7,826	(2,664)	(5,162)	–
- to stage 2	(4,785)	10,005	(5,220)	–
- to stage 3	(4,745)	(1,499)	6,244	–
Charge for the year	14,977	753	29,315	45,045
Write-offs and transfer out	–	–	(32,795)	(32,795)
Recoveries of amounts previously written off	–	–	10,602	10,602
Exchange difference and other movements	–	–	(1,043)	(1,043)
31 December 2021	81,935	14,080	33,862	129,877

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**80,236**	**13,768**	**32,421**	**126,425**
Transfer:				
- to stage 1	**3,431**	**(1,478)**	**(1,953)**	**–**
- to stage 2	**(3,459)**	**3,863**	**(404)**	**–**
- to stage 3	**(7,154)**	**(7,036)**	**14,190**	**–**
(Reversal) charge for the year	**(18,407)**	**7,251**	**42,382**	**31,226**
Write-offs and transfer out	**–**	**–**	**(43,237)**	**(43,237)**
Recoveries of amounts previously written off	**–**	**–**	**7,910**	**7,910**
Exchange difference and other movements	**–**	**–**	**(1,343)**	**(1,343)**
31 December 2022	**54,647**	**16,368**	**49,966**	**120,981**

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	67,566	7,238	30,678	105,482
Transfer:				
- to stage 1	7,781	(2,648)	(5,133)	–
- to stage 2	(4,780)	9,995	(5,215)	–
- to stage 3	(4,733)	(1,496)	6,229	–
Charge for the year	14,402	679	26,726	41,807
Write-offs and transfer out	–	–	(30,118)	(30,118)
Recoveries of amounts previously written off	–	–	10,297	10,297
Exchange difference and other movements	–	–	(1,043)	(1,043)
31 December 2021	80,236	13,768	32,421	126,425

(2)Loans and advances to customers measured at fair value through other comprehensive income

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**1,008**	**3**	**21**	**1,032**
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Charge (reversal) for the year	**1,674**	**(3)**	**48**	**1,719**
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2022	**2,682**	–	**69**	**2,751**

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	576	–	17	593
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Charge (reversal) for the year	432	3	4	439
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2021	1,008	3	21	1,032

7.Financial investments

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Trading assets	7.1	**999,855**	909,794	**933,931**	847,457
Debt investments	7.2	**1,607,026**	1,601,030	**1,595,755**	1,585,226
Other debt investments	7.3	**548,007**	484,624	**548,000**	484,758
Other equity investments	7.4	**3,453**	3,148	**2,873**	3,068
Total		**3,158,341**	2,998,596	**3,080,559**	2,920,509

7.1 Trading assets

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Held for trading purpose:				
Investment in debt instruments				
Government bonds	**114,961**	70,086	**112,654**	68,682
The Central Bank bills and policy bank financial bonds	**13,725**	32,267	**9,268**	16,029
Bonds issued by banks and other financial institutions	**7,549**	16,665	**2,097**	2,976
Interbank certificates of deposit	**4,980**	802	**3,191**	482
Corporate bonds and asset-backed securities	**94,511**	82,131	**44,223**	45,904
Funds	**628,551**	589,920	**664,900**	632,477
Other investments	**5,624**	5,035	**–**	–
Subtotal	**869,901**	796,906	**836,333**	766,550
Financial assets measured at fair value through profit or loss (mandatory):				
Bonds issued by banks and other financial institutions	**7,219**	4,562	**7,219**	4,562
Corporate bonds and asset-backed securities	**1,966**	1,548	**1,916**	1,497
Trust beneficiary rights and asset management plans	**95,546**	77,580	**86,629**	68,700
- Debt securities	**86,231**	72,347	**83,933**	65,762
- Credit assets	**3,211**	2,248	**1,705**	1,827
- Others	**6,104**	2,985	**991**	1,111
Wealth management products	**2,727**	6,678	**674**	5,089
Equity investments	**20,069**	19,536	**1,160**	1,059
Funds	**2,427**	2,984	**–**	–
Subtotal	**129,954**	112,888	**97,598**	80,907
Total	**999,855**	909,794	**933,931**	847,457

7.2 Debt investments

Unit: RMB million

	Note	The Group 2022	The Group 2021	The Bank 2022	The Bank 2021
Government bonds		**845,933**	835,631	**839,518**	828,788
The Central Bank bills and policy bank financial bonds		**8,575**	2,040	**8,575**	2,040
Bonds issued by banks and other financial institutions		**75,740**	19,848	**75,740**	19,848
Interbank certificates of deposit		**16,072**	18,414	**16,072**	18,414
Corporate bonds and asset-backed securities		**153,007**	88,475	**152,892**	88,229
Trust beneficiary rights and asset management plans		**537,513**	662,771	**530,259**	652,520
- Credit assets		**308,810**	367,931	**308,083**	367,206
- Debt securities		**187,277**	229,540	**187,275**	229,426
- Others		**41,426**	65,300	**34,901**	55,888
Interest accrued		**15,632**	16,168	**15,588**	15,991
Subtotal		**1,652,472**	1,643,347	**1,638,644**	1,625,830
Less: allowance for impairment losses	(1)	**(45,446)**	(42,317)	**(42,889)**	(40,604)
Net value		**1,607,026**	1,601,030	**1,595,755**	1,585,226

(1)Changes in allowance for impairment losses on debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**8,390**	**6,671**	**27,256**	**42,317**
Transfer:				
- to stage 2	**(154)**	**3,257**	**(3,103)**	**–**
- to stage 3	**(141)**	**(3,712)**	**3,853**	**–**
(Reversal) charge for the year	**(1,959)**	**1,772**	**9,759**	**9,572**
Write-offs and transfer out	**–**	**–**	**(7,842)**	**(7,842)**
Exchange difference and other movements	**(794)**	**–**	**2,193**	**1,399**
31 December 2022	**5,342**	**7,988**	**32,116**	**45,446**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	14,162	3,420	13,920	31,502
Transfer:				
- to stage 1	224	(224)	–	–
- to stage 2	(261)	1,219	(958)	–
- to stage 3	(71)	(1,127)	1,198	–
(Reversal) charge for the year	(5,623)	3,383	23,171	20,931
Write-offs and transfer out	–	–	(10,207)	(10,207)
Exchange difference and other movements	(41)	–	132	91
31 December 2021	8,390	6,671	27,256	42,317

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**8,386**	**6,356**	**25,862**	**40,604**
Transfer:				
- to stage 2	**(154)**	**3,257**	**(3,103)**	**–**
- to stage 3	**(141)**	**(2,150)**	**2,291**	**–**
(Reversal) charge for the year	**(1,964)**	**525**	**8,485**	**7,046**
Write-offs and transfer out	**–**	**–**	**(6,160)**	**(6,160)**
Exchange difference and other movements	**(794)**	**–**	**2,193**	**1,399**
31 December 2022	**5,333**	**7,988**	**29,568**	**42,889**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	14,151	3,081	13,385	30,617
Transfer:				
- to stage 1	221	(221)	–	–
- to stage 2	(261)	1,219	(958)	–
- to stage 3	(71)	(897)	968	–
(Reversal) charge for the year	(5,614)	3,174	22,248	19,808
Write-offs and transfer out	–	–	(9,865)	(9,865)
Exchange difference and other movements	(40)	–	84	44
31 December 2021	8,386	6,356	25,862	40,604

7.3 Other debt investments

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Debt investments:				
Government bonds	**170,626**	190,528	**170,122**	190,023
The Central Bank bills and policy bank financial bonds	**13,437**	8,478	**13,437**	8,478
Bonds issued by banks and other financial institutions	**70,276**	26,210	**70,378**	26,514
Interbank certificates of deposit	**79,529**	22,261	**79,529**	22,261
Corporate bonds and asset-backed securities	**207,936**	230,058	**208,435**	231,191
Trust beneficiary rights and asset management plans	**1,436**	2,565	**1,332**	1,754
Interest accrued	**4,767**	4,524	**4,767**	4,537
Total	**548,007**	484,624	**548,000**	484,758

(1)Changes in fair value

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Initial recognition cost		**555,284**	485,775	**555,131**	485,771
Fair value		**548,007**	484,624	**548,000**	484,758
Accumulated amount recognised in other comprehensive income		**(6,560)**	(1,231)	**(6,414)**	(1,093)
Accumulated amount recognised in profit or loss	(i)	**(717)**	80	**(717)**	80

(i)The Bank uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2)Changes in allowance for impairment losses on other debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**752**	**233**	**1,313**	**2,298**
Transfer:				
- to stage 1	**20**	**(20)**	**–**	**–**
- to stage 3	**(1)**	**–**	**1**	**–**
Charge for the year	**493**	**135**	**73**	**701**
Write-offs and transfer out	**–**	**–**	**(878)**	**(878)**
Exchange difference and other movements	**32**	**–**	**–**	**32**
31 December 2022	**1,296**	**348**	**509**	**2,153**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	593	591	2,904	4,088
Transfer:				
- to stage 2	(2)	2	–	–
- to stage 3	–	(78)	78	–
Charge (reversal) for the year	170	(282)	468	356
Write-offs and transfer out	–	–	(2,137)	(2,137)
Exchange difference and other movements	(9)	–	–	(9)
31 December 2021	752	233	1,313	2,298

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**714**	**222**	**1,204**	**2,140**
Transfer:				
- to stage 1	**20**	**(20)**	**–**	**–**
- to stage 3	**(1)**	**–**	**1**	**–**
Charge for the year	**531**	**146**	**34**	**711**
Write-offs and transfer out	**–**	**–**	**(840)**	**(840)**
Exchange difference and other movements	**32**	**–**	**–**	**32**
31 December 2022	**1,296**	**348**	**399**	**2,043**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	590	580	2,724	3,894
Charge (reversal) for the year	151	(358)	617	410
Write-offs and transfer out	–	–	(2,137)	(2,137)
Exchange difference and other movements	(27)	–	–	(27)
31 December 2021	714	222	1,204	2,140

7.4 Other equity investments

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Designated at fair value through other comprehensive income	**3,453**	3,148	**2,873**	3,068

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2022, the fair value of the equity investments is RMB3,453 million (31 December 2021: RMB3,148 million). During the reporting period, dividend income of RMB50.00 million (2021: RMB16.25 million) recognised for such equity investments was included in the profit or loss.

Related analyses of other equity investments are as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Initial recognition cost	**3,676**	3,175	**3,096**	3,095
Fair value	**3,453**	3,148	**2,873**	3,068
Accumulated amount recognised in other comprehensive income	**(223)**	(27)	**(223)**	(27)

8.Finance lease receivables

Presented by nature:

Unit: RMB million

	Note	The Group	
		2022	2021
Finance lease receivables		**123,843**	120,046
Less: unrealised financing income		**(11,970)**	(11,184)
Present value of minimum finance lease receivables		**111,873**	108,862
Less: allowance for impairment losses	(1)	**(4,649)**	(4,905)
Net value		**107,224**	103,957

Finance lease receivables Listed as follows:

Unit: RMB million

	Note	The Group	
		2022	2021
Within 1 year		**50,184**	49,302
1 to 2 years		**32,800**	30,295
2 to 3 years		**17,331**	18,079
3 to 5 years		**13,742**	13,160
Over 5 years		**7,529**	7,226
Undated		**2,257**	1,984
Minimum lease receipts in total		**123,843**	120,046
Unrealised financing income		**(11,970)**	(11,184)
Present value of minimum finance lease receivables		**111,873**	108,862
Less: allowance for impairment losses	(1)	**(4,649)**	(4,905)
Net value		**107,224**	103,957
- Finance lease receivables due within 1 year		**17,272**	17,060
- Finance lease receivables due more than 1 year		**89,952**	86,897

(1)Changes in allowance for impairment losses on finance lease receivables :

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**1,461**	**201**	**3,243**	**4,905**
Transfer:				
- to stage 1	**9**	**(9)**	**–**	**–**
- to stage 2	**(153)**	**169**	**(16)**	**–**
- to stage 3	**(841)**	**–**	**841**	**–**
Charge (reversal) for the year	**793**	**(136)**	**(861)**	**(204)**
Write-offs and transfer out	**–**	**–**	**(222)**	**(222)**
Exchange difference and other movements	**–**	**–**	**170**	**170**
31 December 2022	**1,269**	**225**	**3,155**	**4,649**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	1,894	556	2,807	5,257
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	(1)	1	–	–
- to stage 3	(215)	(130)	345	–
Reversal (charge) for the year	(217)	(226)	289	(154)
Write-offs and transfer out	–	–	(197)	(197)
Exchange difference and other movements	–	–	(1)	(1)
31 December 2021	1,461	201	3,243	4,905

9.Long-term equity investments

Unit: RMB million

The Group										
Investee	Accounting method	1 January 2022	Investment income recognised under the equity method	Provisions	Cash dividends for this year	New investments made this year	31 December 2022	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	**N/A**
Others	Equity method	**324**	–	–	–	**154**	**478**			**N/A**
Total		**3,732**	**190**	–	(30)	**154**	**4,046**			

Unit: RMB million

The Bank										
Long-term equity investments by equity method:										
Investee										
Bank of Jiujiang (1)	Equity method	**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	**N/A**
Subtotal		**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	–

Unit: RMB million

The Bank									
Long-term equity investments by equity method:									
Investee	Accounting method	1 January 2022	Changes	31 December 2022	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	7,000	–	7,000	100.00	100.00	N/A	–	450
China Industrial International Trust Limited (Note. VI)	Cost method	6,395	–	6,395	73.00	73.00	N/A	–	–
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	900	–	900	90.00	90.00	N/A	–	45
Industrial Consumer Finance Co., Ltd. (Note. VI)	Cost method	1,254	–	1,254	66.00	66.00	N/A	–	–
CIB Wealth Management Co., Ltd.(Note. VI)	Cost method	5,000	–	5,000	100.00	100.00	N/A	–	–
Subtotal		20,549	–	20,549				–	495
Total		23,957	160	24,117					

(1)As the Bank holds 12.23% shares and voting rights of Bank of Jiujiang and appoints a director to Bank of Jiujiang, the Bank has significant influence over Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2)There are no restrictions on the investees' capacities of capital transferring to the Group and the Bank on 31 December 2022.

10.Fixed assets

Unit: RMB million

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2022	22,292	1,248	9,722	453	6,053	39,768
Purchase	26	3	2,622	52	821	3,524
Transfers from constructions in progress	1,517	5	–	–	–	1,522
Sales/disposals	(18)	(5)	(627)	(54)	–	(704)
At 31 December 2022	23,817	1,251	11,717	451	6,874	44,110
Accumulated depreciation						
At 1 January 2022	(4,893)	(614)	(6,442)	(334)	(1,222)	(13,505)
Depreciation for the year	(827)	(37)	(1,183)	(49)	(395)	(2,491)
Eliminated on sales/disposals	15	5	596	44	–	660
At 31 December 2022	(5,705)	(646)	(7,029)	(339)	(1,617)	(15,336)
Net value						
At 1 January 2022	17,399	634	3,280	119	4,831	26,263
At 31 December 2022	18,112	605	4,688	112	5,257	28,774
Allowance for impairment losses						
At 1 January 2022	(3)	–	–	–	(200)	(203)
Charge for the year	–	–	–	–	–	–
At 31 December 2022	(3)	–	–	–	(200)	(203)
Net carrying amount						
At 1 January 2022	17,396	634	3,280	119	4,631	26,060
At 31 December 2022	18,109	605	4,688	112	5,057	28,571

As at 31 December 2022, the cost of flight equipment leased out under operating lease business by the Group'S subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,874 million (1 January 2022: RMB6,053 million).

As at 31 December 2022, buildings with cost RMB513 million were in use but the legal ownership registrations were still in process (31 December 2021: RMB1,338 million).

Unit: RMB million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2022	21,844	1,199	9,121	420	32,584
Purchase	10	3	2,371	48	2,432
Transfers from constructions in progress	1,517	5	–	–	1,522
Sales/disposals	(18)	(5)	(612)	(52)	(687)
At 31 December 2022	23,353	1,202	10,880	416	35,851
Accumulated depreciation					
At 1 January 2022	(4,874)	(614)	(6,113)	(314)	(11,915)
Depreciation for the year	(809)	(37)	(1,163)	(43)	(2,052)
Eliminated on sales/disposals	15	5	584	43	647
At 31 December 2022	(5,668)	(646)	(6,692)	(314)	(13,320)
Net value					
At 1 January 2022	16,970	585	3,008	106	20,669
At 31 December 2022	17,685	556	4,188	102	22,531
Allowance for impairment losses					
At 1 January 2022	(3)	–	–	–	(3)
At 31 December 2022	(3)	–	–	–	(3)
Net carrying amount					
At 1 January 2022	16,967	585	3,008	106	20,666
At 31 December 2022	17,682	556	4,188	102	22,528

As at 31 December 2022, buildings which cost RMB513 million were in use but the legal ownership registrations were still in process (31 December 2021: RMB1,338 million).

11.Construction in progress

Unit: RMB million

	The Group						
	2022						
	1 January 2022	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2022	Provisions	Net book value
Operating building, Changsha	404	–	–	–	404	–	404
Operating building, Ningbo	–	385	–	–	385	–	385
Operating building, Kunming	–	353	–	–	353	–	353
Operating building, Dongguan	293	29	–	–	322	–	322
Operating building, Huizhou	271	2	–	–	273	–	273
Operating building, Putian	194	3	–	–	197	–	197
Operating building, Wuyi Branch in Nanping	157	3	–	–	160	–	160
Others	1,456	1,031	(1,522)	(488)	477	–	477
Total	2,775	1,806	(1,522)	(488)	2,571	–	2,571

Unit: RMB million

	The Bank						
	2022						
	1 January 2022	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2022	Provisions	Net book value
Operating building, Changsha	404	–	–	–	404	–	404
Operating building, Ningbo	–	385	–	–	385	–	385
Operating building, Kunming	–	353	–	–	353	–	353
Operating building, Dongguan	293	29	–	–	322	–	322
Operating building, Huizhou	271	2	–	–	273	–	273
Operating building, Putian	194	3	–	–	197	–	197
Operating building, Wuyi Branch in Nanping	157	3	–	–	160	–	160
Others	1,451	1,013	(1,522)	(478)	464	–	464
Total	2,770	1,788	(1,522)	(478)	2,558	–	2,558

12.Right-of-use assets

Unit: RMB million

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2022	11,739	652	56	12,447
Additions for the year	2,892	65	30	2,987
Less for the year	(777)	–	(10)	(787)
At 31 December 2022	13,854	717	76	14,647
Accumulated depreciation				
At 1 January 2022	(2,736)	(96)	(29)	(2,861)
Depreciation for the year	(2,853)	(43)	(18)	(2,914)
Eliminated for the year	689	–	10	699
At 31 December 2022	(4,900)	(139)	(37)	(5,076)
Allowance for impairment losses				
At 1 January 2022	–	(5)	–	(5)
Charge for the year	–	–	–	–
Reversal for the year	–	–	–	–
At 31 December 2022	–	(5)	–	(5)
Net value				
At 1 January 2022	9,003	551	27	9,581
At 31 December 2022	8,954	573	39	9,566

	The bank		
	Buildings	Others	Total
Cost			
At 1 January 2022	11,341	35	11,376
Additions for the year	2,699	30	2,729
Less for the year	(737)	(10)	(747)
At 31 December 2022	13,303	55	13,358
Accumulated depreciation			
At 1 January 2022	(2,556)	(14)	(2,570)
Depreciation for the year	(2,767)	(13)	(2,780)
Eliminated for the year	656	10	666
At 31 December 2022	(4,667)	(17)	(4,684)
Allowance for impairment losses			
At 1 January 2022	–	–	–
Charge for the year	–	–	–
Reversal for the year	–	–	–
At 31 December 2022	–	–	–
Net value			
At 1 January 2022	8,785	21	8,806
At 31 December 2022	8,636	38	8,674

13.Goodwill

Unit: RMB million

	The Group				
	1 January 2022	Additions	Deductions	31 December 2022	Provision at 31 December 2022
China Industrial International Trust Limited	**532**	–	–	**532**	–

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognised.

14.Deferred tax asset and deferred tax liability

14.1 Recognised deferred tax assets and liabilities

Unit: RMB million

	The Group			
	2022		2021	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**181,562**	**45,387**	172,648	43,162
Fair value changes of derivative financial instruments	**–**	**–**	2,356	589
Fair value changes of trading assets	**6,735**	**1,681**	1,588	397
Fair value changes of trading liabilities	**272**	**68**	276	69
Changes in fair value in other debt investments	**7,801**	**1,954**	1,800	450
Changes in fair value in other equity investments	**223**	**56**	28	7
Accrued but not paid employee benefits	**26,144**	**6,522**	19,864	4,966
Accounting and tax basis differences related to lease liabilities	**8,706**	**2,176**	8,488	2,122
Others	**3,910**	**977**	1,680	420
Subtotal	**235,353**	**58,821**	208,728	52,182
Offset	**(15,795)**	**(3,948)**	(12,144)	(3,036)
Deferred tax assets after offset	**219,558**	**54,873**	196,584	49,146
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,747)**	**(2,187)**	(8,808)	(2,202)
Differences of fixed assets depreciation	**(4,615)**	**(1,154)**	(3,336)	(834)
Fair value changes of trading assets	**(1,861)**	**(465)**	(648)	(162)
Fair value changes of other debt investments	**–**	**–**	(4)	(1)
Fair value changes of derivative financial instruments	**(1,006)**	**(251)**	–	–
Others	**(958)**	**(239)**	–	–
Subtotal	**(17,187)**	**(4,296)**	(12,796)	(3,199)
Offset	**15,795**	**3,948**	12,144	3,036
Deferred tax liabilities after offset	**(1,392)**	**(348)**	(652)	(163)

Unit: RMB million

	The bank			
	2022		2021	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**170,795**	**42,700**	162,412	40,604
Fair value changes of derivative financial instruments	**–**	**–**	2,356	589
Fair value changes of trading assets	**6,396**	**1,599**	1,336	334
Fair value changes of trading liabilities	**272**	**68**	276	69
Fair value changes of other debt investments	**7,762**	**1,939**	1,749	436
Fair value changes of other equity investments	**223**	**56**	27	7
Accrued but not paid employee benefits	**23,092**	**5,773**	17,916	4,479
Accounting and tax basis differences related to lease liabilities	**8,706**	**2,176**	8,488	2,122
Others	**–**	**–**	240	60
Subtotal	**217,246**	**54,311**	194,800	48,700
Offset	**(15,326)**	**(3,831)**	(12,144)	(3,036)
Deferred tax assets after offset	**201,920**	**50,480**	182,656	45,664
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,747)**	**(2,187)**	(8,808)	(2,202)
Differences of fixed assets depreciation	**(4,615)**	**(1,154)**	(3,336)	(834)
Fair value changes of derivative financial instruments	**(1,006)**	**(251)**	–	–
Others	**(958)**	**(239)**	–	–
Subtotal	**(15,326)**	**(3,831)**	(12,144)	(3,036)
Offset	**15,326**	**3,831**	12,144	3,036
Deferred tax liabilities after offset	**–**	**–**	–	–

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

14.2 Movements in deferred tax assets and liabilities

Unit: RMB million

	The Group	The Bank
31 December 2021	48,983	45,664
- Deferred tax assets	52,182	48,700
- Deferred tax liabilities	(3,199)	(3,036)
Net changes of deferred tax recognised in income tax expenses	**3,988**	**3,264**
Net changes of deferred tax recognised in other comprehensive income	**1,554**	**1,552**
31 December 2022	**54,525**	**50,480**
- Deferred tax assets	**58,821**	**54,311**
- Deferred tax liabilities	**(4,296)**	**(3,831)**

15.Other assets

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Items in the process of clearance and settlement		**7,098**	20,905	**3,971**	17,304
Other receivables	15.1	**21,985**	14,588	**18,381**	10,582
Continuing involvement assets(Note XII, 3.1)		**11,427**	12,191	**11,314**	11,314
Prepaid purchase cost of lease assets		**2,042**	1,662	**–**	–
Interest receivable	15.2	**3,270**	2,882	**2,898**	2,626
Net assets of defined benefit plan (Note VII, 44.2)		**2,003**	2,167	**2,003**	2,167
Long-term prepaid expenses	15.3	**1,399**	1,382	**1,339**	1,316
Foreclosed assets	15.4	**395**	413	**395**	413
Total		**49,619**	56,190	**40,301**	45,722

15.1 Other receivables

Listed by aging:

Unit: RMB million

Account age	The Group				The Bank			
	2022	Proportion %	2021	Proportion %	2022	Proportion %	2021	Proportion %
Within 1 year	**17,331**	**72.44**	9,982	60.39	**14,267**	**71.07**	6,604	53.42
1-2 years	**949**	**3.97**	1,132	6.85	**525**	**2.61**	460	3.72
2-3 years	**568**	**2.37**	2,990	18.09	**288**	**1.43**	2,938	23.77
Over 3 years	**5,078**	**21.22**	2,425	14.67	**4,998**	**24.89**	2,360	19.09
Subtotal	**23,926**	**100.00**	16,529	100.00	**20,078**	**100.00**	12,362	100.00
Less: Allowance for impairment losses	**(1,941)**		(1,941)		**(1,697)**		(1,780)	
Net value	**21,985**		14,588		**18,381**		10,582	

15.2 Interest receivable

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	**2,799**	2,139	**2,799**	2,109
Bonds and other investments	**471**	743	**99**	517
Total	**3,270**	2,882	**2,898**	2,626

15.3 Long-term prepaid expenses

Unit: RMB million

	The Group				
	1 January 2022	Changes	Transferred from construction in progress	Amortisation	31 December 2022
Leasehold improvements	**1,306**	**43**	**475**	**(514)**	**1,310**
Others	**76**	**21**	**13**	**(21)**	**89**
Total	**1,382**	**64**	**488**	**(535)**	**1,399**

	The Bank				
	1 January 2022	Changes	Transferred from construction in progress	Amortisation	31 December 2022
Leasehold improvements	**1,261**	**30**	**475**	**(491)**	**1,275**
Others	**55**	**13**	**3**	**(7)**	**64**
Total	**1,316**	**43**	**478**	**(498)**	**1,339**

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Buildings and land use rights	**546**	536
Others	**1**	1
Subtotal	**547**	537
Less: Allowance for impairment losses	**(152)**	(124)
Net value	**395**	413

16.Deposits from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Amount due to banks:				
Banks operating in Mainland China	**331,921**	287,186	**331,921**	287,186
Banks operating outside Mainland China	**36,319**	63,076	**36,319**	63,076
Deposits from other financial institutions:				
Other financial institutions operating in Mainland China	**1,252,930**	1,353,540	**1,264,614**	1,362,497
Other financial institutions operating outside Mainland China	**2**	–	**2**	–
Interest accrued	**7,082**	7,077	**7,110**	7,130
Total	**1,628,254**	1,710,879	**1,639,966**	1,719,889

17.Placements from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**181,519**	106,969	**68,366**	9,687
Other financial institutions operating in Mainland China	**26,937**	29,809	**9,912**	7,481
Banks operating outside Mainland China	**67,352**	35,995	**67,352**	35,995
Interest accrued	**1,460**	1,005	**503**	76
Total	**277,268**	173,778	**146,133**	53,239

18.Trading liabilities

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**20,492**	29,896	**20,492**	29,896
Sold financing bonds		**28,212**	11,663	**28,212**	11,663
Others		**514**	348	**514**	348
Subtotal		**49,218**	41,907	**49,218**	41,907
Financial liabilities designated as at fair value through profit or loss	(2)	**360**	5,923	**–**	–
Total		**49,578**	47,830	**49,218**	41,907

(1) The Group'S financial liabilities related to the precious metals are matched with the precious metals or derivatives based on the risk management strategy and are included in the financial liabilities at fair value through profit or loss.

(2) The Group'S other shareholders' equities that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2022 (31 December 2021: Nil).

19.Financial assets sold under repurchase agreements

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**333,662**	233,230	**315,051**	221,327
Bills	**19,767**	32,190	**19,767**	32,190
Interest accrued	**197**	156	**197**	152
Total	**353,626**	265,576	**335,015**	253,669

20.Deposits from customers

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Demand deposits				
- Corporate	**1,389,479**	1,434,288	**1,390,335**	1,435,197
- Personal	**389,794**	334,958	**389,794**	334,958
Subtotal	**1,779,273**	1,769,246	**1,780,129**	1,770,155
Term deposits (including call deposits)				
- Corporate	**1,912,484**	1,754,633	**1,912,534**	1,754,712
- Personal	**695,739**	458,205	**695,739**	458,205
Subtotal	**2,608,223**	2,212,838	**2,608,273**	2,212,917
Pledged deposits	**346,921**	326,763	**346,921**	326,763
Others	**2,565**	2,194	**2,565**	2,195
Interest accrued	**51,772**	44,707	**51,773**	44,708
Total	**4,788,754**	4,355,748	**4,789,661**	4,356,738

The pledged deposits included in deposits from customers are analysed as follows:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Bank acceptances	**213,756**	212,736
Letters of credit	**33,020**	20,891
Guarantee	**12,105**	11,358
Others	**88,040**	81,778
Total	**346,921**	326,763

21.Employee benefits payable

Unit: RMB million

	The Group				The Bank			
	1 January 2022	Increase	Decrease	31 December 2022	1 January 2022	Increase	Decrease	31 December 2022
Salaries and bonus	**21,700**	**29,222**	**(24,441)**	**26,481**	**19,179**	**26,175**	**(21,429)**	**23,925**
Labor union expenditure and staff educational funds	**2,870**	**1,157**	**(545)**	**3,482**	**2,766**	**1,084**	**(471)**	**3,379**
Social insurance	**37**	**2,978**	**(2,957)**	**58**	**27**	**2,704**	**(2,705)**	**26**
Housing funds	**51**	**1,621**	**(1,622)**	**50**	**42**	**1,413**	**(1,413)**	**42**
Defined contribution plans	**125**	**3,218**	**(3,019)**	**324**	**89**	**2,975**	**(2,760)**	**304**
Total	**24,783**	**38,196**	**(32,584)**	**30,395**	**22,103**	**34,351**	**(28,778)**	**27,676**

The salaries, bonuses, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group'S policies. See defined contribution pension plans in Note VII, 44.1.

22.Tax payable

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Corporate income tax	**8,680**	8,266	**7,590**	7,391
Value added tax	**3,688**	3,684	**3,504**	3,486
City maintenance and construction tax	**289**	293	**265**	269
Others	**465**	524	**419**	473
Total	**13,122**	12,767	**11,778**	11,619

23.Provisions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Impairment allowance for off-balance-sheet assets	**7,030**	4,083	**7,030**	4,083
Litigation provisions	**20**	2	**18**	–
Total	**7,050**	4,085	**7,048**	4,083

As at 31 December 2022, movements of impairment allowance for off-balance-sheet assets are as follows:

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	**3,947**	**126**	**10**	**4,083**
Transfer:				
- to stage 1	**7**	**(6)**	**(1)**	**–**
- to stage 2	**(246)**	**246**	**–**	**–**
- to stage 3	**(8)**	**(1)**	**9**	**–**
Charge for the year	**2,554**	**29**	**353**	**2,936**
Exchange difference and other movements	**9**	**2**	**–**	**11**
31 December 2022	**6,263**	**396**	**371**	**7,030**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	4,214	614	569	5,397
Transfer:				
- to stage 1	2	(1)	(1)	–
- to stage 2	(11)	11	–	–
- to stage 3	(4)	–	4	–
Reversal for the year	(249)	(498)	(562)	(1,309)
Exchange difference and other movements	(5)	–	–	(5)
31 December 2021	3,947	126	10	4,083

24.Debt securities issued

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Financial bonds	**183,460**	132,901	**173,391**	117,436
Tier two capital bonds	**151,780**	127,987	**151,780**	125,956
Interbank certificates of deposit	**753,276**	788,094	**753,276**	788,094
Certificates of deposit	**8,780**	11,210	**8,780**	11,210
Convertible corporate bonds	**48,307**	46,784	**48,307**	46,784
Private placement note	**1,026**	1,026	**–**	–
Corporate bonds	**10,461**	10,300	**–**	–
Super short-term commercial paper	**–**	1,001	**–**	–
Mid-term note	**917**	813	**–**	–
Total	**1,158,007**	1,120,116	**1,135,534**	1,089,480

Note: Debt securities issued by the Group include financial bonds, tier two capital bonds, interbank certificates of deposit, certificates of deposit and convertible corporate bonds. Tier two capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier two capital bonds and long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

Unit: RMB million

Category of bonds	Issuing date	Frequency of interest payment	The Group 2022	The Bank 2022
Financial bonds				
20 CIB small and micro enterprise bond 01(1)	2020–04–28	Yearly	23,000	23,000
20 CIB small and micro enterprise bond 02(1)	2020–04–28	Yearly	7,000	7,000
20 CIB small and micro enterprise bond 03(1)	2020–05–25	Yearly	22,000	22,000
20 CIB small and micro enterprise bond 04(1)	2020–05–25	Yearly	5,000	5,000
20 CIB small and micro enterprise bond 05(1)	2020–08–11	Yearly	23,000	23,000
CIB BOND 2022 01(2)	2022–03–10	Yearly	10,000	10,000
CIB BOND 2022 02(2)	2022–03–10	Yearly	30,000	30,000
CIB BOND 2022 03(2)	2022–04–01	Yearly	11,500	11,500
CIB BOND 2022 04(2)	2022–08–01	Yearly	20,000	20,000
USD medium-term notes(3)	2018–03–05	Semi-annually	1,741	1,741
USD medium-term notes(3)	2018–03–05	Quarterly	3,482	3,482
USD Interbank certificates of deposit(3)	2020–11–06	Semi-annually	3,134	3,134
USD green financial bond 01(3)	2021–06–10	Semi-annually	4,179	4,179
HKD green financial bond 01(3)	2021–06–10	Semi-annually	2,233	2,233
USD green financial bond 02(3)	2022–05–18	Semi-annually	4,527	4,527
20 CIB consumer financial debt 01(4)	2020–08–18	Yearly	2,000	–
21 CIB consumer financial debt 01(4)	2021–03–02	Yearly	1,500	–
21 CIB consumer financial debt 02(4)	2021–10–12	Yearly	1,399	–
21 CIB leasing green debt 01(5)	2021–06–02	Yearly	3,500	–
21 CIB leasing green debt 02(5)	2021–06–16	Yearly	1,500	–
Interest accrued			2,843	2,663
Less: unamortised issuance cost			(78)	(68)
Subtotal			183,460	173,391
Tier two capital bonds				
19 CIB secondary 01(6)	2019–08–23	Yearly	30,000	30,000
19 CIB secondary 02(6)	2019–09–17	Yearly	20,000	20,000
21 CIB secondary 01(6)	2021–10–21	Yearly	30,000	30,000
21 CIB secondary 02(6)	2021–11–23	Yearly	40,000	40,000
21 CIB secondary 03(6)	2021–11–23	Yearly	5,000	5,000
22 CIB secondary 01(6)	2022–01–12	Yearly	25,000	25,000
Interest accrued			1,880	1,880
Less: unamortised issuance cost			(100)	(100)
Subtotal			151,780	151,780

Unit: RMB million

			The Group	The Bank
Category of bonds	Issuing date	Frequency of interest payment	2022	2022
Interbank certificates of deposit				
Par value of interbank certificates of deposit (7)	/	/	758,863	758,863
Interest accrued			2	2
Less: unamortised issuance cost			(5,589)	(5,589)
Subtotal			753,276	753,276
Certificates of deposit				
Par value of certificates of deposit (8)	/	/	8,867	8,867
Interest accrued			4	4
Less: unamortised issuance cost			(91)	(91)
Subtotal			8,780	8,780
Convertible corporate bonds				
CIB convertible corporate bonds (9)	2021-12-27	Yearly	48,304	48,304
Interest accrued			3	3
Subtotal			48,307	48,307
Private placement note				
20 CIAMC PPN001(10)	2020-03-09	Yearly	500	–
20 CIAMC PPN002(10)	2020-04-20	Yearly	500	–
Interest accrued			26	–
Subtotal			1,026	–
Corporate bonds				
20 CIAMC 02(11)	2020-03-18	Yearly	450	–
20 CIAMC 04(11)	2020-08-19	Yearly	600	–
21 CIAMC 01(11)	2021-08-11	Yearly	600	–
21 CIAMC 02(11)	2021-11-01	Yearly	500	–
22 CIAMC 01(11)	2022-03-07	Yearly	900	–
20 CIIT 01(12)	2020-03-13	Yearly	1,500	–
20 CIIT 02(12)	2020-07-27	Yearly	3,100	–
21 CIIT 01(12)	2021-03-26	Yearly	1,400	–
22 CIIT 01(12)	2022-12-22	Yearly	1,200	–
Interest accrued			217	–
Less: unamortised issuance cost			(6)	–
Subtotal			10,461	–

Unit: RMB million

			The Group	The Bank
Category of bonds	Issuing date	Frequency of interest payment	2022	2022
Mid-term note				
21 CIAMC MTN001(13)	2021–07–07	Yearly	900	–
Interest accrued			17	–
Subtotal			917	–
Total			1,158,007	1,135,534

(1)In April 2020, the Group issued RMB23 billion 3-year fixed-rate and RMB7 billion 5-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.17% and 2.67%, respectively. In May 2020, the Group issued RMB22 billion 3-year fixed-rate and RMB5 billion 5-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.58% and 2.95%, respectively. In August 2020, the Group issued RMB23 billion 3-year fixed-rate small-and-micro enterprise bonds, with an annual interest rate of 3.45%.

(2)In March 2022, the Group issued RMB10 billion 3-year fixed-rate and RMB30 billion 3-year fixed-rate financial bonds, with annual interest rates of 3.00% and 2.96%, respectively. In April 2022, the Group issued RMB11.5 billion 3-year fixed-rate financial bonds, with an annual interest rate of 2.94%. In August 2022, the Group issued RMB20 billion 3-year fixed-rate financial bonds, with an annual interest rate of 2.54%.

(3)In March 2018, the Hong Kong branch of the Bank issued USD250 million 5-year fixed-rate medium-term notes and USD500 million 5-year fixed-rate medium-term notes, with an annual interest rate of 3.75% and 105 basis points over the 3-month LIBOR, respectively; in November 2020, the Hong Kong branch of the Bank issued USD450 million 3-year interbank certificates of deposit, with annual interest rates of 1.125%; in June 2021, the Hong Kong branch of the Bank issued USD600 million 3-year fixed-rate USD green financial bonds and HKD2.5 billion 3-year fixed-rate HKD green financial bonds, with annual interest rates of 0.875% and 0.75%, respectively. In May 2022, the Hong Kong branch of the Bank issued USD650 million 3-year fixed-rate USD green financial bonds, with annual interest rates of 3.25%.

(4)In August 2020, March 2021 and October 2021, the Group'S subsidiary Industrial Consumer Finance Co., Ltd. respectively issued RMB2 billion, RMB1.5 billion and RMB1.5 billion 3-year fixed-rate RMB financial bonds, with annual interest rates of 3.70%, 3.85% and 3.45%. As of 31 December 2021, the “21 CIB consumer financial debt 02” amounting to RMB101 million issued by Industrial Consumer Finance Co., Ltd. was held by the Bank.

(5)In June 2021, the Group'S subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3.5 billion and RMB1.5 billion 3-year fixed-rate green financial bonds with annual interest rates of 3.42% and 3.49%.

(6)In August 2019 and September 2019, the Group respectively issued RMB30 billion and RMB20 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 4.15% and 4.12%. In October 2021 and November 2021, the Group respectively issued RMB30 billion and RMB40 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 3.83% and 3.62%. In November 2021, the Group issued RMB5 billion fixed-rate tier two capital bonds with 15-year maturity and an issuer'S redemption right at the end of the tenth year. During the tenure of the bonds, the annual interest rate remains at 3.85%. In January 2022, the Group issued RMB25 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rate remains at 3.45%.

(7)As at 31 December 2022, the Group had 314 unpaid interbank certificates of deposit with par value of RMB758,863 million in total, including 9 USD interbank certificates of deposit, of which the issued par value is USD602 million (RMB4,193 million) and the terms are within 1 year, and 305 RMB interbank certificates of deposit, of which the issued par value is RMB 754,670 million and the terms are within 1 year. The annual interest rates are from 1.45% to 2.65%. Except for the interest of 1 interest-bearing debt being paid quarterly, the interest of the rest is paid upon maturity.

(8)As at 31 December 2022, Hong Kong branch had 16 unpaid certificates of deposit with par value of RMB8,867 million in total and the terms are within 1 year. The par value of 6 USD certificates is USD505 million (RMB3,517 million). The par value of 10 RMB certificates is RMB5,350 million. The annual interest rates are from 0% to 2.35%. Except for the interest of 4 interest-bearing debts being paid quarterly, the interest of the rest certificates is paid upon maturity.

(9)Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as "convertible bonds") on 27 December 2021. The duration of the convertible bonds is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bonds is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bonds (hereinafter referred to as the "conversion period"), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued) and distributes cash dividends, the Bank will adjust the conversion price according to the offering terms in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders. On 16 June 2022, the Bank adjusted the conversion price to RMB24.48 per share due to the 2021 A-shares ordinary share profit distribution.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank'S A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the bond'S face value plus accrued interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the unconverted convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the unconverted convertible bonds at the face value plus the interest accrued in the current period.

As of 31 December 2022, a total of RMB1.5 million of convertible bonds have been converted into A-share ordinary shares of the Bank, with a cumulative number of 62,177 shares.

Equity and liability components of the convertible bonds issued by the Group and the Bank are allocated as follows:

Unit: RMB million

	Liability components	Equity compoents (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	46,837	3,163	50,000
Direct trading fees	(75)	(5)	(80)
Balance at the issue date	46,762	3,158	49,920
Amortisation	22	–	22
As of January 1 2021	46,784	3,158	49,942
Amortisation	1,521	–	1,521
Conversion of shares	(1)	–	(1)
As of December 31 2022	48,304	3,158	51,462

(10)In March 2020 and April 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB500 million and RMB500 million 3-year fixed-rate placement notes, with annual interest rates of 3.59% and 3.19%, respectively.

(11)In March 2020 and August 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB450 million and RMB600 million 3-year fixed-rate corporate bonds with annual interest rates of 3.65% and 4.00%, respectively. In August 2021 and November 2021, it issued RMB600 million and RMB500 million 3-year fixed-rate corporate bonds with annual interest rates of 3.40% and 3.60%, respectively. In March 2022, it issued RMB900 million 3-year fixed rate corporate bonds with an annual interest rate of 3.30%.

(12)In March 2020 and July 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB1,500 million and RMB3,100 million 3+2-year fixed-rate corporate bonds with annual interest rates of 3.50% and 4.38%, respectively. In March 2021, it issued RMB1,500 million 3+2-year fixed-rate corporate bonds with an annual interest rate of 4.60%. In December 2022, it issued RMB1,500 million 3+2-year fixed-rate corporate bonds with annual interest rate of 4.90%. As at 31 December 2022, the Bank holds “21 CIIT 01” of RMB100 million and “22 CIIT 01” of RMB300 million, issued by CIIT Asset Management Co., Ltd..

(13)In July 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB 1 billion 3-year fixed-rate medium-term note with an annual interest rate of 3.82%. As at 31 December 2022, the Bank holds “21 CIAMC MTN001” amounting to RMB 100 million issued by China Industrial Asset Management Co., Ltd..

25.Lease liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Due within 1 year	**2,593**	2,477	**2,415**	2,408
1 - 5 years	**6,134**	6,011	**5,773**	5,637
Due over 5 years	**1,341**	1,296	**1,139**	1,161
Closing balance of undiscounted lease liabilities	**10,068**	9,784	**9,327**	9,206
Lease liabilities	**9,296**	9,053	**8,622**	8,488

26.Other liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Continuing involvement liabilities (Note XII, 3.1)	**11,427**	12,191	**11,314**	11,314
Items in the process of clearance and settlement	**15,592**	13,842	**3,023**	1,854
Other accounts payable	**12,943**	13,777	**10,645**	11,207
Advance collection of financial leasing funds	**588**	1,596	**–**	–
Notes payable	**9,706**	4,423	**–**	–
Contract liabilities	**870**	931	**870**	931
Deferred income	**1,010**	1,224	**497**	379
Others	**11,951**	1,340	**11,186**	483
Total	**64,087**	49,324	**37,535**	26,168

27.Share capital

Unit: RMB million

	The Group and the Bank		
	1 January 2022	Change for the period	31 December 2022
Shares without limited sales restrictions RMB ordinary shares (A shares)	**19,615**	**1,159**	**20,774**
Shares with limited sales restrictions RMB ordinary shares (A shares)	**1,159**	**(1,159)**	**–**
Total shares	**20,774**	**–**	**20,774**

As at 31 December 2022, the share capital of the Bank is RMB20,774 million (31 December 2021: RMB20,774 million) with par value of RMB 1 per share.

28.Other equity instruments

Unit: RMB million

		The Group and the Bank	
	Note	31 December 2022	31 December 2021
Equity components of convertible corporate bonds	28.1	**3,158**	3,158
Preference shares	28.2	**55,842**	55,842
Perpetual bonds	28.3	**29,960**	29,960
Total		**88,960**	88,960

28.1 As of 31 December 2022, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (as of 31 December 2021: RMB3,158 million), and detail refers to Note VII, 24 (9).

28.2 Preference shares

The Group and the Bank									
Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB / share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Preference shares	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Preference shares	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Preference shares	April 2019	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A

Note 1: For the initial issuance of the preference shares (“Xing Ye You 1”), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM'S arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the “Xing Ye You 1” preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of “Xing Ye You 1” for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares (“Xing Ye You 2”), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM'S arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the "Xing Ye You 2" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of "Xing Ye You 2" for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the preference shares ("Xing Ye You 3") issued in 2019, every five years was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorised by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

Note 4: When the Bank'S core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable.

When triggered events of the secondary capital instruments (unable to survive) issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) CBIRC considers the Bank unable to survive without conversion or written off; 2) Relevant departments consider the Bank unable to survive without the contribution from public departments or the support of the same effect.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance use a non-cumulative dividend payment, which means a dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still are retained earnings in the Bank'S financial statements calibre after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining CBIRC'S approval. The Bank'S preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank'S A shares of ordinary shares before issuance of Board resolution which approved the issuance of the preference shares. Since the issuance plan of the preference shares is approved by the Bank'S Board of Directors, when the Bank'S shares change with the delivery of stock dividend, transfer of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank'S preference shareholders are entitled to priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Changes in outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2022		Additional/Less		31 December 2022	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Preference Shares						
Preference shares	**560**	**56,000**	–	–	**560**	**56,000**
Issue cost	–	(158)	–	–	–	(158)
Total	**560**	**55,842**	–	–	**560**	**55,842**

28.3 Perpetual bonds

The Group and the Bank

Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/ share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Issuing Perpetual bonds									
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A	N/A	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual bonds or "the Bonds") in the national inter-bank bond market on 13 October 2020. The Bank completed book keeping and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure

The Bonds will keep continuing so long as the Bank'S business continues operating. The Bonds set conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book keeping and centralised allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank'S shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note VII, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank has the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes in outstanding perpetual bonds are as follows:

The perpetual bonds issued by the Group and the Bank remained unchanged during the period.

	1 January 2022		Additional/Less		31 December 2022	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Perpetual bonds						
Perpetual bonds	**300**	**30,000**	–	–	**300**	**30,000**
Issue cost	–	**(40)**	–	–	–	**(40)**
Total	**300**	**29,960**	–	–	**300**	**29,960**

As at 31 December 2022, the above-mentioned other equity instruments supplement tier 1 capital amounted to RMB88,960 million.

28.4 Attribution to holders of equity instrument:

Unit: RMB million

	The Group	
	2022	2021
Equities attributable to shareholders of the Bank	**746,187**	684,111
Equities attributable to ordinary shareholders of the Bank	**660,385**	598,309
Equities attributable to shareholders of other equity instruments of the Bank	**85,802**	85,802
Equity attributable to non-controlling shareholders	**11,111**	10,187
Equity attributable to non-controlling ordinary shareholders	**9,325**	8,297
Equity attributable to non-controlling shareholders of other equity instruments	**1,786**	1,890

29.Capital reserve

Unit: RMB million

	The Group				The Bank			
	1 January 2022	Increase	Decrease	31 December 2022	1 January 2022	Increase	Decrease	31 December 2022
Share premium	**74,881**	–	–	**74,881**	**75,227**	–	–	**75,227**
Others	**33**	**1**	**(6)**	**28**	**33**	**1**	–	**34**
Total	**74,914**	**1**	**(6)**	**74,909**	**75,260**	**1**	–	**75,261**

30.Surplus reserve

Unit: RMB million

	The Group and the Bank	
	2022	2021
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2022, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them has reached 50% of the share capital of the Bank.

31.General reserve

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
General reserve	**108,957**	97,944	**99,952**	91,176

Pursuant to (Cai Jin [2012] No.20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer a certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

32.Retained earnings

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Opening balance	**387,976**	336,626	**362,865**	315,799
Net profit	**91,377**	82,680	**86,057**	75,781
Appropriations to general reserve	**(11,013)**	(10,409)	**(8,776)**	(7,794)
Dividends distribution of ordinary shares	**(21,501)**	(16,661)	**(21,501)**	(16,661)
Dividends distribution of preference shares	**(2,793)**	(2,841)	**(2,793)**	(2,841)
Interest expense of perpetual bonds	**(1,419)**	(1,419)	**(1,419)**	(1,419)
Closing balance	**442,627**	387,976	**414,433**	362,865

32.1 "2022 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 30 March 2023 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB8,776 million to general reserve. As at 31 December 2022, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Preference shares 1, 2 and 3) with a par value of $100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2022, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB11.88 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

32.2 "2021 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 24 March 2022 and approved by the Annual General Meeting on 27 May 2022 is as follows :

(i) Appropriation of RMB7,794 million to general reserve. As at 31 December 2021, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB10.35 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements for the year ended 31 December 2021.

(iii) The Bank has issued a total of 560 million preferred shares with a par value of $100 per share, interest payable in cash once a fiscal year. As at 31 December 2022, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

As at 31 December 2022, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2022, the balance of the Group'S retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB3,970 million (31 December 2021: RMB3,217 million).

33.Net interest income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Interest income				
Balances with Central Bank	**5,656**	5,641	**5,656**	5,640
Deposits with banks and other financial institutions	**1,426**	1,762	**1,282**	1,528
Placements with banks and other financial institutions	**10,761**	8,722	**11,327**	9,075
Financial assets purchased under resale agreements	**3,971**	2,475	**3,956**	2,455
Loans and advances to customers	**225,468**	211,807	**213,791**	202,244
Including: Corporate	**103,084**	96,106	**103,273**	96,304
Personal	**116,311**	109,891	**104,445**	100,130
Discounted bills	**6,073**	5,810	**6,073**	5,810
Bonds and other investment	**76,258**	79,370	**74,817**	77,052
Finance lease receivables	**5,034**	5,274	**–**	–
Others	**172**	107	**52**	19
Subtotal	**328,746**	315,158	**310,881**	298,013
Interest expense:				
Borrowing from Central Bank	**(2,495)**	(7,133)	**(2,495)**	(7,133)
Deposits from banks and other financial institutions	**(36,916)**	(33,873)	**(37,097)**	(34,010)
Placements from banks and other financial institutions	**(5,366)**	(4,230)	**(1,743)**	(463)
Financial assets sold under repurchase agreements	**(2,459)**	(2,278)	**(2,118)**	(1,913)
Deposits from customers	**(103,703)**	(90,866)	**(103,719)**	(90,882)
Debt securities issued	**(32,033)**	(30,783)	**(30,950)**	(29,424)
Others	**(501)**	(316)	**(282)**	(133)
Subtotal	**(183,473)**	(169,479)	**(178,404)**	(163,958)
Net interest income	**145,273**	145,679	**132,477**	134,055

34.Net fee and commission income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Fee and commission income				
Consultancy and advisory fee	**19,454**	14,668	**16,034**	11,641
Bank card fee	**13,384**	13,182	**13,384**	13,182
Agency fee	**5,258**	7,153	**5,249**	7,100
Custodian fee	**3,551**	3,553	**3,551**	3,553
Settlement and clearing fee	**2,775**	2,268	**2,775**	2,268
Credit commitment fee	**1,408**	1,544	**1,408**	1,544
Transactional service fee	**570**	1,235	**570**	1,235
Trust service fee	**564**	1,099	**–**	–
Lease service fee	**421**	560	**–**	–
Others	**2,077**	2,305	**1,692**	1,857
Subtotal	**49,462**	47,567	**44,663**	42,380
Fee and commission expense	**(4,421)**	(4,887)	**(6,005)**	(6,369)
Net fee and commission income	**45,041**	42,680	**38,658**	36,011

35.Investment income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Trading assets	**24,976**	26,691	**23,800**	26,536
Debt investments	**4,584**	1,360	**4,527**	1,355
Other debt investments	**2,671**	943	**2,671**	943
Gains from long-term equity investments under the equity method	**190**	213	**190**	211
Precious metal	**167**	(84)	**167**	(84)
Other equity investments	**50**	16	**50**	16
Dividends declared by subsidiaries	**–**	–	**495**	575
Trading liabilities	**(1,887)**	47	**(1,887)**	(60)
Derivative financial instruments	**(2,212)**	(1,990)	**(2,314)**	(2,004)
Others	**1,683**	1,282	**1,696**	1,296
Total	**30,222**	28,478	**29,395**	28,784

36.(Losses) gains from changes in fair values

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Trading liabilities	**2**	(298)	**2**	(297)
Precious metals	**–**	(133)	**–**	(133)
Trading assets	**(3,670)**	4,422	**(3,862)**	3,312
Derivative financial instruments and others	**3,037**	(1,813)	**3,037**	(1,897)
Total	**(631)**	2,178	**(823)**	985

37.Taxes and surcharges

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
City maintenance and construction tax	**1,109**	1,075	**1,021**	984
Education surcharge	**766**	739	**708**	679
Others	**403**	393	**342**	353
Total	**2,278**	2,207	**2,071**	2,016

38.General and administrative expenses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Employee benefits	**38,196**	34,689	**34,351**	31,306
Lease expenses	**162**	430	**179**	415
Depreciation and amortisation	**6,480**	5,551	**5,852**	5,288
Others	**20,005**	14,798	**19,965**	14,624
Total	**64,843**	55,468	**60,347**	51,633

39.Credit impairment losses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	**37,819**	45,484	**32,945**	42,246
Debt investments	**9,572**	20,931	**7,046**	19,808
Other debt investments	**701**	356	**711**	410
Finance lease receivables	**(204)**	(154)	**–**	–
Impairment loss for off-balance-sheet assets	**2,936**	(1,309)	**2,936**	(1,309)
Others	**(2,232)**	1,533	**(2,288)**	1,460
Total	**48,592**	66,841	**41,350**	62,615

40.Income tax expenses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Current income tax	**18,317**	16,610	**14,763**	13,535
Deferred income tax	**(4,707)**	(5,324)	**(3,970)**	(5,085)
Adjustment for prior years	**197**	208	**192**	177
Total	**13,807**	11,494	**10,985**	8,627

The income tax expense of the Group and the Bank can be reconciled to the profit as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Accounting profit	**106,221**	95,310	**97,042**	84,408
Tax calculated at applicable statutory tax rate of 25%	**26,555**	23,828	**24,261**	21,102
Adjustments on income tax:				
Income not taxable for tax purpose	**(13,826)**	(15,077)	**(13,656)**	(14,892)
Expenses not deductible for tax purpose	**881**	2,535	**188**	2,240
Adjustment for prior years	**197**	208	**192**	177
Total	**13,807**	11,494	**10,985**	8,627

41.Other comprehensive income

Unit: RMB million

	The Group						
	Year ended 31 December 2022						
	1 January 2022	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2022
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial (losses) profits on defined benefit plans	**1,806**	(145)	–	–	(145)	–	**1,661**
Fair value changes of other equity investments	**(20)**	(194)	–	48	(146)	–	**(166)**
Subtotal	**1,786**	(339)	–	48	(291)	–	**1,495**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	**(1,405)**	(6,618)	591	1,506	(4,519)	(2)	**(5,924)**
Credit losses on other debt investments (Note 2)	**2,474**	3,934	(2,321)	(403)	1,212	(2)	**3,686**
Translation differences of financial statements denominated in foreign currencies	**4**	15	–	–	15	–	**19**
Subtotal	**1,073**	(2,669)	(1,730)	1,103	(3,292)	(4)	**(2,219)**
Total	**2,859**	(3,008)	(1,730)	1,151	(3,583)	(4)	**(724)**

Unit: RMB million

	The Bank				
	Year ended 31 December 2022				
	1 January 2022	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2022
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial (losses) profits on defined benefit plans	**1,806**	(145)	–	–	**1,661**
Fair value changes of other equity investments	**(20)**	(194)	–	48	**(166)**
Subtotal	**1,786**	(339)	–	48	**1,495**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	**(1,313)**	(6,617)	599	1,504	**(5,827)**
Credit losses on other debt investments (Note 2)	**2,379**	3,934	(2,312)	(405)	**3,596**
Subtotal	**1,066**	(2,683)	(1,713)	1,099	**(2,231)**
Total	**2,852**	(3,022)	(1,713)	1,147	**(736)**

Note 1: Fair value changes of other debt investments include changes in fair value of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments includes provision for impairments of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

42.Earnings per share

42.1 Basic earnings per share

Unit: RMB million

	The Group	
	2022	2021
Current net proft attributable to equity shareholders of the Bank	**91,377**	82,680
Less：Current net proft attributable to preferred shareholders of the Bank	**(2,793)**	(2,841)
Less：Current net proft attributable to perpetual bonds of the Bank	**(1,419)**	(1,419)
Current net profit attributable to ordinary shareholders of the Bank	**87,165**	78,420
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic earnings per share (RMB)	**4.20**	3.77

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends and perpetual bonds interests announced of insurance during the year ended 31 December 2022 and 31 December 2021.

42.2 Diluted earnings per share

Unit: RMB million

	The Group	
	2022	2021
Current net profit attributable to ordinary shareholders of the Bank	**87,165**	78,420
Add: Current interest charges on convertible corporate bonds (after tax)	**1,235**	16
Current net profit for calculating diluted earnings per share	**88,400**	78,436
Weighted average ordinary shares issued by the bank (shares in million)	**20,774**	20,774
Add: Weighted average of all convertible corporate bond converted into ordinary shares (shares in million)	**2,042**	–
Add: Weighted average of current ordinary shares for calculating diluted earnings per share(shares in million)	**22,816**	20,774
Diluted earnings per share(RMB)	**3.87**	3.77

The conversion characteristic of preference shares and convertible bonds enables the existence or ownership of ordinary shares to be issued. As at 31 December 2022 and 31 December 2021, there was no triggering event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

43.Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Reconciliation of net profit to cash flows from operating activities				
Net profit	**92,414**	83,816	**86,057**	75,781
Add: Allowance for impairment losses on assets	**48,620**	67,010	**41,378**	62,615
Depreciation of fixed assets	**2,491**	2,249	**2,052**	1,734
Amortisation of intangible assets	**215**	218	**197**	150
Depreciation of right-of-use assets	**2,914**	2,822	**2,780**	2,592
Amortisation of unrecognised financing fee	**325**	539	**325**	324
Amortisation of long-term prepaid expenses	**535**	529	**498**	506
(Gains) losses from disposal of fixed assets, intangible assets and other long-term assets	**(7)**	20	**(7)**	20
Interest income of bonds and other investments	**(76,258)**	(79,370)	**(74,817)**	(77,052)
Interest income of impaired financial assets	**(1,685)**	(1,747)	**(1,685)**	(1,747)
Losses (gains) from changes in fair value	**631**	(2,178)	**823**	(985)
Investment income	**(30,222)**	(28,478)	**(29,395)**	(28,784)
Interest expense for debt securities issued	**32,033**	30,783	**30,950**	29,424
Increase in deferred tax assets	**(4,474)**	(3,633)	**(3,264)**	(3,316)
Increase in deferred tax liabilities	**486**	89	**–**	–
Increase in receivables of operating activities	**(976,485)**	(912,241)	**(956,357)**	(873,248)
Increase in payables of operating activities	**563,880**	449,801	**546,331**	437,640
Net cash flow from operating activities	**(344,587)**	(389,771)	**(354,134)**	(374,346)
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083
Less: opening balance of cash and cash equivalents	**768,908**	956,795	**760,083**	933,105
Net decrease of cash and cash equivalents	**(364,052)**	(187,887)	**(361,999)**	(173,022)

43.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Cash on hand	**5,201**	5,026	**5,181**	5,026
Balances with Central Bank that can be withdrawn on demand	**79,172**	97,031	**79,163**	97,027
Original maturity less than three months:				
Deposits with banks and other financial institutions	**88,627**	53,014	**82,084**	47,470
Placements with banks and other financial institutions	**63,812**	109,759	**63,812**	108,959
Financial assets purchased under resale agreements	**56,057**	138,370	**56,057**	137,470
Investments	**111,987**	365,708	**111,787**	364,131
Closing balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083

44.Post-employment compensation

44.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except for the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expenses recognised in profit or loss for the period:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Defined contribution plans	**3,218**	2,889	**2,975**	2,710

Amount of payable at the period-end:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Defined contribution plans	**324**	125	**304**	89

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognises its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognises assets of this plan based on actuary results, related actuarial gains or losses recognised into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognised by net liabilities or assets of the defined benefit plans multiplied by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB19 million. Actuary losses charged to other comprehensive income are RMB145 million. Net assets of defined benefit plans decreased by RMB164 million for the period, and the balance at the end of the period is RMB2,003 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 15).

As at 31 December 2022, the average benefit obligation period of the Group'S defined benefit plans was about 5 to 6 years (31 December 2021: about 5 to 7 years).

Defined benefit plan makes the Group face actuarial risks that include interest rate risk and longevity risk. The decrease in the yield of government bonds will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 2.75% as at 31 December 2022 (31 December 2021: 2.75%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers who retire at the age of 60 and female workers who retire at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB32 million (increased by RMB33 million).

As part of hypothesises may have correlations and a hypothesis cannot be changed in an isolated way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method for determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn' t change.

45.Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determines whether the consolidation is necessary based on the scope of asset manager'S decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2022, the Group didn' t offer financial support to the consolidated structured entities (2021: Nil).

Unconsolidated structured entities

45.1 Structured entities sponsored by third-party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, trust plans, asset management plans, asset-backed securities and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2022 and 31 December 2021 in the structured entities sponsored by third-party institutions:

Unit: RMB million

	The Group					
	2022					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**621,463**	**–**	**–**	**621,463**	**621,463**	Investment income
Trust plans	**722**	**216,733**	**–**	**217,455**	**217,455**	Investment income, interest income
Asset management plans	**77,319**	**202,789**	**1,104**	**281,212**	**281,212**	Investment income, interest income
Asset-backed securities	**6,938**	**60,089**	**87,222**	**154,249**	**154,249**	Investment income, interest income
Wealth management products	**–**	**–**	**–**	**–**	**–**	Investment income
Total	**706,442**	**479,611**	**88,326**	**1,274,379**	**1,274,379**	
	2021					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	425,492	–	–	425,492	425,492	Investment income
Trust plans	4,389	285,907	461	290,757	290,757	Investment income, interest income
Asset management plans	59,607	222,556	1,508	283,671	283,671	Investment income, interest income
Asset-backed securities	12,346	33,013	105,315	150,674	150,674	Investment income, interest income
Wealth management products	5,089	–	–	5,089	5,089	Investment income
Total	506,923	541,476	107,284	1,155,683	1,155,683	

Note: Maximum risk exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognised in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated and set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities are to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2022 and 31 December 2021, unconsolidated structured entities sponsored by the Group are set out as below:

Unit: RMB million

	The Group	
	2022	2021
Wealth management products	**2,067,451**	1,746,548
Funds	**262,159**	218,518
Trust plans	**151,946**	220,021
Asset management plans	**70,029**	77,392
Asset-backed securities	**36,121**	53,500
Total	**2,587,706**	2,315,979

As at 31 December 2022, the commission income earned from offering management services to the investors of these structured entities by the Group is RMB19,266 million (As at 31 December 2021: RMB14,263 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest on 31 December 2022

Unconsolidated structured entities sponsored by the Group after 1 January 2022 but matured before 31 December 2022 in which the Group does not have an interest were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB26,987 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB69,263 million). As at 31 December 2022, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB70 million (As at 31 December 2021: RMB197 million).

VIII.Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with the economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluations and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group'S internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions include: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi' an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

Unit: RMB million

	The Group											
	2022											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	93,717	29,760	6,453	7,275	10,539	10,158	11,818	19,363	13,909	19,382	–	222,374
Net interest income	35,655	21,672	5,730	6,443	9,333	10,426	10,866	15,878	12,267	17,003	–	145,273
Including: Net inter-segment interest (expense) income	(48,167)	4,942	14,207	13,348	4,573	(393)	(468)	5,518	(62)	6,502	–	–
Net fee and commission income	33,286	5,242	732	733	966	(524)	658	1,315	1,152	1,481	–	45,041
Other income	24,776	2,846	(9)	99	240	256	294	2,170	490	898	–	32,060
Operating expenses	(54,588)	(17,066)	(2,727)	(3,551)	(7,730)	(4,178)	(4,301)	(7,564)	(6,685)	(7,822)	–	(116,212)
Operating profit	39,129	12,694	3,726	3,724	2,809	5,980	7,517	11,799	7,224	11,560	–	106,162
Add: Non-operating income	57	64	3	7	25	5	5	34	11	16	–	227
Less: Non-operating expenses	(19)	(34)	(9)	(11)	(18)	(17)	(5)	(30)	(12)	(13)	–	(168)
Total profit	39,167	12,724	3,720	3,720	2,816	5,968	7,517	11,803	7,223	11,563	–	106,221
Less: Income tax expenses												(13,807)
Net profit												92,414
Segment assets	4,511,962	808,053	586,351	660,698	706,644	442,206	473,164	944,926	599,120	885,049	(1,406,375)	9,211,798
Including: Investment in an associate												4,046
Undistributed assets												54,873
Total assets												9,266,671
Segment liabilities	3,923,261	752,861	585,001	652,272	707,617	437,589	467,573	914,698	598,117	876,411	(1,406,375)	8,509,025
Undistributed liabilities												348
Total liabilities												8,509,373
Supplemental information												
Credit commitments	518,344	109,505	21,081	32,671	145,105	107,603	118,972	254,177	165,741	243,759	–	1,716,958
Depreciation and amortisation	1,101	806	371	413	545	267	389	883	767	938	–	6,480
Capital expenditures	1,726	677	69	92	250	546	497	1,263	695	471	–	6,286

Unit: RMB million

	The Group											
	2021											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	94,075	28,320	6,504	6,836	12,615	9,188	12,338	17,963	14,212	19,185	–	221,236
Net interest income	37,964	19,206	5,778	5,796	11,525	9,599	11,233	15,082	12,545	16,951	–	145,679
Including: Net inter-segment interest (expense) income	(47,147)	5,444	13,298	9,559	7,496	(681)	182	4,721	1,623	5,505	–	–
Net fee and commission income	29,604	5,504	676	902	894	(537)	917	1,803	1,279	1,638	–	42,680
Other income	26,507	3,610	50	138	196	126	188	1,078	388	596	–	32,877
Operating expenses	(68,960)	(14,746)	(2,207)	(3,142)	(6,227)	(4,066)	(5,167)	(6,970)	(7,172)	(7,380)	–	(126,037)
Operating profit	25,115	13,574	4,297	3,694	6,388	5,122	7,171	10,993	7,040	11,805	–	95,199
Add: Non-operating income	56	98	6	6	23	9	15	17	31	25	–	286
Less: Non-operating expenses	(47)	(32)	(29)	(5)	(4)	(19)	(7)	(8)	(15)	(9)	–	(175)
Total profit	25,124	13,640	4,274	3,695	6,407	5,112	7,179	11,002	7,056	11,821	–	95,310
Less: Income tax expenses												(11,494)
Net profit												83,816
Segment assets	4,260,140	768,503	655,073	596,296	878,928	436,206	485,282	932,076	575,262	875,650	(1,909,538)	8,553,878
Including: Investment in an associate												3,732
Undistributed assets												49,146
Total assets												8,603,024
Segment liabilities	3,741,575	715,857	650,705	592,123	872,461	430,628	478,035	903,882	569,475	863,360	(1,909,538)	7,908,563
Undistributed liabilities												163
Total liabilities												7,908,726
Supplemental information												
Credit commitments	466,625	98,151	15,534	26,990	127,669	99,277	112,331	237,678	163,155	241,611	–	1,589,021
Depreciation and amortisation	617	654	339	401	470	251	350	832	754	883	–	5,551
Capital expenditures	1,052	438	38	107	716	184	347	390	493	637	–	4,402

IX.Related party relationship and transactions

1.Related Party Relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank'S shares

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2022/12/31	2021/12/31
The Finance Bureau of Fujian Province (1)	Legal entity of government agencies	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Lin Zhonglin	N/A	N/A
Fujian Financial Investment Co., Ltd (1)	Limited Company	Fuzhou	Investment management	Wan Chongwei	1,000.00	N/A
PICC Life Insurance Company Limited (2)	Incorporated Company	Beijing	Insurance services	Xiao Jianyou	257.61	257.61
PICC Property and Casualty Company Limited (2)	Incorporated Company	Beijing	Insurance services	Yu Ze	222.43	222.43
China National Tobacco Corporation (3)	Owned by the whole people	Beijing	Production, and sales of tobacco products	Zhang Jianmin	570.00	570.00
Haisheng Investment Management Company of Fujian Tobacco (3)	Limited Company	Xiamen	Investment management	Lin Shixun	26.47	26.47
China Tobacco Hunan Investment Management Company (3)	Limited Company	Changsha	Investment management	Xiao Bing	2.00	2.00
The People'S Insurance Company (Group) of China Limited (2)	Incorporated Company	Beijing	Investment management and insurance services	Luo Xi	442.24	442.24
China National Tobacco Fujian Corporation (3)	Owned by the whole people	Fuzhou	Sales of tobacco products	Li Mindeng	1.37	1.37
China National Tobacco Guangdong Corporation (3)	Owned by the whole people	Guangzhou	Production, and sales of tobacco products	Wang Deyuan	1.40	1.40
Fujian Sanhua Color Printing Co., Ltd. (3)	Limited Company	Longyan	Trademark, advertisement and other printed matter production	Lu Dongfen	0.12	0.12

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank'S shares:

Name	2022		2021	
	Shares Million shares	Proportion (%)	Shares Million shares	Proportion (%)
The Finance Bureau of Fujian Province(1)	**418**	**2.01**	3,915	18.85
Fujian Financial Investment Co., Ltd (1)	**3,512**	**16.91**	N/A	N/A
PICC Life Insurance Company Limited (2)	**1,276**	**6.14**	1,276	6.14
PICC Property and Casualty Company Limited (2)	**1,229**	**5.91**	1,229	5.91
China National Tobacco Corporation (3)	**1,110**	**5.34**	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco (3)	**441**	**2.13**	441	2.13
China Tobacco Hunan Investment Management Company (3)	**226**	**1.09**	226	1.09
The People'S Insurance Company (Group) of China Limited (2)	**174**	**0.84**	174	0.84
China National Tobacco Fujian Corporation (3)	**132**	**0.64**	132	0.64
China National Tobacco Guangdong Corporation (3)	**99**	**0.48**	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (3)	**46**	**0.22**	46	0.22
Total	**8,663**	**41.71**	8,648	41.64

Note: (1) In March 2022, according to the document The People'S Government of Fujian Province'S Reply and Approval on the Matter regarding Transfer of Industrial Bank'S Equity at No Consideration (Minzheng Wen [2022] No.137), the Finance Bureau of Fujian Province transferred 3,512 million ordinary shares of the Bank (accounting for 16.91% of the total share capital of the Bank) to Fujian Financial Investment Co., Ltd. at no consideration following relevant procedures. This equity change has been approved by the People'S Government of Fujian Province. In August 2022, the Bank received the Reply of the CBIRC on the Qualifications of Related Shareholders of Industrial Bank (CBIRC Fu [2022] No.549), and the CBIRC agreed that the Finance Bureau of Fujian Province would transfer the 3,511,918,625 shares of capital of the Bank held in its ordinary account to Fujian Financial Investment Co., Ltd. The registration of ownership transfer was completed on 29 September 2022. As at 31 December 2022, the Finance Bureau of Fujian Province and its fully funded Fujian Financial Investment Co., Ltd. hold 18.92% shares in total.

(2) PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People'S Insurance Company (Group) of China Limited. The aggregate proportion is 12.90%.

(3) Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Other major shareholders of the Bank

Name	Relationship	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
						2022/12/31	2021/12/31
Zhejiang Provincial Energy Group Company Ltd.	Holding less than 5% of the Group'S shares but having a significant influence	Limited Company	Hangzhou	Industrial investment and development	Hu Zhongming	100.00	100.00
Zhejiang Zheneng Electric Power Co., Ltd.	Holding less than 5% of the Group'S shares but having a significant influence	Limited Company	Hangzhou	Electricity generation and related technologies research and development	Yu Guoping	136.01	136.01

Note: Zhejiang Zheneng Electric Power Co., Ltd. is a subsidiary of Zhejiang Provincial Energy Group Company Ltd., with a total shareholding ratio of less than 5%.

1.3 The major shareholders' related parties which have credit-related transactions with the Group

(a) The People's Insurance Company (Group) of China Limited and its related parties

- China Aerospace Investment Holdings Ltd.
- PICC Property and Casualty Company Limited
- China Securities Credit Investment Co., Ltd.

(b) China National Tobacco Corporation and its related parties

- Changde Jinpeng Printing Co.
- China Tobacco Guangxi Industry Co., Ltd.
- Guizhou Ke Tai Tian Xing Agricultural Technology Co., Ltd
- Hangzhou Xiang Yi Chun Jiang Shan Ju Real Estate Co., Ltd
- Hongta Securities Co., Ltd.
- Jilin Jin Ye Tobacco Co., Ltd.
- Xiamen Xin Ye Real Estate Development Co., Ltd
- Xiamen Xiang' an Xing Hai Sheng Real Estate Development Co., Ltd
- Yunnan Hongta Bank
- Zhong Wei Xin Sheng Real Estate Development (Fujian) Co., Ltd
- Zunyi Da Xing Fu Fei Co., Ltd

(c) Zhejiang Provincial Energy Group Company Ltd. and its related parties

- Zhejiang Provincial Energy Group Company Ltd.
- Nanjiao Urban Famei Station of Datong
- Guoneng Zheneng Ningdong Power Generation Co., Ltd.
- Huzhou Chang Guang Placing of Electricity Co., Ltd
- Ningxia Yin Xing Power Generation Co., Ltd.
- Qianjiang Water Resources Development Co., Ltd.
- Tongmei Zhejiang Energy Majialiang Coal Industry Co., Ltd
- Zhejiang Zheneng Electric Power Co., Ltd.
- Zheneng Jinjiang Environment Holding Company Limited

1.4 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.5 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or act as board of directors or senior management.

2.Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group'S contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Unit: RMB million

Related party	2022	2021
Associates	**193**	280
China Tobacco and its related parties	**27**	14
Zhejiang Energy Group Co., Ltd. and its related parties	**23**	17
Fujian Yango Holdings Group and its related parties	**N/A**	372
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	43
Other related parties	**7**	1
Total	**250**	727
Proportion in amount of related similar transactions	**0.08%**	0.23%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.2 Interest expense

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4,888**	3,275
The People'S Insurance Company (Group) of China Limited and its related parties	**649**	926
The Finance Bureau of Fujian Province	**95**	19
Associates	**34**	74
Zhejiang Energy Group Co., Ltd. and its related parties	**4**	71
Fujian Financial Investment Co., Ltd and its related parties	**1**	N/A
Fujian Yango Holdings Group and its related parties	**N/A**	128
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	10
Other related parties	**1**	–
Total	**5,672**	4,503
Proportion in amount of related similar transactions	**3.09%**	2.66%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group

2.3 Investment income

Unit: RMB million

Related party	2022	2021
Zhejiang Energy Group Co., Ltd. and its related parties	**4**	2
China Tobacco and its related parties	**4**	–
Total	**8**	2
Proportion in amount of related similar transactions	**0.03%**	0.01%

2.4 Fee and commission income

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**114**	153
Associates	**6**	9
China Tobacco and its related parties	**1**	13
The Finance Bureau of Fujian Province	**–**	1
Huaxia Life Insurance Co.,Ltd. and its related parties	**N/A**	13
Fujian Yango Holdings Group and its related parties	**N/A**	8
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	1
Other related parties	**1**	–
Total	**122**	198
Proportion in amount of related similar transactions	**0.25%**	0.42%

Note: (1) As at 31 December 2022, Huaxia Life Insurance Co.,Ltd. and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(3) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.5 Fees and commission expense

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**56**	6
Others	**30**	12
Total	**86**	18
Proportion in amount of related similar transactions	**1.95%**	0.37%

2.6 General and administrative expenses-insurance

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**536**	521
Proportion in amount of related similar transactions	**0.83%**	0.94%

In 2022, the Bank was paid RMB 0.21 million in compensation from PICC Property and Casualty Company Limited (2021: RMB 0.43 million).

2.7 General and administrative expenses-property rent

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**22**	28
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**23**	28
Proportion in amount of related similar transactions	**0.04%**	0.05%

2.8 General and administrative expenses-others

Unit: RMB million

Related party	2022	2021
Others	**–**	2
Proportion in amount of related similar transactions	**0.00%**	0.00%

3.Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**1,000**	–
Associates	**7**	9
Total	**1,007**	9
Proportion in amount of related similar transactions	**1.07%**	0.01%

3.2 Placements with banks and other financial institutions

Unit: RMB million

Related party	2022	2021
Associates	**1,177**	1,415
Proportion in amount of related similar transactions	**0.33%**	0.40%

3.3 Loans and advances to customers

Unit: RMB million

Related party	2022	2021
Associates	**3,133**	2,260
China Tobacco and its related parties	**586**	293
Zhejiang Energy Group Co., Ltd. and its related parties	**556**	726
Fujian Yango Holdings Group and its related parties	**N/A**	7,417
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	534
Others	**97**	13
Total	**4,372**	11,243
Proportion in amount of related similar transactions	**0.09%**	0.25%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.4 Trading assets

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**102**	–
Proportion in amount of related similar transactions	**0.01%**	0.00%

3.5 Debt investments

Unit: RMB million

Related party	2022	2021
Associates	**3,609**	3,609
China Tobacco and its related parties	**1,200**	–
Zhejiang Energy Group Co., Ltd. and its related parties	**10**	–
Fujian Yango Holdings Group and its related parties	**N/A**	912
Total	**4,819**	4,521
Proportion in amount of related similar transactions	**0.29%**	0.28%

Note (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

3.6 Other debt investments

Unit: RMB million

Related party	2022	2021
Zhejiang Energy Group Co., Ltd. and its related parties	**230**	191
China Tobacco and its related parties	**159**	–
Total	**389**	191
Proportion in amount of related similar transactions	**0.07%**	0.04%

3.7 Deposits from banks and other financial institution

Unit: RMB million

Related party	2022	2021
Associates	**2,338**	1,232
China Tobacco and its related parties	**833**	339
The People'S Insurance Company (Group) of China Limited and its related parties	**152**	256
Zhejiang Energy Group Co., Ltd. and its related parties	**–**	500
Fujian Yango Holdings Group and its related parties	**N/A**	10
Others	**36**	–
Total	**3,359**	2,337
Proportion in amount of related similar transactions	**0.21%**	0.14%

Note (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

3.8 Deposits from customers

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**86,268**	90,333
The People'S Insurance Company (Group) of China Limited and its related parties	**17,766**	24,357
Fujian Yango Holdings Group and its related parties	**N/A**	4,173
The Finance Bureau of Fujian Province	**4,153**	3,087
Associates	**446**	1,240
Fujian Financial Investment Co., Ltd and its related parties	**390**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**169**	16
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	1,140
Others	**148**	59
Total	**109,340**	124,405
Proportion in amount of related similar transactions	**2.31%**	2.89%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.9 Right-of-use assets

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4**	23
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**5**	23
Proportion in amount of related similar transactions	**0.05%**	0.24%

3.10 Lease liabilities

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4**	24
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**5**	24
Proportion in amount of related similar transactions	**0.05%**	0.27%

3.11 Credit line

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
China Tobacco and its related parties	**17,000**	17,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,500**	8,100
Fujian Yango Holdings Group and its related parties	**N/A**	18,500
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	4,000
Total	**79,500**	101,600

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

For details of major credit-related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

3.12 Off-balance sheet items

Bank acceptances

Unit: RMB million

Related party	2022	2021
Associates	**1,521**	1,421
China Tobacco and its related parties	**330**	40
Zhejiang Energy Group Co., Ltd. and its related parties	**62**	–
Fujian Yango Holdings Group and its related parties	**N/A**	1,705
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	67
Others	**183**	–
Total	**2,096**	3,233
Proportion in amount of related similar transactions	**0.25%**	0.39%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

Letters of guarantee

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**54**	56
Zhejiang Energy Group Co., Ltd. and its related parties	**22**	–
Fujian Yango Holdings Group and its related parties	**N/A**	283
Total	**76**	339
Proportion in amount of related similar transactions	**0.08%**	0.32%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

Letters of credit

Unit: RMB million

Related party	2022	2021
Associates	**118**	492
China Tobacco and its related parties	**50**	1
Zhejiang Energy Group Co., Ltd. and its related parties	**–**	140
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	47
Total	**168**	680
Proportion in amount of related similar transactions	**0.07%**	0.43%

Note: (1) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

4.Key management personnel remuneration

Unit: RMB million

	2022	2021
Salary and welfare	**18**	14

X.Contingencies and commitments

1.Pending litigations

As of the balance sheet date, the Group'S management considers that there is no pending litigation which has a significant impact on the financial statements and needs to be disclosed.

2.Off-balance sheet items

Contractual amount

Unit: RMB million

	The Group and the Bank	
	2022	2021
Credit card commitments	**518,344**	466,625
Letters of credit	**247,776**	158,352
Letters of guarantee	**93,375**	106,912
Bank acceptances	**834,853**	835,418
Irrevocable loan commitments	**22,610**	21,714
Total	**1,716,958**	1,589,021

3.Capital commitments

Unit: RMB million

	Contractual amount of the Group		Contractual amount of the Bank	
	2022	2021	2022	2021
Authorised but not contracted for	**8**	107	**8**	103
Contracted but not paid for	**356**	602	**311**	588
	364	709	**319**	691

4.Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**342,528**	237,375	**323,917**	225,472
Bills	**19,864**	32,416	**19,864**	32,416
Total	**362,392**	269,791	**343,781**	257,888

4.2 As at 31 December 2022, the Group and the Bank have no pledged bonds to credit derivative transactions (31 December 2021: Nil).

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2022, the fair value of pledged assets available for sale or convertible is RMB7,614 million (31 December 2021: RMB9,254 million).

5.Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2022 and 31 December 2021, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and have not been paid are as follows:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Certificate treasury bonds and saving treasury bonds	**2,169**	2,532

The Group believes the Group'S redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

6.Fiduciary Business

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Fiduciary loans	**158,269**	181,653	**158,269**	181,653
Fiduciary wealth management products	**2,067,451**	1,746,548	**29,658**	429,831

Fiduciary loans are loans in that depositors designated a specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

XI. Financial risk management

1.Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an ongoing basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk, and money-laundering risk.

The Group'S risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under a reasonable level of risk.

2.Risk management framework

Risk management is the basic safeguard for survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated a development strategy focused on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group'S business sector, risk management department and internal audit department build up the “three defences”; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defence to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risks, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defence, which is responsible for the constitution of the Group'S risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group'S risk condition periodically, taking measures for continuous improvement, and pushing forward the outspread of overall risk management work. The internal audit department is the third line of defence. It is responsible for all process audits, continuously providing independent and prospective audits and supervision with emphasis.

3.Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty'S failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group'S major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance-sheet-related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organising, implementing the credit risk management strategies and policies of the Group, and making basic rules for the Group risk management affairs. In addition, the department is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk is under control. The Group set up risk management department and professional risk management desk in two major lines called enterprise financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulations and operating rules and approving projects within the approving authority. The Group also sets up several specialised committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented them throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post-disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of “protecting, controlling, and compressing”, the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimised credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people'S livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment-friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people'S livelihood consumption industry like medical care, education, tourism and communication.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service policies, adjust and optimise client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of CBIRC, the Group developed and established customer internal rating system and has been continuously optimising the model and system. Meanwhile, the related results of internal rating have continuously entered into various risk management areas including authorisation management, industry access, limit management, economic capital measurement and asset impairment calculation. The credit risk weighted assets (“CRWA”) measurement system was successfully launched, realising automated measurement of CRWA using the internal rating method for credit risk. As the new Basel Capital Accord construction made further headway, the Group got promoted in capacity of identification, measurement and control of credit risk.

The Group developed a risk warning system, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generated by level of warning indicator can be achieved and the timeliness and accuracy of risk warnings can be improved effectively. The risk warning system realised the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided a basic guarantee for credit management.

The Group accurately identified risk conditions of credit assets, and reasonably reflected the income after risk adjustment to guide capital allocation optimisation in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by CBIRC, the Group has classified its credit asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(special mention), level 2(special mention), level 3(special mention), substandard, doubtful and loss. The Group has various management policies for each level.

In 2022, the COVID-19 pandemic has caused a certain impact on China'S overall economic operation and affected the normal operation of enterprises differently, which has in turn affected the asset quality of the Group'S credit assets to a certain extent. Despite the situation caused by the pandemic, the Group provided relief support for customers affected by the epidemic in accordance with government regulations. The Group has also further strengthened risk monitoring, increased the frequency of risk inspections, and performed risk tracking in respect of customers affected by the pandemic. Based on the intelligent risk control platform, the Group enhances the application of big data analysis in its risk management to proactively respond to changes in the external environment, and takes forward-looking risk control measures to effectively resolve hidden risks and prevent the accumulation of non-performing loans.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same as those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets. The model is summarised as follows:

- Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;
- Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group'S significant increase in credit risk, see Significant increase in credit risk;
- Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group'S definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.
- Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.
- The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information in the ECL model, please refer to Forward-looking information incorporated in the ECL model;
- Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets is lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring ECL are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. The Group considers that the credit risk of a Financial Instrument has increased significantly when one or more of the following quantitative, qualitative or cap criteria are triggered:

•Asset quality is classified as special-mentioned;

•The number of overdue days or days in arrears with interest exceeds 30 days;

•The absolute and relative levels of change in the probability of default exceed a certain range;

•Downgraded by more than three levels or more;

•The customer triggers the bank alert list;

•Other significant increases in credit risk.

The Group periodically reviews the applicability of the evaluation criteria to the current situation. During the Reporting Period, the Group further deepened the application of forward-looking information and improved the risk differentiation ability of the model. At the same time, the Group has established a strict stage upward migration mechanism, and the upgrading of corporate financial instruments from the third stage to the second stage should meet the requirements of the observation period, and the financial instruments of the third stage cannot be directly moved to the first stage.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates eligibility of customers. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payments, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognises the financial asset as default, and the standard is consistent with the definition of the credit-impaired:

(1)Quantitative criteria:

•Payment overdue for more than 90 days. If the borrower violates the prescribed overdraft limit or the re-approved overdraft limit is less than the current balance, the overdraft will be deemed to be overdue.

(2)Qualitative criteria:

•Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;

•After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or made a certain proportion of loan loss provisions;

•The Group sells the loan and assumes a certain percentage of the book loss;

•Due to the deterioration of the financial situation of the debtor, the Group agreed to restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor'S inability to repay;

•The Group classifies the debtor as a bankrupt enterprise or a similar status;

•The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;

•Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group'S ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

•PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

•The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;

•LGD is the Group'S estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

•Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;

•Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;

•Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off data assets, it is based on peer experience and regulatory factors, combined with expert'S judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Risk portfolio

When measuring expected credit losses on a portfolio basis, the Group has classified exposures with similar risk characteristics, with the main businesses being divided into non-retail business, bond business, retail business and credit card business. The Group groups the models according to similar risk characteristics, and the main reference indicators for the current grouping include national standard industries and product types. In grouping, the Group has obtained sufficient information to ensure its statistical reliability.

Forward-looking information incorporated in the ECL model

According to the different risk characteristics of assets, the Group divides assets into different risk groups, and collects external authoritative data and internal risk-related data for modelling within a reasonable cost and time range according to the risk characteristics of different risk groups.

During the reporting period, the Group expanded its macroeconomic index database to four categories: national economy, fiscal and monetary policy, price index and economic climate survey, fixed assets and real estate, and then formed macroeconomic indicator forecasts under multiple scenarios of "benchmark", "optimistic", "pessimistic", "extremely optimistic" and "extremely pessimistic" through quantitative statistical modelling combined with expert judgment.

The Group fully considers the differentiated risk characteristics of different assets, differentiates asset classes and constructs quantitative models to obtain the relationship between macroeconomic indicators and systemic risk factors, and then transmits the estimation results of one-year default probability and default loss rate based on macroeconomic forecasts.

The macroeconomic information used by the Group includes macro indicators such as the year-on-year growth rate of GDP in the quarter, the cumulative year-on-year growth rate of fixed asset investment completion, the stock of social financing scale: the year-on-year growth rate of RMB loans, and the average exchange rate of USD/RMB. Among them, the GDP forecast for the quarter is about 4.8% year-on-year under the 2023 baseline scenario, the optimistic scenario forecast is 0.7 percentage points higher than the benchmark, the pessimistic scenario forecast is 0.6 percentage points lower than the benchmark, and the extremely pessimistic scenario forecast is 0.9 percentage points lower than the benchmark.

By establishing an econometric model, combining macro data analysis and expert judgment, the weights of optimism, benchmark, pessimism and extreme pessimism were determined. In 2022, the benchmark scenario accounted for the highest weight, the extremely pessimistic scenario accounted for the lowest weight, and the remaining scenarios all had a weight close to 25%.

Expected credit loss is sensitive to the parameters used in the model, the macroeconomic variables of forward-looking forecasts, the weighting probability under multiple scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming a 10% increase in the weight of the optimistic scenario and a 10% reduction in the weight of the benchmark scenario, the Group'S credit impairment provision decreased by less than 1.2% as at 31 December 2022; Assuming a 10% increase in the weight of the pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group'S credit impairment allowance increases by less than 3.1%; Assuming a 10% increase in the weight of the extreme pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group'S credit impairment allowance increases by less than 4.6%.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group'S total exposures. The Group'S portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII, 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X, 2. As at 31 December 2022, the maximum credit risk exposure of the Group amounted to RMB10,209,100 million (31 December 2021: RMB9,464,758 million); the maximum credit risk exposure of the Bank amounted to RMB9,947,171 million (31 December 2021: RMB9,206,278 million).

Credit exposure

Loans and advances to customers

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**4,817,165**	**34,556**	**2,964**	**–**	**4,854,685**
Medium risk	**–**	**65,739**	**9,016**	**–**	**74,755**
High risk	**–**	**–**	**55,729**	**–**	**55,729**
Total carrying amount	**4,817,165**	**100,295**	**67,709**	**–**	**4,985,169**
Allowance for impairment losses	**(56,872)**	**(16,918)**	**(52,293)**	**–**	**(126,083)**
Total	**4,760,293**	**83,377**	**15,416**	**–**	**4,859,086**

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	4,285,080	34,070	1,180	–	4,320,330
Medium risk	–	60,128	7,857	–	67,985
High risk	–	–	49,017	–	49,017
Total carrying amount	4,285,080	94,198	58,054	–	4,437,332
Allowance for impairment losses	(81,935)	(14,080)	(33,862)	–	(129,877)
Total	4,203,145	80,118	24,192	–	4,307,455

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower'S repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-balance sheet items

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,705,782**	**4,890**	**392**	**–**	**1,711,064**
Medium risk	**–**	**4,986**	**281**	**–**	**5,267**
High risk	**–**	**–**	**627**	**–**	**627**
Total carrying amount	**1,705,782**	**9,876**	**1,300**	**–**	**1,716,958**
Allowance for impairment losses	**(6,263)**	**(396)**	**(371)**	**–**	**(7,030)**
Total	**1,699,519**	**9,480**	**929**	**–**	**1,709,928**

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,581,783	3,305	638	–	1,585,726
Medium risk	–	3,273	–	–	3,273
High risk	–	–	22	–	22
Total carrying amount	1,581,783	6,578	660	–	1,589,021
Allowance for impairment losses	(3,947)	(126)	(10)	–	(4,083)
Total	1,577,836	6,452	650	–	1,584,938

Financial investments

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**2,130,652**	**5,698**	**–**	**–**	**2,136,350**
Medium risk	**–**	**23,964**	**7,780**	**–**	**31,744**
High risk	**–**	**–**	**32,385**	**–**	**32,385**
Total carrying amount	**2,130,652**	**29,662**	**40,165**	**–**	**2,200,479**
Allowance for impairment losses	**(5,342)**	**(7,988)**	**(32,116)**	**–**	**(45,446)**
Total	**2,125,310**	**21,674**	**8,049**	**–**	**2,155,033**

Unit: RMB million

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,056,871	10,226	–	–	2,067,097
Medium risk	–	18,353	2,018	–	20,371
High risk	–	–	40,503	–	40,503
Total carrying amount	2,056,871	28,579	42,521	–	2,127,971
Allowance for impairment losses	(8,390)	(6,671)	(27,256)	–	(42,317)
Total	2,048,481	21,908	15,265	–	2,085,654

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**503,515**	**–**	**–**	**–**	**503,515**
Medium risk	**–**	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**9**	**–**	**9**
Total carrying amount	**503,515**	**–**	**9**	**–**	**503,524**
Allowance for impairment losses	**(821)**	**–**	**(9)**	**–**	**(830)**
Total	**502,694**	**–**	**–**	**–**	**502,694**

Unit: RMB million

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	562,275	–	–	–	562,275
Medium risk	–	–	–	–	–
High risk	–	–	9	–	9
Total carrying amount	562,275	–	9	–	562,284
Allowance for impairment losses	(3,071)	–	(9)	–	(3,080)
Total	559,204	–	–	–	559,204

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer'S initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; "medium risk" means that although the issuer'S internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to default; "high risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of c customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	442,403	–	–	442,403	–	–	–	–
Deposits with banks and other financial institutions	94,239	–	9	94,248	(125)	–	(9)	(134)
Placements with banks and other financial institutions	352,628	–	–	352,628	(585)	–	–	(585)
Financial assets purchased under resale agreements	56,648	–	–	56,648	(111)	–	–	(111)
Loans and advances to customers								
- Corporate loans and advances	2,520,009	70,091	36,584	2,626,684	(29,218)	(8,920)	(24,627)	(62,765)
- Personal loans and advances	1,919,762	30,145	31,011	1,980,918	(27,654)	(7,998)	(27,666)	(63,318)
Debt investments	1,584,122	28,846	39,504	1,652,472	(5,342)	(7,988)	(32,116)	(45,446)
Finance lease receivables	106,745	801	4,327	111,873	(1,269)	(225)	(3,155)	(4,649)
Financial assets, Others	32,386	29	375	32,790	(1,569)	(9)	(364)	(1,942)
Total	7,108,942	129,912	111,810	7,350,664	(65,873)	(25,140)	(87,937)	(178,950)
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	377,394	59	114	377,567	(2,682)	–	(69)	(2,751)
Other debt investments	546,530	816	661	548,007	(1,296)	(348)	(509)	(2,153)
Total	923,924	875	775	925,574	(3,978)	(348)	(578)	(4,904)
Credit commitments	1,705,782	9,876	1,300	1,716,958	(6,263)	(396)	(371)	(7,030)

As at 31 December 2021, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	447,446	–	–	447,446	–	–	–	–
Deposits with banks and other financial institutions	66,649	–	9	66,658	(398)	–	(9)	(407)
Placements with banks and other financial institutions	353,248	–	–	353,248	(1,426)	–	–	(1,426)
Financial assets purchased under resale agreements	142,378	–	–	142,378	(1,247)	–	–	(1,247)
Loans and advances to customers								
- Corporate loans and advances	2,112,243	76,080	38,600	2,226,923	(72,114)	(11,259)	(17,806)	(101,179)
- Personal loans and advances	1,849,111	17,529	19,413	1,886,053	(9,821)	(2,821)	(16,056)	(28,698)
Debt investments	1,574,039	27,154	42,154	1,643,347	(8,390)	(6,671)	(27,256)	(42,317)
Finance lease receivables	103,709	742	4,411	108,862	(1,461)	(201)	(3,243)	(4,905)
Financial assets, Others	38,739	20	538	39,297	(1,406)	(2)	(533)	(1,941)
Total	6,687,562	121,525	105,125	6,914,212	(96,263)	(20,954)	(64,903)	(182,120)
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	323,726	589	41	324,356	(1,008)	(3)	(21)	(1,032)
Other debt investments	482,832	1,425	367	484,624	(752)	(233)	(1,313)	(2,298)
Total	806,558	2,014	408	808,980	(1,760)	(236)	(1,334)	(3,330)
Credit commitments	1,581,783	6,578	660	1,589,021	(3,947)	(126)	(10)	(4,083)

3.3.1 Loans and advances to customers

As at 31 Demember 2022, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

Unit: RMB million

	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,348,689**	**1,282,257**	1,166,567	1,116,826
Guaranteed loans	**1,020,593**	**1,020,593**	821,906	821,906
Collateralised loans	**2,447,883**	**2,447,883**	2,296,607	2,296,607
- Secured by mortgage	**1,745,840**	**1,745,840**	1,669,855	1,669,855
- Secured by collaterals	**702,043**	**702,043**	626,752	626,752
Subtotal	**4,817,165**	**4,750,733**	4,285,080	4,235,339
Stage 2				
Unsecured loans	**22,418**	**21,326**	16,175	15,432
Guaranteed loans	**37,166**	**37,166**	37,747	37,747
Collateralised loans	**40,711**	**40,711**	40,276	40,276
- Secured by mortgage	**31,943**	**31,943**	30,318	30,318
- Secured by collaterals	**8,768**	**8,768**	9,958	9,958
Subtotal	**100,295**	**99,203**	94,198	93,455
Stage 3				
Unsecured loans	**25,981**	**24,317**	13,675	12,547
Guaranteed loans	**12,326**	**12,298**	18,436	18,436
Collateralised loans	**29,402**	**27,643**	25,943	24,543
- Secured by mortgage	**22,691**	**20,932**	25,096	23,696
- Secured by collaterals	**6,711**	**6,711**	847	847
Subtotal	**67,709**	**64,258**	58,054	55,526
Total	**4,985,169**	**4,914,194**	4,437,332	4,384,320
Fair value of collateral held against credit-impaired loans	**9,839**	**8,922**	12,622	12,622

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

Unit: RMB million

	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Credit-impaired	**9**	**9**	9	9
Less: allowances for impairment losses	**(9)**	**(9)**	(9)	(9)
Subtotal	**–**	**–**	–	–
Neither past due nor credit-impaired				
- Grade A to AAA	**439,703**	**452,922**	309,623	313,179
- Grade B to BBB	**20,239**	**20,239**	1,282	1,282
- Unrated	**42,476**	**41,714**	250,591	250,592
Total	**502,418**	**514,875**	561,496	565,053
Interest accrued	**1,097**	**1,152**	779	890
Less: allowances for impairment losses	**(821)**	**(816)**	(3,071)	(3,067)
Subtotal	**502,694**	**515,211**	559,204	562,876
Total	**502,694**	**515,211**	559,204	562,876

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank'S internal credit rating. Exposure limits are set for trading counterparties of banks and non-bank financial institutions.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group					
	2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	22,514	1,844	5,832	–	9,954	40,144
- Banks and non-bank financial institutions.	21	–	–	–	–	21
Total	22,535	1,844	5,832	–	9,954	40,165
Allowance for impairment losses						(32,116)
Subtotal						8,049
Overdue but not credit impaired						
- Other corporates	1,239	–	1,125	–	–	2,364
Allowance for impairment losses						(349)
Subtotal						2,015
Neither overdue nor credit impaired						
- Government	902,234	237,689	21	1,673	–	1,141,617
- Policy banks	32,822	2,101	101	715	–	35,739
- Banking and non-banking financial institution	289,021	91,759	3,907	12,658	3,258	400,603
- Other corporates	432,462	335,170	91,376	27,928	39,136	926,072
Total	1,656,539	666,719	95,405	42,974	42,394	2,504,031
Allowance for impairment losses						(12,981)
Subtotal						2,491,050
Total						2,501,114

Unit: RMB million

	The Group					
	2021					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	25,716	–	2,436	227	13,264	41,643
- Banks and non-bank financial institutions.	21	857	–	–	–	878
Total	25,737	857	2,436	227	13,264	42,521
Allowance for impairment losses						(27,256)
Subtotal						15,265
Overdue but not credit impaired						
- Other corporates	8,689	–	178	–	–	8,867
Allowance for impairment losses						(961)
Subtotal						7,906
Neither overdue nor credit impaired						
- Government	890,965	216,165	–	–	–	1,107,130
- Policy banks	42,625	–	–	325	–	42,950
- Banking and non-banking financial institution	88,478	123,624	20,962	6,648	1,189	240,901
- Other corporates	303,447	411,515	232,381	6,876	22,059	976,278
Total	1,325,515	751,304	253,343	13,849	23,248	2,367,259
Allowance for impairment losses						(14,100)
Subtotal						2,353,159
Total						2,376,330

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit on the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Collateral mainly includes financial collateral, real estate, accounts receivable and other collateral.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans when rescheduling. As at 31 December 2022, the carrying amount of the Group'S rescheduled loans was RMB2,766 million. (As at 31 December 2021, the amount is RMB5,823 million.)

4.Market risk

Market risk is the risk of loss, in respect of the Group'S on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group'S proprietary and customer-driven business. The Group'S market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk-adjusted benefit.

According to the Group'S market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorised by President of the Bank. The planning and financial department is responsible for implementing the Group'S asset and liability management policy, analysing and monitoring the implementation status of each type of indicator.

For daily control and management of treasury business, the risk management department of the treasury centre built up mid-stage risk control system to carry out implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate) and the repricing date (floating interest rate) of interest-bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralised the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasises the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasises the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirements, the Group has strengthened the management of market risk measurement models, standardised the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the online trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities is as follows:

Unit: RMB million

	The Group					
	2022					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	427,435	–	–	–	14,968	442,403
Deposits with banks and other financial institutions	90,139	3,975	–	–	–	94,114
Placements with banks and other financial institutions	111,581	197,581	42,881	–	–	352,043
Derivative financial assets	–	–	–	–	35,253	35,253
Financial assets purchased under resale agreements	56,537	–	–	–	–	56,537
Loans and advances to customers	3,097,093	1,488,291	214,081	70,414	–	4,869,879
Financial investments:						
Trading assets	43,611	40,662	159,727	95,584	660,271	999,855
Debt investments	57,798	133,427	816,411	599,390	–	1,607,026
Other debt investments	88,811	118,008	281,063	60,125	–	548,007
Other equity investments	–	–	–	–	3,453	3,453
Finance lease receivables	14,826	73,635	16,806	1,957	–	107,224
Other assets	3,672	658	1,447	106	24,965	30,848
Total financial assets	3,991,503	2,056,237	1,532,416	827,576	738,910	9,146,642
Financial liabilities:						
Borrowing from Central Bank	12,104	82,517	–	–	–	94,621
Deposits from banks and other financial institutions	1,548,687	79,567	–	–	–	1,628,254
Placements from banks and other financial institutions	173,704	90,489	12,276	799	–	277,268
Trading liabilities	28,726	–	–	–	20,852	49,578
Derivative financial liabilities	–	–	–	–	34,967	34,967
Financial assets sold under repurchase agreements	344,906	8,720	–	–	–	353,626
Deposits from customers	2,920,399	621,715	1,246,269	–	371	4,788,754
Debt securities issued	414,408	430,061	313,538	–	–	1,158,007
Lease liabilities	665	1,791	5,653	1,187	–	9,296
Other liabilities	1,457	8,249	–	–	40,382	50,088
Total financial liabilities	5,445,056	1,323,109	1,577,736	1,986	96,572	8,444,459
Net position	(1,453,553)	733,128	(45,320)	825,590	642,338	702,183

Unit: RMB million

	The Group					
	2021					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	430,986	–	–	–	16,460	447,446
Deposits with banks and other financial institutions	57,789	8,096	366	–	–	66,251
Placements with banks and other financial institutions	162,124	174,634	15,064	–	–	351,822
Derivative financial assets	–	–	–	–	34,460	34,460
Financial assets purchased under resale agreements	141,131	–	–	–	–	141,131
Loans and advances to customers	2,795,661	1,261,348	188,032	65,265	–	4,310,306
Financial investments:						
Trading assets	47,426	39,284	117,633	77,651	627,800	909,794
Debt investments	127,006	259,953	669,580	544,491	–	1,601,030
Other debt investments	80,257	67,030	250,482	86,855	–	484,624
Other equity investments	–	–	–	–	3,148	3,148
Finance lease receivables	40,130	48,580	13,965	1,282	–	103,957
Other assets	–	1,692	1,025	–	34,639	37,356
Total financial assets	3,882,510	1,860,617	1,256,147	775,544	716,507	8,491,325
Financial liabilities:						
Borrowing from Central Bank	18,805	76,972	–	–	–	95,777
Deposits from banks and other financial institutions	1,394,768	316,111	–	–	–	1,710,879
Placements from banks and other financial institutions	81,226	71,699	19,658	1,195	–	173,778
Trading liabilities	12,011	–	–	–	35,819	47,830
Derivative financial liabilities	–	–	–	–	38,847	38,847
Financial assets sold under repurchase agreements	244,010	21,566	–	–	–	265,576
Deposits from customers	2,738,365	731,617	884,823	200	743	4,355,748
Debt securities issued	339,504	494,153	237,666	48,793	–	1,120,116
Lease liabilities	606	1,729	5,573	1,145	–	9,053
Other liabilities	–	–	–	–	35,907	35,907
Total financial liabilities	4,829,295	1,713,847	1,147,720	51,333	111,316	7,853,511
Net position	(946,785)	146,770	108,427	724,211	605,191	637,814

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in yield curves of all currencies on the Group'S net interest income and other comprehensive income, based on the Group'S positions of financial assets and financial liabilities at the balance sheet date.

Unit: RMB million

	The Group			
	2022		2021	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	**(12,420)**	**(11,694)**	(9,953)	(11,765)
- 100 basis points	**12,420**	**12,047**	9,953	12,389

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed-rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposits, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shifts in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group'S capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralised to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “daytime self-trading positions” . The positions are centralised to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group'S asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at a low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

Unit: RMB million

	The Group			
	2022			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	434,231	7,818	354	442,403
Deposits with banks and other financial institutions	70,136	20,394	3,584	94,114
Placements with banks and other financial institutions	306,713	39,353	5,977	352,043
Derivative financial assets	28,507	6,733	13	35,253
Financial assets purchased under resale agreements	52,583	3,954	–	56,537
Loans and advances to customers	4,676,667	103,491	89,721	4,869,879
Financial investments:				
Trading assets	981,941	17,914	–	999,855
Debt investments	1,534,720	66,012	6,294	1,607,026
Other debt investments	453,587	93,334	1,086	548,007
Other equity investments	3,449	4	–	3,453
Finance lease receivables	106,747	477	–	107,224
Other assets	30,442	278	128	30,848
Total financial assets	8,679,723	359,762	107,157	9,146,642
Financial liabilities:				
Borrowing from Central Bank	94,621	–	–	94,621
Deposits from banks and other financial institutions	1,572,922	54,678	654	1,628,254
Placements from banks and other financial institutions	167,428	106,653	3,187	277,268
Trading liabilities	49,578	–	–	49,578
Derivative financial liabilities	29,154	5,802	11	34,967
Financial assets sold under repurchase agreements	339,823	13,803	–	353,626
Deposits from customers	4,593,336	140,884	54,534	4,788,754
Debt securities issued	1,131,035	24,738	2,234	1,158,007
Leasing liabilities	8,762	379	155	9,296
Other liabilities	45,803	4,243	42	50,088
Total financial liabilities	8,032,462	351,180	60,817	8,444,459
Net position	647,261	8,582	46,340	702,183

Unit: RMB million

	The Group			
	2021			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	437,742	9,553	151	447,446
Deposits with banks and other financial institutions	34,123	19,856	12,272	66,251
Placements with banks and other financial institutions	261,467	83,078	7,277	351,822
Derivative financial assets	30,570	3,770	120	34,460
Financial assets purchased under resale agreements	137,070	4,061	–	141,131
Loans and advances to customers	4,155,647	105,695	48,964	4,310,306
Financial investments:				
Trading assets	893,608	16,083	103	909,794
Debt investments	1,560,783	37,724	2,523	1,601,030
Other debt investments	425,810	57,858	956	484,624
Other equity investments	3,087	61	–	3,148
Finance lease receivables	103,506	451	–	103,957
Other assets	36,605	352	399	37,356
Total financial assets	8,080,018	338,542	72,765	8,491,325
Financial liabilities:				
Borrowing from Central Bank	95,777	–	–	95,777
Deposits from banks and other financial institutions	1,595,969	109,891	5,019	1,710,879
Placements from banks and other financial institutions	127,632	38,726	7,420	173,778
Trading liabilities	47,830	–	–	47,830
Derivative financial liabilities	35,425	3,017	405	38,847
Financial assets sold under repurchase agreements	258,893	6,683	–	265,576
Deposits from customers	4,177,900	163,840	14,008	4,355,748
Debt securities issued	1,087,451	27,265	5,400	1,120,116
Leasing liabilities	8,449	377	227	9,053
Other liabilities	35,772	84	51	35,907
Total financial liabilities	7,471,098	349,883	32,530	7,853,511
Net position	608,920	(11,341)	40,235	637,814

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

Unit: RMB million

	The Group	
	2022	2021
	Foreign exchange (losses) gains	Foreign exchange gains (losses)
5% appreciation	**(170)**	1,131
5% depreciation	**170**	(1,131)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1)The exchange rate sensitivity represents the exchange gains or losses arising from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2)The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group'S net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risks

Other price risks mainly derive from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5.Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group'S liquidity risk mainly derives from advanced or concentrated withdrawal, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The financial planning department monitors the liquidity risk ratios monthly by reviewing the structure of assets and liabilities. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly. It is also responsible for analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the liquidity ratio, liquidity coverage ratio, net stable fund ratio, and liquidity matching ratio and sets objectives and limits for each ratio. The Group also analyses general liquidity conditions, incorporating the consideration of macro economy and interbank liquidity status. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group'S overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

Unit: RMB million

	The Group							
	2022							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	442,403	–	–	–	–	–	–	442,403
Deposits with banks and other financial institutions	57,742	30,873	1,652	4,044	–	–	9	94,320
Placements with banks and other financial institutions	–	70,163	43,707	202,059	43,501	–	–	359,430
Financial assets purchased under resale agreements	331	55,859	484	–	–	–	–	56,674
Loans and advances to customers	–	638,070	374,312	1,311,069	1,378,572	2,596,984	84,432	6,383,439
Financial investments:								
Trading assets	628,551	14,502	2,546	22,477	47,714	274,138	42,229	1,032,157
Debt investments	–	11,202	28,044	276,108	194,646	1,473,647	13,356	1,997,003
Other debt investments	–	21	–	258	42,676	555,205	4,061	602,221
Other equity investments	–	–	–	–	–	–	3,453	3,453
Financial lease receivables	1,896	4,770	9,800	35,614	63,873	7,529	361	123,843
Other non-derivative financial assets	20,500	1,438	1,663	2,020	2,077	2,304	947	30,949
Total non-derivative financial assets:	1,151,423	826,898	462,208	1,853,649	1,773,059	4,909,807	148,848	11,125,892
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	5,966	6,248	83,897	–	–	–	96,111
Deposits from banks and other financial institutions	855,350	327,640	368,238	80,495	–	–	–	1,631,723
Placements from banks and other financial institutions	–	126,860	47,525	92,441	13,162	915	–	280,903
Trading liabilities	23,832	28,212	13	105	35	–	186	52,383
Financial assets sold under repurchase agreements	–	330,141	14,897	8,758	–	–	–	353,796
Deposits from customers	378	2,643,831	276,645	628,822	1,387,101	–	–	4,936,777
Debt securities issued	–	112,803	305,089	444,853	371,872	–	–	1,234,617
Lease liabilities	–	225	468	1,900	6,134	1,341	–	10,068
Other non-derivative financial liabilities	28,470	5,017	3,219	9,582	3,356	401	721	50,766
Total non-derivative financial liabilities	908,030	3,580,695	1,022,342	1,350,853	1,781,660	2,657	907	8,647,144
Net position	243,393	(2,753,797)	(560,134)	502,796	(8,601)	4,907,150	147,941	2,478,748

Unit: RMB million

	The Group							
	2021							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	447,446	–	–	–	–	–	–	447,446
Deposits with banks and other financial institutions	50,597	2,055	5,238	8,272	366	–	–	66,528
Placements with banks and other financial institutions	–	116,023	48,837	178,771	15,670	–	–	359,301
Financial assets purchased under resale agreements	–	141,956	513	–	–	–	–	142,469
Loans and advances to customers	–	606,703	337,844	1,184,665	1,327,719	2,242,833	66,476	5,766,240
Financial investments:								
Trading assets	589,920	4,268	14,574	48,094	147,537	57,571	98,845	960,809
Debt investments	–	12,516	54,241	285,198	746,133	892,603	19,147	2,009,838
Other debt investments	–	7,903	28,284	73,652	294,363	141,213	6,493	551,908
Other equity investments	–	–	–	–	–	–	3,148	3,148
Financial lease receivables	–	3,543	10,442	34,803	61,534	7,226	2,498	120,046
Other non-derivative financial assets	29,545	80	628	2,936	1,756	2,159	252	37,356
Total non-derivative financial assets:	1,117,508	895,047	500,601	1,816,391	2,595,078	3,343,605	196,859	10,465,089
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	12,354	6,486	78,664	–	–	–	97,504
Deposits from banks and other financial institutions	932,457	188,868	273,769	318,605	–	–	–	1,713,699
Placements from banks and other financial institutions	–	61,401	27,731	69,137	20,692	1,226	–	180,187
Trading liabilities	36,320	11,663	14	97	2	–	186	48,282
Financial assets sold under repurchase agreements	–	231,451	12,609	21,566	–	–	–	265,626
Deposits from customers	753	2,499,998	244,141	737,207	982,867	231	–	4,465,197
Debt securities issued	–	180,488	152,868	502,086	283,732	66,993	–	1,186,167
Lease liabilities	–	212	421	1,844	6,011	1,296	–	9,784
Other non-derivative financial liabilities	23,715	214	2,129	5,552	3,804	1,035	265	36,714
Total non-derivative financial liabilities	993,245	3,186,649	720,168	1,734,758	1,297,108	70,781	451	8,003,160
Net position	124,263	(2,291,602)	(219,567)	81,633	1,297,970	3,272,824	196,408	2,461,929

5.2 Liquidity risk analysis of derivative instruments

(1)Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group'S net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	**12**	**10**	**15**	**(45)**	**72**	**64**
Exchange rate derivatives	**(472)**	**497**	**482**	**15**	**–**	**522**
Other derivatives	**395**	**78**	**420**	**6**	**–**	**899**
Total	**(65)**	**585**	**917**	**(24)**	**72**	**1,485**
	2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(25)	(72)	(280)	(2,034)	(68)	(2,479)
Exchange rate derivatives	(100)	(233)	(234)	–	–	(567)
Other derivatives	(285)	(110)	12	(18)	–	(401)
Total	(410)	(415)	(502)	(2,052)	(68)	(3,447)

(2)Derivatives settled on a gross basis

The Group'S derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group'S positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**216,699**	**174,241**	**320,756**	**164,914**	**–**	**876,610**
- Cash outflow	**(217,172)**	**(174,072)**	**(326,086)**	**(168,229)**	**–**	**(885,559)**
Total	**(473)**	**169**	**(5,330)**	**(3,315)**	**–**	**(8,949)**
	2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	237,055	165,529	377,976	92,439	–	872,999
- Cash outflow	(237,804)	(165,732)	(374,900)	(91,677)	–	(870,113)
Total	(749)	(203)	3,076	762	–	2,886

5.3 Liquidity risk analysis of off-balance sheet items

The Group'S off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee, bank acceptances and irrevocable loan commitments. The tables below set forth the liquidity of the off-balance sheet items:

Unit: RMB million

	The Group							
	2022				2021			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**518,344**	**–**	**–**	**518,344**	466,625	–	–	466,625
Letters of credit	**247,256**	**520**	**–**	**247,776**	157,505	847	–	158,352
Letters of guarantee	**60,298**	**32,065**	**1,012**	**93,375**	66,624	38,254	2,034	106,912
Bank acceptances	**834,853**	**–**	**–**	**834,853**	835,418	–	–	835,418
Irrevocable loan commitments	**7,612**	**5,549**	**9,449**	**22,610**	11,236	5,383	5,095	21,714
Total	**1,668,363**	**38,134**	**10,461**	**1,716,958**	1,537,408	44,484	7,129	1,589,021

6.Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the regulations of CBIRC "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" . The Group will ensure capital adequacy ratio and the overall strategic development match with target management requirements, in order to achieve healthy, sustainable and rapid development.

In 2022, the Group implemented capital-intensive operation and management to continuously improve and optimise risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According to related guidelines of CBIRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group and the Bank monitor the capital adequacy and capital application in real time.

Unit: RMB million

	The Group	
	2022	2021
Net core tier 1 capital	**661,727**	598,556
Net tier 1 capital	**747,780**	684,555
Net capital	**973,833**	878,172
Total risk weighted assets	**6,746,229**	6,102,620
Core tier 1 capital adequacy ratio	**9.81%**	9.81%
Tier 1 capital adequacy ratio	**11.08%**	11.22%
Capital adequacy ratio	**14.44%**	14.39%

(1)The scope of consolidation for the purpose of calculating the Group'S Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2)The Group'S core tier 1 capital includes ordinary shares, equity components of convertible bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3)The Group'S core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4)The Group'S other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5)The Group'S tier two capital includes: tier two capital instruments and related premiums (to the extent permitted under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6)Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7.Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair values are measured through appropriate methods and parameters, and regularly reviewed by the Board of Directors to keep applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that is not observable with the utilisation of valuation techniques.

When recognising the fair value of the financial instrument, which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognises the fair value and classifies it to level 1. The financial instruments of the Group divided into level 1 include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on a recurring basis

For financial assets and financial liabilities at fair value on a recurring basis, three levels of fair value measurement are analysed as follows:

Unit: RMB million

	The Group							
	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Trading assets	**231,006**	**728,619**	**40,230**	**999,855**	247,695	630,332	31,767	909,794
Other debt investments	–	**541,346**	**6,661**	**548,007**	–	479,850	4,774	484,624
Other equity investments	**658**	–	**2,795**	**3,453**	853	–	2,295	3,148
Loans and advances to customers								
At fair value through profit or loss	–	**10,793**	–	**10,793**	–	2,851	–	2,851
At fair value through other comprehensive income	–	**377,567**	–	**377,567**	–	324,356	–	324,356
Derivative financial assets	–	**35,253**	–	**35,253**	–	34,460	–	34,460
Total	**231,664**	**1,693,578**	**49,686**	**1,974,928**	248,548	1,471,849	38,836	1,759,233
Financial liabilities:								
Trading liabilities	**24**	**49,346**	**208**	**49,578**	5,616	42,026	188	47,830
Derivative financial liabilities	–	**34,967**	–	**34,967**	–	38,847	–	38,847
Total	**24**	**84,313**	**208**	**84,545**	5,616	80,873	188	86,677

In 2022 and 2021, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2022	**31,767**	**4,774**	**2,295**	**(188)**	**38,648**
Gains or losses					
- in profit or loss	**(288)**	**(214)**	–	**(20)**	**(522)**
- in other comprehensive income	–	**433**	–	–	**433**
Purchase	**20,160**	**5,208**	**500**	–	**25,868**
Sold and settle	**(11,409)**	**(3,540)**	–	–	**(14,949)**
At 31 December 2022	**40,230**	**6,661**	**2,795**	**(208)**	**49,478**
Unrealised gains or losses as at 31 December 2022 included in profit or loss for assets held at 31 December 2022	**(288)**	–	–	–	**(288)**

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2021	32,843	2,606	1,793	(304)	36,938
Gains or losses					
- in profit or loss	(1,619)	356	–	–	(1,263)
- in other comprehensive income	–	(860)	–	–	(860)
Purchase	12,708	3,270	502	–	16,480
Sold and settle	(12,165)	(598)	–	116	(12,647)
At 31 December 2021	31,767	4,774	2,295	(188)	38,648
Unrealised gains or losses as at 31 December 2021 included in profit or loss for assets held at 31 December 2021	(366)	–	–	–	(366)

Information of Level 3 financial instruments:

Unit: RMB million

Items	The Group	
	Fair value on 31 December 2022	Value Tech
Trading assets		
- Equity investments	**18,117**	Net asset value method
- Trust beneficiary rights and asset management plans	**8,797**	Discounted cash flow method
- Debt	**7,712**	Discounted cash flow method
- Others	**5,604**	Discounted cash flow method
Other debt investments		
- Debt	**5,228**	Discounted cash flow method
- Trust beneficiary rights and asset management plans	**1,433**	Discounted cash flow method
Other equity investments	**2,795**	Net asset value method
Trading liabilities	**(208)**	Note
Total	**49,478**	

Unit: RMB million

Items	The Group	
	Fair value on 31 December 2021	Value Tech
Trading assets		
- Equity investments	17,553	Net asset value method
- Trust beneficiary rights and asset management plans	7,126	Discounted cash flow method
- Debt	2,123	Discounted cash flow method
- Others	4,965	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	2,580	Discounted cash flow method
- Debt	2,194	Discounted cash flow method
Other equity investments	2,295	Net asset value method
Trading liabilities	(188)	Note
Total	38,648	

Note:Trading liabilities are the equity of other shareholders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments not measured at fair value are carried at amounts which are not materially different from the fair value except as follows:

Unit: RMB million

	The Group				
	2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,607,026**	**1,620,124**	**–**	**1,118,736**	**501,388**
Total	**1,607,026**	**1,620,124**	**–**	**1,118,736**	**501,388**
Financial liabilities:					
Debt securities issued	**1,158,007**	**1,173,640**	**–**	**1,173,640**	**–**
Total	**1,158,007**	**1,173,640**	**–**	**1,173,640**	**–**
	2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,601,030	1,619,389	–	986,451	632,938
Total	1,601,030	1,619,389	–	986,451	632,938
Financial liabilities:					
Debt securities issued	1,120,116	1,132,713	–	1,132,713	–
Total	1,120,116	1,132,713	–	1,132,713	–

Quantitative information of level 2, 3 at fair value:

Unit: RMB million

Items	The Group			
	Fair value at 31 December 2022	Fair value at 31 December 2021	Valuation Technique	Inputs
Debt investments	1,620,124	1,619,389	Discounted cash flow method	Yield rate of bonds,default rate, loss given default,discount rate
Debt securities issued	1,173,640	1,132,713	Discounted cash flow method	Yield rate of bonds

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group'S assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XII.Other significant events

1.Financial assets and financial liabilities measured at fair value

Unit: RMB million

	The Group				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	34,460	793	–	–	35,253
Loans and advances to customers measured at fair value through profit or loss	2,851	(15)	–	–	10,793
Loans and advances to customers measured at fair value through other comprehensive income	324,356	–	(248)	1,719	377,567
Trading assets	909,794	(3,670)	–	–	999,855
Other debt investments	484,624	(717)	(6,560)	701	548,007
Other equity investments	3,148	–	(223)	–	3,453
Total financial assets	1,759,233	(3,609)	(7,031)	2,420	1,974,928
Financial liabilities (1)	(86,677)	3,898	–	–	(84,545)

Unit: RMB million

	The Bank				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	34,460	792	–	–	35,252
Loans and advances to customers measured at fair value through profit or loss	2,851	(15)	–	–	10,793
Loans and advances to customers measured at fair value through other comprehensive income	324,356	–	(248)	1,719	377,567
Trading assets	847,457	(3,862)	–	–	933,931
Other debt investments	484,758	(717)	(6,414)	711	548,000
Other equity investments	3,068	–	(223)	–	2,873
Total financial assets	1,696,950	(3,802)	(6,885)	2,430	1,908,416
Financial liabilities (1)	(80,754)	3,893	–	–	(84,174)

(1)Financial liabilities include trading liabilities and derivative financial liabilities.

(2)The items of assets and liabilities listed in the above tables have no inevitable relationship.

2.Financial assets and financial liabilities denominated in foreign currencies

Unit: RMB million

	The Group				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	9,704	–	–	–	8,172
Deposits with banks and other financial institutions	32,128	–	–	–	23,978
Placements with banks and other financial institutions	90,355	–	–	–	45,330
Derivative financial assets	3,890	2,856	–	–	6,746
Financial assets purchased under resale agreement	4,061	–	–	–	3,954
Loans and advances to customers	154,659	–	–	(686)	193,212
Financial investments:					
Trading assets	16,186	(571)	–	–	17,914
Debt investments	40,247	–	–	350	72,306
Other debt investments	58,814	–	(3,847)	(399)	94,420
Other equity investments	61	–	58	–	4
Finance lease receivables	451	–	–	(15)	477
Other financial assets	751	–	–	–	406
Total of financial assets	411,307	2,285	(3,789)	(750)	466,919
Financial liabilities (1)	(382,413)	(2,391)	–	–	(411,997)

Unit: RMB million

	The Bank				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	9,704	–	–	–	8,172
Deposits with banks and other financial institutions	31,419	–	–	–	23,759
Placements with banks and other financial institutions	90,355	–	–	–	45,330
Derivative financial assets	3,890	2,856	–	–	6,746
Financial assets purchased under resale agreement	4,061	–	–	–	3,954
Loans and advances to customers	154,659	–	–	(686)	193,212
Financial investments:					
Trading assets	16,186	(571)	–	–	17,914
Debt investments	40,247	–	–	350	72,306
Other debt investments	58,814	–	(3,847)	(399)	94,420
Other equity investments	61	–	58	–	4
Other financial assets	751	–	–	–	406
Total of financial assets	410,147	2,285	(3,789)	(735)	466,223
Financial liabilities (1)	(376,250)	(2,391)	–	–	(406,005)

(1)Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2)The items of assets and liabilities listed in the above tables have no inevitable relationship.

3.Transfer of financial assets

3.1 Assets-securitised

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it consolidates the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved or revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

The Group analyses and judges if the relevant financial assets transferred to be derecognised based on the degree of transfer of risk and return:

•When the Group transfers substantially all the risks (mainly including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognises the transferred financial assets. The Group has RMB12,605 million securitised financial assets in 2022 (2021: RMB71,856 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2022, the above asset-backed securities held by the Group amounted to RMB68 million (31 December 2021: RMB448 million).

•In 2022, the Group'S transferred assets include financial assets with carrying amount of RMB1,952 million (2021: RMB21,457 million), where the Group neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2022, the Group continued to recognise the financial assets with carrying amount of RMB11,427 million (31 December 2021: RMB12,191 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled at a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group retaines almost all the credit and market risks and benefits of the assets. The sold financial assets (cannot be used within the period) should not be recognised in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognises the financial liabilities by the price received. In these trading, the right of counter-parties to the Group is not limited to the transferred financial assets.

As at 31 December 2022 and 31 December 2021, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognised by the Group and relevant liabilities are as follows:

Unit: RMB million

Item	The Group			
	2022		2021	
	Bond	Bill	Bond	Bill
Assets book value	**342,528**	**19,864**	237,375	32,416
Liabilities book value	**333,662**	**19,767**	233,230	32,190

XIII.Non-adjusting events after balance sheet date

China Industrial International Trust Asset Management Co., Ltd., a subsidiary of the Group, issued RMB500 million three-year fixed-rate corporate bonds with an annual interest rate of 4.5% in February 2023.

As at the approval date of the financial statements, there are no material post-balance-sheet date events which should be disclosed by the Group, except for the above contents and dividend distribution. For details of dividend distribution, see Note VII, 32.

XIV.Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Supplementary Financial Information

I Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 - Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by CSRC.

Unit: RMB million

	The Group	
	2022	2021
Gains and losses on the disposal of non-current assets	**12**	(6)
Government grants recognised in profit or loss	**483**	613
Other non-operating income and expenses	**56**	107
Subtotal	**551**	714
Impact on income tax expenses	**(151)**	(210)
Total	**400**	504
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**381**	474
Total non-recurring profit or loss attributable to non-controlling interests	**19**	30
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**86,784**	77,946

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank'S financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Group") does not include "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

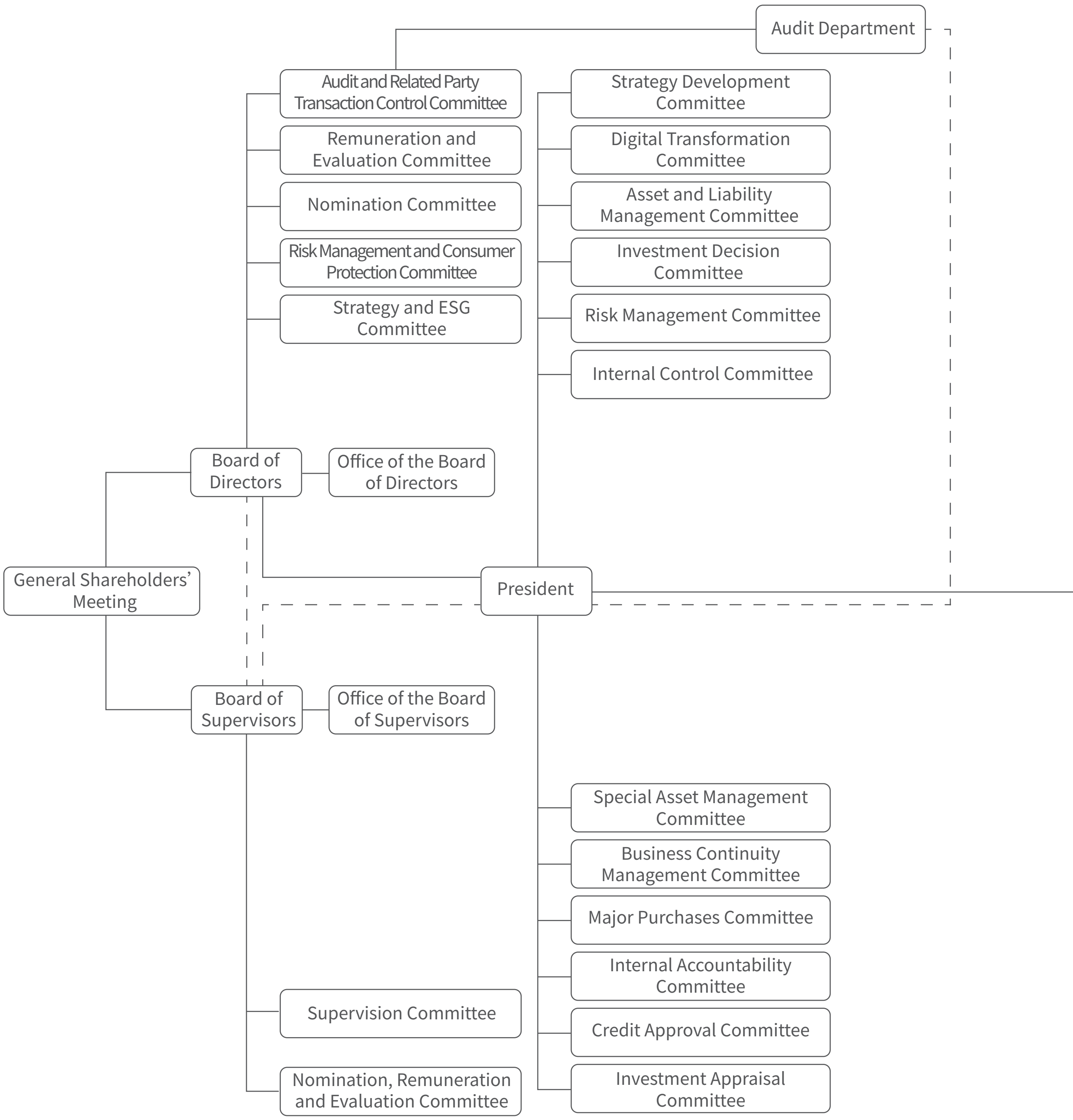
II Return on net assets ("ROE") and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

	The Group		
	2022		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	**13.85**	**4.20**	**3.87**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**13.79**	**4.18**	**3.86**

	The Group		
	2021		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	13.94	3.77	3.77
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.86	3.75	3.75

The Company's Organizational Structure



- General Office
- Planning and Finance Department
- Development and Planning Department
- Human Resources Department
- Risk Management Department
- Legal and Compliance Department
- Fujian Area Management Department
- Corporate Finance Segment
  - Corporate Finance Department
  - Green Finance Department (Strategy Clients Department)
  - Inclusive Finance Department (Rural Revitalization Department)
  - Institutional Business Department
  - Trade Banking Department (International Business Department)
  - Corporate Finance Risk Management Department
- Retail Banking Segment
  - Retail Platform Department (Office of Consumer Protection)
  - Wealth Management Department
  - Private Banking Department
  - Retail Credit Management Department
  - Credit Card Center
- Financial Market Segment
  - Financial Institutions Department (Futures Finance Department)
  - Bank Cooperation Center
- Investment Banking and Financial Market Segment
  - Investment Banking Department
  - Asset Management Department
  - Financial Markets (Assets Custody Department)
  - Investment Banking and Financial Market Risk Management Department
- Special Asset Management Department
- Operation Management Department
- Science & Technology Management Department
- CIB Fintech Research Academy
- Data Management Department
- Infrastructure & Operations Center
- Security Department
- Party & Populace Pidgin Department (Inspection Office)
- CIB Party School (CIB Senior Training Institute)
- Labor Union Committee
- Administrative and Security Department
- Branches and Sub-branches
- Direct Holding Subsidiaries

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